OHSU Board of Directors Meeting

Friday, October 25, 2019
1:00 – 3:25 pm

Robertson Life Sciences Building
2730 SW Moody Ave.
Conference Room 3A001
Port., OR 97239

OREGON HEALTH & SCIENCE UNIVERSITY
BOARD OF DIRECTORS MEETING
Public Agenda

Friday, October 25, 2019
1:00 - 3:25 pm
RLSB, Room 3A001

1:00 pm	Call to Order/ Chairman's Comments President's Comments Approval of Minutes Sept. 27 **(ACTION)**	Wayne Monfries Danny Jacobs, MD Wayne Monfries
1:15 pm	FY19 Audit and FY20 Q1 Results **(ACTION)**	Lawrence Furnstahl KPMG
1:45 pm	Plan to capture interest rate savings **(ACTION)**	Lawrence Furnstahl
2:00 pm	Strategic Plan Update	Danny Jacobs, MD
2:25 pm	Annual Report from Faculty	Karen Eden, PhD
2:45 pm	FY20 Indicators Update	Greg Moawad, JD
3:05 pm	Annual Integrity Report	Tim Marshall
3:25 pm	Meeting adjourned	

Oregon Health & Science University
Board of Directors Meeting
September 27, 2019
Rood Family Pavilion, Rooms B and C

Following due notice to the public, the regular meeting of the Board of Directors of Oregon Health & Science University (OHSU) was held at 1:30 p.m. in the Rood Family Pavilion, 3410 SW Bond Ave., Portland, Oregon 97239, rooms B/C.

A transcript of the audio recording was made of these proceedings. The recording and transcript are both available by contacting the Secretary of the Board at 3181 SW Sam Jackson Park Road, Mail Code L101, Portland, Oregon 97239. The following written minutes constitute a summary of the proceedings.

Attendance

Board members in attendance were, Danny Jacobs, Wayne Monfries, Chad Paulson, Amy Tykeson, Lubna Khan, Steve Zika, Stacy Chamberlain, Prashant Dubey and Ruth Beyer. OHSU staff members presenting materials on the agenda were Lawrence Furnstahl, Dana Braner, MD, Constance Tucker, PhD, David Robinson, PhD, Elena Andresen, PhD, Dana Director, PhD, Greg Moawad, JD, John Hunter, MD and Susan Bakewell Sachs, PhD, RN. Connie Seeley, Secretary of the Board, and Alice Cuprill-Comas, Assistant Secretary of the Board, were in attendance as well as other OHSU staff members and members of the public.

Call to Order

Wayne Monfries

Wayne Monfries, Chair of the OHSU Board of Directors, called the public meeting to order at 1:30 pm and welcomed all those in attendance.

Chairman's Comments

Wayne Monfries

Mr. Monfries opened by discussing several of OHSU's most recent accomplishments including the naming of OHSU as the number one hospital in Oregon by US News and World Report and six of its adult specialties ranked among the top 50 nationwide. He also mentioned OHSU was one of only six institutions to win a new Grant from the Bill and Linda Gates Foundation for extended research on flu vaccines. He also discussed a new opioid prevention program called ROAR which is being co-managed with OHSU, PSU and the Oregon Department of Corrections.

President's Comments
Danny Jacobs, M.D.

Dr. Jacobs announced the OHSU 2025 strategic planning process was nearly complete and he thanked everyone involved for their hard work and dedication. He stated an update would follow at the October board meeting. He proceeded by acknowledging new achievements at OHSU including the reactivation of the heart transplant program following unanimous approval by UNOS. He stated OHSU has hired three advanced heart failure specialists from the nation's top academic health centers and that they are very pleased with the progress. He was also thrilled to announce that the Cryo Electron Microscopy Center at OHSU received a $5.9 million grant from NIH to further enhance its facility. Lastly, he mentioned OHSU was only one of 11 academic medical centers in the country to receive a quality leadership award from Vizient. He gave a special thank you to Dr. Hunter and all of the participants on the healthcare side.

Approval of Minutes
Wayne Monfries

Mr. Monfries asked for approval of the minutes from the June 27, 2019 OHSU Public Board meeting. Upon motion duly made by Amy Tykeson and seconded by Chad Paulson, the minutes were approved by all Board members in attendance.

Rood Family Pavilion Overview
Dana Braner, MD

Mr. Monfries recognized Dana Braner, MD, Professor and Chair Department of Pediatrics Physician-in-chief, OHSU Doernbecher Children's Hospital, Professor of Pediatrics.

Dr. Braner gave a detailed overview of the Rood Family Pavilion since it's opening in January of this year. He mentioned there have been over 1000 nights in the Pavilion for children and that the families do not pay for anything including food, lodging or activities. He commented that before January OHSU turned away 50% of people who needed housing and today they turn away only 7% of children and are improving every day. He stated the Pavilion is almost 100% philanthropically organized and feels it is one of OHSU's greatest accomplishments in the last ten years.

FY19 Unaudited Financial Results
Lawrence Furnstahl

Mr. Monfries recognized Lawrence Furnstahl, Executive Vice President and Chief Financial Officer.

Mr. Furnstahl provided a detailed overview of OHSU's FY19 unaudited June financial results for year end. He stated KPMG, OHSU's external auditors will attend the October board meeting and present their report to the board at that time. He does not expect any significant changes. He discussed the three factors driving the results, strong revenue growth, a well-managed budget across the university and breaks in favor of the university.

Board members asked Mr. Furnstahl for additional information on investment return.

Annual Education Assessment Update

David Robinson, PhD and Constance Tucker, PhD

Mr. Monfries recognized Constance Tucker PhD, Vice Provost Educational Improvement and Innovation and David Robinson, PhD, Executive Vice Provost.

Dr. Robinson introduced Dr. Tucker and discussed her role at the university as assistant professor and Vice Provost for Educational Improvement and Innovation. Dr. Tucker discussed the assessment for student learning process and the goals they are trying to achieve. She discussed the process standards and systematic processes used to ensure these accomplishments are met.

Board members asked Dr. Tucker for additional information on quantitative measures, assessment tools and indicators. They also requested periodic updates on this process.

FY19 Indicators Final Report

Connie Seeley, John Hunter, MD, Elena Andresen, PhD, Dana Director, PhD and Greg Moawad, JD

Mr. Monfries recognized Connie Seeley, CAO and Chief of Staff, John Hunter, MD, EVP, CEO OHSU Health Systems, Elena Andresen, PhD, EVP, Provost, Dana Director PhD, VP Research Administration and Greg Moawad, JD, Interim VP Human Resources.

Connie Seeley gave a brief introduction to the FY19 Indicators five categories. Greg Moawad discussed people initiatives, improving employee engagement, implementing action plans and unconscious bias training. Dr. Hunter reviewed OHSU's national recognition, access and mortality metrics, net promoter scores and transfers. Dana Director gave an overview of the grants submitted, award dollars, publications and clinical trials and Elena Andresen discussed underrepresented minority students, national exams and indebtedness of students.

Board members asked the team for additional information on unconscious bias, publications, feedback on processes, grants, net promoter scores, transfers, targets and revisions of indicators with the strategic plan.

School of Nursing Initiatives
Susan Bakewell Sachs, PhD, RN

Mr. Monfries recognized Susan Bakewell Sachs, PhD, RN, Dean, School of Nursing

Dr. Bakewell Sachs gave an overview of the School of Nursing. She discussed their multiple locations and the full spectrum of educational programs provided to students at each location. She discussed the US News and World Report rankings and how they apply. She mentioned their many partnerships, education and research missions, online programs and strategic initiatives.

Board members asked for additional information on rural and mental health, and the relationship with PSU and the online programs.

Adjournment
Wayne Monfries

Hearing no further business for discussion, Mr. Monfries thanked all of the Board members and presenters for their participation. The meeting was adjourned at 3:22 pm.

Respectfully submitted,

Connie Seeley
Secretary of the Board

OHSU

FY19 Audit & FY20 Q1 Financial Results

OHSU Board of Directors / October 25, 2019

KPMG Audit of FY19 Financial Statements

- Drew Corrigan, audit engagement partner, will report on KPMG's audit of OHSU's FY19 consolidated financial statements.
- KPMG's slides and the final draft of the full audited financial statements are included under this tab.
- The OHSU audit went well:
  - KMPG notes no material errors or irregularities;
  - no significant recorded audit adjustments;
  - no disagreements with management or difficulties encountered in performing their audit; and
  - no significant deficiencies or material weaknesses in the internal control structure of OHSU.
- KMPG confirms their independence, and will issue an unmodified (or "clean") opinion stating that the financial statements of OHSU are fairly presented, in all material respects, in accordance with GAAP.
- Pages 3 – 26 of the audited financial statements provide a "Management Discussion and Analysis" (MD&A) to help the reader understand FY19 results.

OHSU

Results Unchanged from September Report

- The audited financial results themselves are the same as reported to the Board in September, with adjustments to GAAP accounting, summarized below.

	(millions)
OHSU operating income (budget basis)	$175
State grant to KCC for KCRB	8
Gift funding for KCRB	22
Operating income pre-GASB 68 (page 2 of 9/27 Board document)	205
Cash to accrual adjustment for retirement benefits expense	(32)
Total University operating income (page 105 of audited statements)	$173

- The FY19 total change in consolidated net worth (also called "net position") of $252 million is also the same as reported in September, as shown on page 6 of the 9/27 Board document and page 29 of the audited financial statements

Consolidation of Foundations in Audited Results

- The $252 million total change in net position includes Total University operating income plus investment results, net of the consolidation of the OHSU and Doernbecher Foundations.
- Consolidation of the Foundations is complex, as shown by the “Foundations” column on page 105 of the audit.
- The Foundations were funded by $164 million in total additions during FY19:
  - $74 million of new expendable gifts (under GAAP accounting) and other operating revenues,
  - $66 million of investment returns and other non-operating revenues, and
  - $24 million of nonexpendable donations,
- The Foundations transferred approximately $168 million to OHSU for program and capital support (mostly from gifts booked in prior years, plus endowment payout), and expended $20 million on their own staff compensation and other operations costs.
- Thus the Foundations’ net position decreased by $(24) million during FY19, recorded through a mix of operating and non-operating items.
- The flow of large gifts into and out of the Foundations’ books (as well as movements in financial markets that impact the endowment) can cause large swings in consolidated results, which is why we separate out the “Total University” column to show OHSU’s underlying financial performance.

Preliminary FY20 September YTD Results

- We are closing FY20 first quarter financial statements now.
- Preliminary results show $29 million of operating income, $6 million above budget on 11% year-over-year revenue growth.
- The $6 million improvement from budget largely reflects a slower pace of strategic initiative spending through the first three months.
- Expenses are up 13% from last year, due to drug and other supply costs, operating costs for new buildings (CHH-2, Rood Family Pavilion, and the Knight Cancer Research Building) on the South Waterfront, as well as unusually large purchases of capital equipment from grants in the first quarter of last fiscal year.
- Operating margins usually improve in the second half of the fiscal year, and the monthly budget is spread according to this historical pattern.
- Consolidated net worth is up $30 million to nearly $3.65 billion on September 30, 2019, closely tracking operating results.
- Cash & investments held by OHSU increased by $52 million from operating earnings before depreciation plus gains on OHSU-held fixed income investments, the value of which rise as interest rates fall. With completion of CHH-2 and the OHSU Hospital Expansion project in design stage, new capital spending from operating cash was relatively light.

OHSU

FY20 Q1 Operating Income $6M > Budget

Preliminary FY20 Q1 Results (millions)	FY19 Last Year	FY20 Budget	FY20 Preliminary	Preliminary - Budget	Preliminary / Last Year
Patient revenue & medical contracts	545	607	616	9	13.0%
Research & education support	28	34	34	0	20.5%
Grants & contracts	110	105	112	6	1.8%
Gifts applied to operations	20	24	20	(4)	1.2%
Tuition & fees	17	17	18	1	4.2%
State appropriations	9	9	10	0	6.2%
Other revenues	46	39	52	14	13.6%
Operating revenues	776	836	862	26	11.2%
Salaries & benefits	454	497	500	4	10.1%
Services & supplies	233	264	280	17	20.0%
Depreciation	40	44	44	(0)	9.0%
Interest	7	9	9	(0)	23.7%
Operating expenses	735	813	833	20	13.3%
Operating income (budget basis)	40	23	29	6	-27.8%
Operating margin	*5.2%*	*2.7%*	*3.4%*		
EBITDA margin	*11.3%*	*9.1%*	*9.5%*		

Oregon Health & Science University

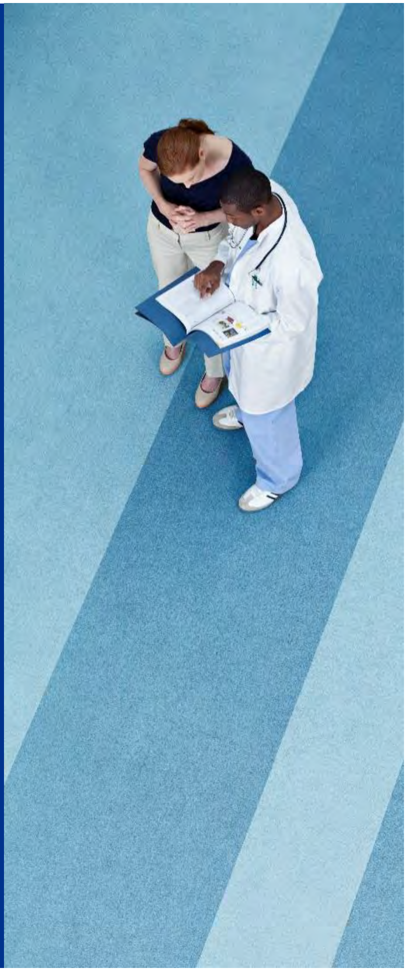
Board of Directors Meeting

Drew Corrigan

October 25, 2019

kpmg.com

Contents



Purpose and scope of audit examinations

Audit scope

- Oregon Health & Science University – Consolidated
- Oregon Health & Science University Foundation
- Doernbecher Children's Hospital Foundation
- Oregon Health & Science University – OMB Uniform Guidance Single Audit
- Oregon Health & Science University – Family Medicine at Richmond
- OHSU Insurance Company (InsCo)
- University Medical Group (UMG)
- OHSU – Institute on Development and Disability (IDD) Supplement
- Tuality Healthcare
- Cyclotron Agreed Upon Procedures Report

Audit team

Oregon Health & Science University
(Including Family Medicine at Richmond and IDD)

Dan Rozema †
EQCR Partner

Drew Corrigan†
Audit Engagement Partner

Sarah Opfer†
Managing Director

Ashley Carlile†
Lead Audit Senior Manager

Logan Garner
Manager

Nicole Blizzard†
Lead Audit Senior Associate

Taylor Broimani†
Senior Associate

InsCo

Amy Banovich†
Audit Engagement Partner
Leigh Wilson-Gasparovic†
EQCR
Ashley Carlile†
Audit Senior Manager
Nicole Blizzard†
Audit Senior Associate

Tuality Healthcare

Sarah Opfer†
Audit Managing Director
Dan Rozema †
EQCR
Ashley Carlile†
Audit Senior Manager
Connor Jarchow
Audit Senior Associate

University Medical Group

Drew Corrigan†
Audit Engagement Partner
Dan Rozema †
EQCR
Jacob Heilsberg†
Audit Manager
Cheyenne Burchett
Audit Senior Associate

OHSU Single Audit

Drew Corrigan†
Audit Engagement Partner
Dan Rozema †
EQCR
Tiffany Orford†
Audit Manager
Prince Oppong Kyekyeku
Audit Senior Associate

† denotes returning team members

Audit team (continued)

Oregon Health & Science University and Doernbecher Children's Hospital Foundations

Dan Rozema †
EQCR Partner

Drew Corrigan†
Audit Engagement Partner

Jacob Heilsberg †
Audit Senior Manager

Matthew Merchant
Audit In-Charge Associate

Jasper Ridge Partners
KPMG Fort Worth

Specialists

Sue Robison †
Tax-exempt Organizations

Patty Smolen†
Actuary-Malpractice

Michaela Weaver
IT Audit

Abednigo Sibanda
Actuary (Pension)

Chris Ray †
GASB Specialist

† denotes returning team members

Purpose and scope of audit examinations

Purpose of audit

- To express an opinion that the financial statements "present fairly, in all material respects, the net position and results of operations" of OHSU
- An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of OHSU's internal control over financial reporting
- External audit procedures do not replace internal audit or management controls

Significant differences in GASB reporting

Most significant reporting differences between FASB and GASB:

- Significantly expanded disclosures on investments.
- State appropriations included in non-operating revenues.
- Net change in unrealized gains and losses on investments recorded in net income rather than as another change in net assets.
- Net income includes the activities of all categories of net position (rather than just the unrestricted net position).
- Requires direct method statement of cash flows.
- Utilization of deferred outflows and deferred inflows categories
- Reporting requirements for discrete component units
- Pension and OPEB accounting
- Presentation of net assets includes temporarily restricted and permanently restricted
- Disclosures of liquidity and functional expense matrix not required

Auditors' responsibilities for communication with the board of directors

The auditor's responsibility under auditing standards generally accepted in the United States of America. Communicate responsibility assumed for the internal control structure, material errors, irregularities and illegal acts, etc.

— Our audit was designed in accordance with Government Auditing Standards to provide reasonable assurance that the financial statements are free of material misstatement.

— We have the responsibility to obtain sufficient understanding of internal control to plan our audits and determine the nature, timing and extent of procedures to be performed.

— We noted no material errors, irregularities or illegal acts. The changing regulatory environment places greater risk of compliance with regulatory requirements.

— We will issue an unmodified opinion stating that the financial statements of OHSU are fairly presented, in all material respects, in accordance with GAAP.

Significant accounting policies. The Board should be informed about the initial selection of and changes in significant accounting policies as well as the methods used to account for significant unusual transactions.

— New accounting policies in current year include:

- GASB 83, Certain Asset Retirement Obligations

Auditors' responsibilities for communication with the board of directors (continued)

Passed adjustments. Any passed audit adjustments proposed by the auditor impacting earnings, but not recorded by the client, should be communicated to the Board.

— $16M increase to Capital Assets related to expensing minor equipment purchases under $5K

— $15.8M decrease to expense related to the recognition of pharmacy inventory on the balance sheet

— $17M increase to expense for out of period write off related to capitalization policy change

Recorded audit adjustments impacting earnings. All significant recorded audit adjustments arising from the audit should be communicated to the Board.

— None noted.

Disagreements with management. Disagreements with management, whether or not satisfactorily resolved, about matters that could be significant to the financial statements or the auditors' report should be communicated to the Board.

— There were no such disagreements.

Auditors’ responsibilities for communication with the board of directors (continued)

Other information in documents containing audited financial statements.

— Management Discussion and Analysis.

— Required Supplementary Information: Proportionate share of the net pension (asset)/liability and related ratios, Schedule of defined benefit pension plan contributions.

— Institute on Development and Disability Supplemental Schedules (IDD).

— Combining Schedules.

Difficulties encountered in performing the audit. Serious difficulties encountered in dealing with management that relate to the performance of the audit are required to be brought to the attention of the Board.

— No difficulties were encountered in performing our audits.

Deficiencies in internal control. Any deficiencies in internal control encountered while performing the audit are required to be brought to the attention of the Board.

— There were no significant deficiencies or material weaknesses noted in the internal control structure of OHSU.

Auditor independence.

— KPMG is independent of OHSU.

Auditors’ responsibilities for communication with the board of directors (continued)

Non-routine transactions. The Board should be informed about the methods used to account for significant or non-routine transactions.

— Future bond issuances

Management judgments and accounting estimates. The Board should be informed about the process used by management in forming particularly sensitive accounting estimates and about the basis for the auditor’s conclusions regarding the reasonableness of those estimates.

— See slide 12

Key audit areas

Key processes and controls

— Patient revenue

— Student tuition

— Grant revenue

— Expenditure cycle

— Payroll

— Risk Management

— Oracle and Epic IT Controls

Significant account balances

— Investments, including alternative investments at the Foundations

— Self-insured liabilities

— Debt, including capitalized interest

— Pension (PERS)

kpmg.com/socialmedia

OREGON HEALTH & SCIENCE UNIVERSITY

(A Component Unit of the State of Oregon)

Financial Statements
and Supplementary Information

June 30, 2019 and 2018

(Dollars in thousands)

(With Independent Auditors' Report Thereon)

OREGON HEALTH & SCIENCE UNIVERSITY

(A Component Unit of the State of Oregon)

Table of Contents

Independent Auditors' Report

The Board of Directors
Oregon Health & Science University:

We have audited the accompanying financial statements of the business-type activities and discretely presented component unit of Oregon Health & Science University (OHSU), which comprise the statements of net position as of June 30, 2019 and 2018, and the related statements of revenue, expenses, and changes in net position and cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise OHSU's basic financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We audited the financial statements of the aggregate discretely presented component unit for the years ended June 30, 2019 and 2018. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Oregon Health & Science University, the discretely presented component unit as of June 30, 2019 and 2018 and the respective changes in its financial position and, where applicable its cash flows thereof, for the years then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 3 through 24, the schedule of funding progress for the postemployment healthcare benefit plan on page 103, the proportionate share of the net pension liability, and related ratios on page 103, and the schedule of defined-benefit pension plan contributions on page 103, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information, in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements as a whole. The supplemental information included in schedules 1 and 2 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted accounting principles. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

(signed) KPMG LLP

Portland, Oregon
October 25, 2019

OREGON HEALTH & SCIENCE UNIVERSITY

(A Component Unit of the State of Oregon)

Management Discussion and Analysis

June 30, 2019 and 2018

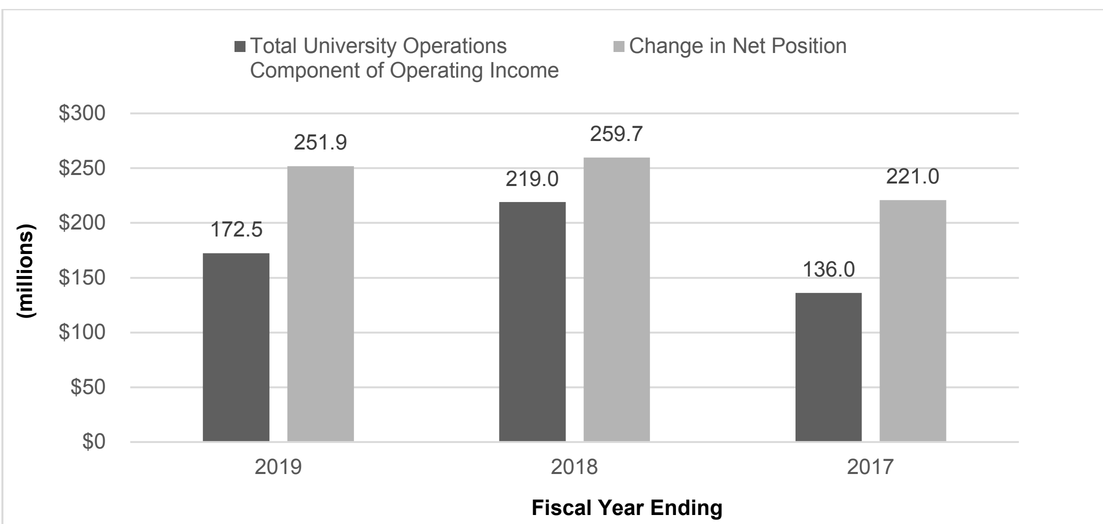
Introduction

Oregon Health & Science University (OHSU or the University) is Oregon's only public health sciences university and major academic health center. It is a national leader in education of health professionals and scientists, advanced biomedical and healthcare research, leading-edge patient care and outreach. As part of its multifaceted public mission, OHSU strives for excellence in education, research and scholarship, clinical practice and community service. Through its dynamic interdisciplinary environment, OHSU stimulates the spirit of inquiry, initiative and collaboration among students, faculty and staff.

The following discussion and analysis provides an overview of the financial activities of OHSU for the year ended June 30, 2019 and should be read in conjunction with the financial statements and related note disclosures. This discussion was prepared by management and is designed to focus on current activities, resulting changes, and current known facts with selective comparative information for the years ended June 30, 2018 and June 30, 2017.

Financial Highlights

To manage its operations and monitor its financial position, OHSU focuses on two key indicators: the Total University operations component of operating income (before consolidation of the Foundations and reclassification of state appropriations to nonoperating revenues) and the total change in consolidated net position, which includes the Foundations, investment income and other nonoperating items.



The broadest measure of OHSU's financial strength is net position, or assets and deferred outflows, less liabilities and deferred inflows. In fiscal year 2019, net position increased by $252 million or 7.5% from strong operating income and investment returns. This follows two preceding years of increase in net position of $260 million or 8.4% in 2018 and $221 million or 7.6% in 2017, also driven by strong operations and investments, as well as the State grant to the Knight Cancer Challenge. Over these three years, OHSU's net position increased by a cumulative 25.2% to $3.62 billion.

OREGON HEALTH & SCIENCE UNIVERSITY

(A Component Unit of the State of Oregon)

Management Discussion and Analysis

June 30, 2019 and 2018

The recording of large gifts, the State grant to the Knight Cancer Challenge, and accrued expense for pension have caused large swings in OHSU's revenues and expenses over the past several years. Management uses the following analysis of changes in net position to track underlying operating performance on a consistent basis.

On the Consolidating Statements of Revenues, Expenses and Changes in Net Position (Schedule 2) included at the end of the financial statements, the "Total University" column presents revenues and expenses before consolidation of the Foundations, with gifts recorded when transferred from the Foundations to the University for use, rather than when pledged. In addition, State appropriations are included within operating revenues to match the operating expenses for education and operations that the appropriations support. From this column, two other adjustments are made: revenue from the State grant to the Knight Cancer Challenge is removed, and expenses for pension benefits are recorded on a cash basis, rather than an accrual basis, as they were prior to adoption of GASB 68.

Components of OHSU Change in Net Position

(Dollars in thousands)

		2019	2018	Change
Total University operating income less Knight Cancer Challenge funding and accrual adjustments for pension benefits	$	176,479	137,863	38,616
Knight Cancer Research Building – KCI Funding		22,061	3,999	18,062
State grant to Knight Cancer Challenge		8,332	116,085	(107,753)
Accrual adjustments for pension benefits		(34,336)	(38,938)	4,602
Total university operations		172,536	219,009	(46,473)
Foundations operations		(115,053)	(72,054)	(42,999)
Elimination of Foundations' restricted capital activity		25,223	152	25,071
Reclassification of state appropriations		(37,276)	(37,026)	(250)
Consolidated operating income		45,430	110,081	(64,651)

(Continued)

OREGON HEALTH & SCIENCE UNIVERSITY

(A Component Unit of the State of Oregon)

Management Discussion and Analysis

June 30, 2019 and 2018

Components of OHSU Change in Net Position

(Dollars in thousands)

		2019	2018	Change
State appropriations	$	37,276	37,026	250
Investment and other nonoperating income (expense)		137,121	92,543	44,578
Consolidated net income		219,827	239,650	(19,823)
Capital/nonexpendable contributions and other		32,081	20,034	12,047
Total change in net position		251,908	259,684	(7,776)
Net position – beginning of year		3,367,291	3,111,581	255,710
Adjustment due to implementation of GASB Statement No. 75		—	(3,974)	3,974
Net position – end of year	$	3,619,199	3,367,291	251,908

Using the noted management adjustments, Total University operating income was $176 million in fiscal year 2019, an increase of $39 million or 28.0% from $137 million in fiscal year 2018. Excluding the $200 million State grant to the Knight Cancer Challenge and netting the provider tax, total core operating revenues increased by 10.3% in fiscal year 2019 and 7.4% in 2018. These results reflect the consistency of OHSU's underlying operating performance, despite an environment where health care cost containment and industry consolidation, government budget constraints, and high student debt levels all limit the payment rate increases possible for most OHSU revenue streams.

		Fiscal year ending June 30			Variance	
Total University		**2019**	**2018**	**2017**	**2019 v 2018**	**2018 v 2017**
Total operating revenues	$	3,284,778	3,136,131	2,912,907	4.7 %	7.7 %
Less state grant to Knight Cancer Challenge		8,332	116,085	59,037	(92.8)	96.6
Less provider tax		—	49,600	87,766	(100.0)	(43.5)
Total core operating revenues	$	3,276,446	2,970,446	2,766,104	10.3 %	7.4 %

(Continued)

OREGON HEALTH & SCIENCE UNIVERSITY

(A Component Unit of the State of Oregon)

Management Discussion and Analysis

June 30, 2019 and 2018

Results of Operations

The statements of revenues, expenses, and changes in net position present OHSU's results of operations, including the Foundations. In accordance with generally accepted accounting principles for a government entity, revenues and expenses are classified as either operating or nonoperating.

Condensed Statements of Revenues, Expenses, and Changes in Net Position

(Dollars in thousands)

		2019	2018	2017
Patient service revenue, net	$	2,350,926	2,210,653	2,097,255
Gifts, grants and contracts		611,080	613,352	554,829
All other operating revenues		216,112	226,053	196,690
Total operating revenues		3,178,118	3,050,058	2,848,774
Salaries, wages and benefits		1,859,136	1,732,915	1,623,266
Defined benefit pension		72,043	76,587	85,277
All other operating expenses		1,201,509	1,130,475	1,091,677
Total operating expenses		3,132,688	2,939,977	2,800,220
Operating income		45,430	110,081	48,554
State appropriations		37,276	37,026	35,560
Other nonoperating revenues (expenses)		137,121	92,543	112,197
Other changes in net position		32,081	20,034	24,731
Total increase in net position	$	251,908	259,684	221,042

In fiscal year 2019, OHSU opened several new buildings on the South Waterfront campus, including the Knight Cancer Research Building (KCRB) a transformational 320,000 square foot cancer research facility made possible by a commitment of $200 million grant funding from the State opened in August 2018. The state support contributed to the OHSU Knight Cancer Challenge and helps create new health care opportunities for Oregonians across the state, in addition to short and long-term economic benefits for the region.

OHSU also opened two other buildings in early 2019 on the South Waterfront: Center for Health & Healing Building 2 (CHH-2) and the Gary and Christine Rood Family Pavilion. The CHH-2 operates as a high-acuity ambulatory care facility specializing in highly complex outpatient surgery and invasive procedures. It has extended stay capacity where patients can recover up to 48 hours. The building also houses clinical space for the Knight Cancer Institute, including oncology clinics, infusion and clinical trials. CHH-2 allows patients previously filling inpatient beds to be cared for in an advanced outpatient and short-stay setting, with access to leading-edge diagnostic and treatment services

To the east of CHH-2 is the Gary and Christine Rood Family Pavilion. The Rood Family Pavilion includes a guest house serving both pediatric and adult traveling patients and their families as well as a parking structure, conference center and space for a future urgent care facility.

As a result of the OHSU Knight Cancer Challenge initiatives, fiscal year 2019 operating income reflects both revenues and expenses related to the South Waterfront campus buildings and supporting programs, some of which are one-time activities, others of which are ongoing to the total university operating income. Additionally, operating income reflects the multi-year initiative called Accelerate OHSU that is designed to narrow the gap between payment rate and unit cost inflation; to facilitate volume growth across missions; to moderate variable costs; and to reduce current expense base until new capacity can be brought fully online.

Revenues Supporting Core Activities

OHSU's operating revenues for the fiscal year end June 30, 2019 totaled $3.18 billion driven by continued growth in net patient service revenue and gifts, grants and contracts. This follows increases in the two preceding fiscal years, with operating revenues of $3.05 billion and $2.85 billion in 2018 and 2017, respectively.

Net patient service revenue increased in fiscal year 2019 by 6.3% (adjusting for a half year of provider tax in fiscal year 2018 the underlying revenue growth was 8.8%) to $2.35 billion, reflecting continued high occupancy in specialty adult medical-surgical beds, higher case mix, and surgical and ambulatory growth. In January of fiscal year 2018, through an intergovernmental transfer approach, the State of Oregon (the State) and OHSU worked closely to secure federal funding to ensure Medicaid patients have access to high-quality specialty care and support activities essential to the quality of health care across the state of Oregon. This new approach replaced other funding mechanisms and ended OHSU's participation in Oregon's provider tax.

	Fiscal year ending June 30			Variance	
	2019	2018	2017	2019 v 2018	2018 v 2017
	(Dollars in thousands)				
Patient service revenue	$ 2,350,926	2,210,653	2,097,255	6.3 %	5.4 %
Provider tax	—	49,600	87,766	(100.0)	(43.5)
Patient service revenue net of provider tax	$ 2,350,926	2,161,053	2,009,489	8.8 %	7.5 %

Grants, gifts and contracts continue to remain strong in fiscal year 2019 at $611 million, compared to $613 million in 2018 and $555 million in 2017, despite the conclusion of revenue recognition associated with the State's $200 million grant supporting the Knight Cancer Challenge research facility. The State supported the Knight Cancer Challenge with a $200 million grant, for research and clinical trial facilities on the South Waterfront campus, first recognized in fiscal year 2016 with the last application in 2019 of $8 million.

The University continues to report consistent growth in federal government and industry grants, an indicator of the success of OHSU's research and other programs, along with steady increases in medical contracts over the last three fiscal years, reflecting partnerships that extend OHSU programs across the region.

Gifts are recorded at the OHSU Foundation and Doernbecher Children's Hospital Foundation (the Foundations) when pledged, and at the University when transferred from the Foundations and applied to program expenditures. The receipt of large gifts pledged in one year, received in cash over time, then spent during subsequent periods, results in significant fluctuation in the gift component of OHSU revenues on a combined basis. Gifts from the Foundations, such as the Knight Cancer Institute gift supporting the KCRB at $22 million in

2019 and $4 million in 2018, continue to provide critical funding to faculty in support of programs and academic initiatives.

		Fiscal year ending June 30		
		2019	**2018**	**2017**
		(Dollars in thousands)		
University grants and contracts, direct portion	$	457,088	356,587	336,206
University grants and contracts, indirect cost recovery		97,974	91,869	86,430
State grant to the Knight Cancer Challenge		8,332	116,085	59,037
Foundation gifts, net of eliminations, transferred to the University		47,686	48,811	73,156
Total gifts, grants and contracts	$	611,080	613,352	554,829

Student tuition and fees were $78 million and $74 million in fiscal year 2019 and 2018, respectively. Fiscal year 2019 marks the sixth year of the OHSU Tuition Promise. Under this initiative, students enrolled in eligible clinical degree programs pay a tuition rate that is fixed for the remainder of their studies, as long as they complete the degree within the normal timeframe specified by the program.

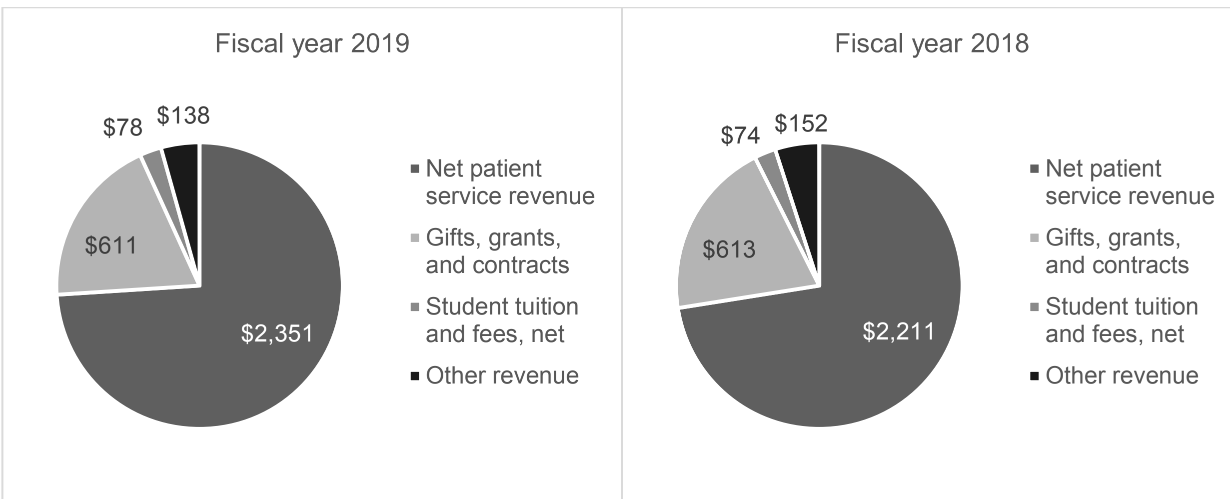
Certain revenues relied upon and budgeted for in operational support of education and service programs of the University are required to be recorded as nonoperating revenues. For management purposes, OHSU measures operating results including state appropriations. State appropriations totaled $37 million in both fiscal year 2019 and 2018. State appropriations support education in the Schools of Nursing, Dentistry and Medicine, as well as operations of the Child Development and Rehabilitation Center, the Office of Rural Health, and the Poison Center.

(Continued)

Investment returns, reflected in other nonoperating revenues (expenses), totaled $141 million in fiscal year 2019 compared to $91 million in fiscal year 2018, largely due to higher market returns.

Operating Revenue by Source
Fiscal years 2019 and 2018 (Total $3.18 billion and $3.05 billion, respectively)

(Dollars in millions)



Expenses Associated with Core Activities

OHSU's total operating expenses on a combined basis increased by $193 million, or 6.6%, in fiscal year 2019, and $140 million, or 5.0%, in fiscal year 2018.

As a result of the OHSU Knight Cancer Challenge initiatives, expenses related to the South Waterfront campus buildings and supporting programs, including salaries, wages, and benefits, services, supplies and other, and depreciation and amortization, increased in the current fiscal year. These were offset by a reduction in OHSU's proportionate share of the Oregon Public Employees Retirement System (PERS) defined-benefit pension expense and provider tax.

Fiscal year 2019 and 2018 operating expense also included integrated clinical operations support for Adventist Health Portland at $5 million and $5 million, respectively, an affiliate since January 1, 2018, and Tuality Healthcare (Tuality) at $8 million and $7 million, respectively, a partner since February 2017.

Salaries, wages, and benefits (excluding the impact of defined-benefit pension expense) comprised approximately 59.3% of total expenses, increased by $126 million, or 7.3%, in 2019 and $110 million, or 6.8%, in 2018, respectively. In the current fiscal year, the increase was due to recruitment for clinical programs and staff in support of CHH-2 ambulatory building with cancer clinical trial space and the Rood Family Pavilion for patient and family housing. This was offset by a slight reduction in the PERS defined benefit pension of $5 million. In fiscal year 2018 salaries and wages were adjusted to reflect market compensation levels for highly productive clinical staff, as well as recruitment for clinical programs that supported the continued growth in patient revenues.

Services, supplies, and other expenses, showed an increase of $82 million, or 9.1%, in 2019, and $73 million, or 8.8%, in 2018 representing the nonlabor costs associated with the targeted program growth noted above and increased direct foundation support, along with approximately $16 million in CHH-2 one time startup costs in fiscal year 2019 and OHSU’s participation ending in Oregon’s provider tax.

Depreciation and amortization, which represents the reduction in value of capital assets with the passage of time, increased by $36 million, or 23.6%, in 2019, and $4.5 million, or 3.1%, in 2018. In 2019, the increase in depreciation reflects the opening of the new buildings noted previously along with a change in capitalization threshold for capital assets of $17 million.

Interest expense increased by $2.8 million, or 9.7%, in fiscal year 2019. The increase in interest expense in 2019 is largely driven by a reduction in capitalized interest. Capitalized interest for 2019 and 2018 was

OREGON HEALTH & SCIENCE UNIVERSITY

(A Component Unit of the State of Oregon)

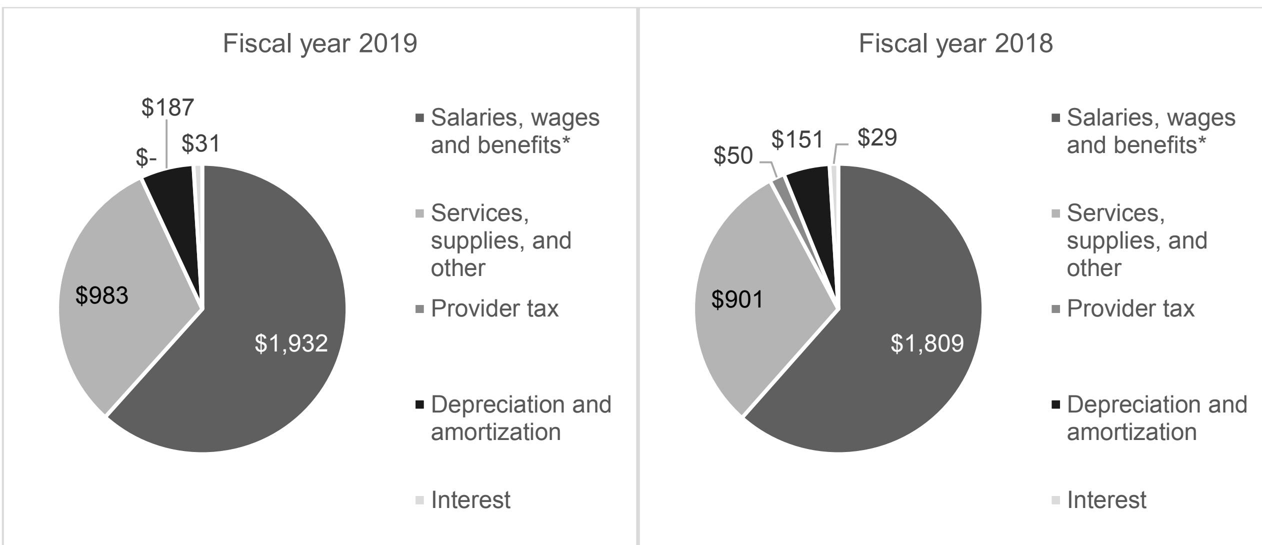
Management Discussion and Analysis

June 30, 2019 and 2018

$6.1 million and $8.7 million, respectively. Capitalized interest decreased as a consequence of decreased capital spending with the completion of CHH-2 in fiscal year 2019.

Operating Expenses
Fiscal years 2019 and 2018 (Total $3.13 billion and $2.94 billion, respectively)

(Dollars in millions)



* Salaries, wages, and benefits figures include OHSU's proportionate share of the Oregon PERS's net pension liability of $72 million and $77 million expensed in fiscal years 2019 and 2018, respectively.

Operating Expenses by Functional Classification

(Dollars in thousands)

		2019	2018	2017
Instruction, research, and public service	$	507,049	471,869	436,645
Clinical activity		1,986,762	1,860,679	1,745,058
Auxiliary activities		7,498	7,470	8,740
Internal service centers		10,327	9,082	12,184
Student services		14,800	13,545	12,459
Academic support		82,662	82,955	84,353
Institutional support		146,093	164,421	159,342
Operations, maintenance, and other		118,943	106,288	104,195
Direct foundation expenditures		37,499	33,635	36,606
Depreciation and amortization		186,719	151,095	146,597
Defined pension benefit, net of contribution		34,336	38,938	54,041
Total operating expenses	$	3,132,688	2,939,977	2,800,220

Financial Position

The statements of net position present the assets and liabilities, deferred inflows of resources and deferred outflows of resources, and net position of OHSU as of a point in time. Net position, the difference between total assets and deferred outflows as compared to total liabilities and deferred inflows, presents the financial position at the end of the fiscal year and is one of the broadest measures of the financial condition of OHSU, while the change in net position is an indication of whether the overall financial condition has improved or worsened during the year.

OREGON HEALTH & SCIENCE UNIVERSITY

(A Component Unit of the State of Oregon)

Management Discussion and Analysis

June 30, 2019 and 2018

The following table summarizes OHSU's statements of net position for the past three years by major category of assets, liabilities, deferred inflows and outflows, and net position.

Condensed Statements of Net Position

(Dollars in thousands)

		2019	2018	2017
Assets:				
Current assets	$	1,125,847	1,155,648	1,209,077
Capital assets		2,072,996	2,009,564	1,742,740
Other noncurrent assets		2,371,988	2,229,923	2,143,462
Total assets		5,570,831	5,395,135	5,095,279
Deferred outflows		205,752	182,548	299,377
Total assets and deferred outflows	$	5,776,583	5,577,683	5,394,656
Liabilities:				
Current liabilities	$	460,019	536,439	517,683
Noncurrent liabilities		1,503,847	1,498,180	1,619,739
Total liabilities		1,963,866	2,034,619	2,137,422
Deferred inflows		193,518	175,773	145,653
Net position:				
Net investment in capital assets		1,239,304	1,160,403	997,731
Restricted, expendable		717,100	813,026	842,794
Restricted, nonexpendable		274,762	249,931	231,908
Unrestricted		1,388,033	1,143,931	1,039,148
Total net position		3,619,199	3,367,291	3,111,581
Total liabilities, deferred outflows and net position – end of year	$	5,776,583	5,577,683	5,394,656

(Continued)

OREGON HEALTH & SCIENCE UNIVERSITY

(A Component Unit of the State of Oregon)

Management Discussion and Analysis

June 30, 2019 and 2018

Assets

The largest components of OHSU's assets are cash and investments and capital assets, or physical plant.

Cash and Investments. During fiscal year 2019, OHSU's unrestricted and restricted cash and investments increased from $2.14 billion to $2.37 billion attributable to operating and investment performance and the Foundations activity. Policies set by OHSU and the Foundations dictate how investments are allocated and what risk profiles are assumed. Working capital is primarily invested in short duration, liquid fixed-income assets. Long-term investment strategy, including the investment of endowment funds and the associated spending distribution policy at the OHSU Foundations, is equity oriented, aiming to maximize total return, promote diversification, preserve capital, and provide for cash flow needs of the University.

Consolidated Asset Allocation of
Unrestricted and Restricted Cash and Investments

(Dollars in thousands)

		2019	2018	2017
Unrestricted cash and investments:				
Cash and equivalents	$	96,419	60,678	82,583
Fixed-income investments		974,916	894,594	764,344
Equity investments		251,643	221,997	268,164
Mutual funds		151,418	138,980	126,396
Other		202,225	165,504	68,950
Subtotal		1,676,621	1,481,753	1,310,437
Restricted cash and investments:				
Cash and equivalents		16,480	13,374	3,712
Fixed-income investments		166,309	138,320	185,551
Equity investments		342,747	353,108	418,256
Mutual funds		—	—	9,181
Other		166,239	152,009	22,913
Subtotal		691,775	656,811	639,613
Totals	$	2,368,396	2,138,564	1,950,050

OREGON HEALTH & SCIENCE UNIVERSITY

(A Component Unit of the State of Oregon)

Management Discussion and Analysis

June 30, 2019 and 2018

The unrestricted portion of cash and investments is represented in the calculation of days cash on hand for OHSU. Days cash on hand increased from 212 days in 2018 to 228 days in 2019, the effect of a 13.1% increase in unrestricted operating cash and investments compared to a 5.3% increase in net unrestricted operating expenses.

Days Unrestricted Cash and Investments on Hand

(Dollars in thousands)

		2019	2018	2017
OHSU:				
Unrestricted cash and investments	$	1,171,106	1,025,102	881,840
Less nonoperating cash and investments		(45,297)	(38,909)	(33,508)
Operating cash and investments	$	1,125,809	986,193	848,332
Unrestricted operating expenses:				
Total operating expenses	$	2,777,553	2,607,181	2,487,844
Less depreciation and amortization		(186,621)	(150,986)	(146,473)
Net unrestricted operating expenses	$	2,590,932	2,456,195	2,341,371
Daily expense	$	7,098	6,729	6,415
Days cash on hand		159	147	132
OHSU plus OHSU and Doernbecher Foundations:				
Unrestricted cash and investments	$	1,676,621	1,481,753	1,310,436
Less nonoperating cash and investments		(45,297)	(38,909)	(33,508)
Operating cash and investments	$	1,631,324	1,442,844	1,276,928
Unrestricted operating expenses:				
Total operating expenses	$	2,797,999	2,630,036	2,511,126
Less depreciation and amortization		(186,720)	(151,095)	(146,596)
Net unrestricted operating expenses	$	2,611,279	2,478,941	2,364,530
Daily expense	$	7,154	6,792	6,478
Days cash on hand		228	212	197

(Continued)

The following table presents the days unrestricted cash on hand for OHSU as of fiscal year ended June 30, 2019, 2018, and 2017, calculated with the removal of pension adjustments due to the adoption of GASB 68.

Days Unrestricted Cash and Investments on Hand Pre-GASB 68 Adjustment

(Dollars in thousands)

		2019	2018	2017
OHSU plus OHSU and Doernbecher Foundations:				
Operating cash and investments	$	1,631,324	1,442,844	1,276,928
Net unrestricted operating expenses	$	2,611,279	2,478,941	2,364,530
Pension adjustment GASB 68		(34,336)	(38,938)	(54,041)
Adjusted net unrestricted operating expenses	$	2,576,943	2,440,003	2,310,489
Daily expense	$	7,060	6,685	6,330
Days cash on hand (pre-GASB 68)		231	216	202

Capital Assets. Capital investments in patient care, research, education and outreach are scaled and paced to available funding from operating earnings and philanthropy. Capital assets, net of accumulated depreciation, increased by $63 million and $267 million, respectively, during fiscal years 2019 and 2018. In 2019 and 2018, capital expenditures included the design, construction and completion of CHH-2, KCRB, and the Gary and Christine Rood family pavilion. Additionally in fiscal year 2019, capital assets increased due to the initial activities associated with the Elks Children's Eye Clinic/Casey Eye Institute expansion and the OHSU Hospital Expansion Project (OHEP) along with annual capital for replacement, infrastructure and new capacities.

Liabilities

Total liabilities decreased by $71 million, or 3.5%, in fiscal year 2019. This follows a decrease of $103 million, or 4.8%, in fiscal year 2018. In fiscal year 2019, the decreases were related to activities in other noncurrent liabilities, compensated absences payable and noncurrent liabilities. In fiscal year 2018, the decreases were primarily due to recognition of unearned revenue associated with the State grant supporting the Knight Cancer Challenge and a reduction of OHSU's proportionate share of the PERS pension liability.

Current liabilities consist primarily of the current portion of long-term debt, including capital leases, and self-funded insurance, accounts payable and accrued expenses, salaries, wages, and benefits payable and unearned revenue. In fiscal year 2019, the reduction in current liabilities is primarily due to a decrease in intergovernmental transfers (IGT) payables to the State of $69 million and $15.8 million of retainage payables related to the new buildings reflected in other current liabilities. Compensated absences payable lowered by $23 million due to the implementation of a new paid time off program implemented in fiscal year 2019. These decreases were offset by accrued salaries, wages, and benefits and accounts payable and accrued expenses.

Noncurrent liabilities increased $6 million in fiscal year 2019 due to an increase in the pension liability offset by long-term debt less current portion.

Debt Management. At the close of fiscal years 2019 and 2018, OHSU had a total of approximately $951 million and $977 million in long-term debt and capital leases outstanding, respectively, excluding current portion.

Due to OHSU's sustained operating performance and increasing net position in 2019 and 2018, credit ratings have remained strong and stable. OHSU has maintained its Standard & Poor's and Fitch ratings of AA-, and Moody's rating of Aa3.

One measure of the degree of leverage on the University's statements of net position is the ratio of total debt to net position, shown below. From fiscal years 2017 to 2019, this metric has decreased (improved) as the newly issued long-term debt related to the new ambulatory care tower was offset by operating results and investment returns.

	2019	2018	2017
		(Dollars in millions)	
Total debt and capital leases	$ 979	1,002	1,009
Net position, as adjusted	3,619	3,367	3,112
Total debt and capital leases to net position	$ 0.27	0.30	0.32

Maximum Annual Debt Service Coverage. The maximum annual debt service coverage ratio for an entity represents the amount of cash flow available to meet the maximum annual interest and principal payment on debt. Per bond covenants, OHSU's credit group must maintain a debt coverage ratio of 1.10 times or greater. The University continues to exceed this minimum requirement with ratios of 6.65 in fiscal year 2019, 4.90 in 2018, and 4.70 in 2017.

Calculation of Maximum Annual Debt Service Coverage Ratio – Unrestricted

(Dollars in thousands)

	2019	2018	2017
Total excess of revenues over expenses	$ 219,827	239,650	196,311
Add/subtract restricted net loss/gain	51,905	(95,251)	(56,505)
Unrestricted excess of revenues over expenses	$ 271,732	144,399	139,806

Calculation of Maximum Annual Debt Service Coverage Ratio – Unrestricted

(Dollars in thousands)

		2019	2018	2017
Adjustments:				
Net unrealized (gain) loss in fair value of investments	$	(58,639)	(22,856)	(34,788)
Loss on disposal of assets		411	296	255
Interest expense[(1)]		30,965	27,319	28,657
Depreciation and amortization		186,720	151,095	146,596
Other		—	—	—
	$	159,457	155,854	140,720
Income available for debt service	$	431,189	300,253	280,526
Maximum annual debt service		64,879	61,230	59,629
Maximum annual debt service coverage		6.65	4.90	4.70

(1) Interest expense is decreased by investment income on trust accounts.

The following table presents the maximum annual debt service coverage ratio for the last three fiscal years, calculated with the removal of pension adjustments due to the adoption of GASB 68.

Calculation of Maximum Annual Debt Service Coverage Ratio – Unrestricted
Pre-GASB 68 Adjustment

(Dollars in thousands)

		2019	2018	2017
Income available for debt service	$	431,189	300,253	280,526
Pension adjustment GASB 68		34,336	38,938	54,041
Adjusted income available for debt service	$	465,525	339,191	334,567
Maximum annual debt service	$	64,879	61,230	59,629
Maximum annual debt service coverage (pre-GASB 68)		7.18	5.54	5.61

Deferred Inflows and Outflows

Under GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, certain deferred outflows are presented below assets and certain deferred inflows are presented below liabilities.

In fiscal year 2019, the increase in deferred outflows of $23 million and increase of deferred inflows of $18 million were primarily attributed to changes in the defined-benefit pension obligations. In fiscal year 2018, the deferred outflows decreased $117 million and the deferred inflows increased $30 million due to several items of significance, including deferred amortization of derivative instruments, gains and losses on refunding debt, and obligations related to defined-benefit pension activities and the addition of the life income agreements and pending funds.

Within the deferred outflows section of the statements of net position is the deferred amortization of derivative instruments. OHSU currently holds one interest rate swap agreement. Previously, OHSU held two interest rate swap agreements, which were novated during 2016 and reassigned to a new counterparty under different terms. The 2019 and 2018 deferred outflow for the amortization of derivative instruments was $7.3 million and $8.5 million, respectively.

Losses and gains on refunding of debt are amortized over the shorter of the life of the new debt or the remaining life of the old debt. Absent any refunding activity, these numbers will slowly decline. OHSU has both deferred gains and losses. The deferred loss on refunding of debt of $22.3 million in 2019 and $23.8 million in 2018 is reported in the deferred outflows section below assets. The deferred gain on refunding of debt of $1.8 million in 2019 and $2.2 million in 2018 is reported in the deferred inflows section below liabilities. The last refunding transaction occurred in 2016 with the advance refunding of the Series 2009A Revenue Bonds.

With the adoption of GASB 68 in fiscal year 2015, defined-pension obligation activities are now included in deferred inflows and outflows. In fiscal year 2019 and 2018, the deferred outflows related to the Oregon PERS pension obligation were $174 million and $149 million, respectively, primarily representing assumption changes. Contributions made post measurement date are also reflected in deferred outflows. In fiscal year 2019, OHSU's contributions were $48 million, which included an additional $10 million in excess contribution above the contractually required $38 million. In fiscal year 2018, OHSU's contributions made post measurement date were $47 million. Deferred inflows related to pension activities for fiscal years 2019 and 2018 were $69 million and $52 million, respectively, representing an increase in proportionate share.

Net Position

As noted earlier, total net position increased $252 million during fiscal year 2019, as compared to an increase of $260 million during fiscal year 2018.

In fiscal years 2019 and 2018, the increase of net position occurred within net investment in capital assets and unrestricted, with net investment in capital assets up $79 million in 2019 and $163 million in 2018. Unrestricted net position increased $244 million and $105 million in 2019 and 2018, respectively. Restricted net position, which is 27.4% and 31.6% of OHSU's total net position, decreased by $71 million and $12 million, in 2019 and 2018, respectively, primarily driven by programmatic spending on research and academics. In fiscal year 2018, the restricted net position included an adjustment related to irrevocable split-interest agreements with adoption of GASB 81.

When evaluating OHSU's net position, it is important to note that OHSU's Marquam Hill property is leased from the State for renewable 99-year periods, at a lease payment equal to the debt service on bonds outstanding at the time of OHSU's separation from the Oregon University System. As that debt service is relatively low, the capitalized net present value of those lease payments is significantly less than the fair value of the included land and buildings.

OHSU Missions

The University launched a new strategic planning process in fiscal year 2019 called OHSU 2025, which has identified five major goals.

- Build a diverse, equitable environment where all can thrive and excel
- Be the destination for transformational learning
- Enhance health and health care in every community
- Discover and innovate to advance science and optimize health worldwide
- Partner with communities for a better world

These goals advance OHSU's core missions of healing, teaching and discovery, striving to:

- Educate tomorrow's health professionals, scientists, engineers and managers in top-tier programs that prepare them for a lifetime of learning, leadership and contribution.
- Explore new basic, clinical and applied research frontiers in health and biomedical sciences, environmental and biomedical engineering and information sciences, and translate these discoveries, wherever possible, into applications in the health and commercial sectors.
- Deliver excellence in health care, emphasizing the creation and implementation of new knowledge and cutting-edge technologies.
- Lead and advocate for programs that improve health for all Oregonians, and extend OHSU's education, research and healthcare missions through community service, partnerships and outreach.

The following sections highlight achievements for each of our missions.

OHSU Education

One foundation of OHSU's mission is the education and training of dentists, nurses, physicians, physician assistants, other health professionals, biomedical scientists and engineers, through a broad range of undergraduate and graduate programs that provide healthcare and biomedical workforce for Oregon and beyond. Educational programs are conducted on the OHSU campus in Portland and at various locations throughout the State.

Collaborative programs enable OHSU to offer a joint Doctor of Pharmacy degree through an affiliation with Oregon State University (OSU) as well as a joint Ph.D. degree and a joint Master of Science degree in Medical Physics. In partnership with Oregon Institute of Technology (OIT), OHSU offers a joint B.S. degree in Medical Laboratory Science, a joint B.S. degree in Emergency Medical Services Management and a joint Associate of Applied Science degree in Emergency Medical Technology–Paramedic. OHSU also offers a joint Master of Business Administration in Health Care Management with Portland State University (PSU) and has also established a joint School of Public Health with PSU comprised of several undergraduate and graduate joint programs including Bachelor degrees, Graduate Certificates, Master of Science, Master of Public Health and Ph.D. programs.

As of the fall 2018 term, OHSU had 2,999 students enrolled in its various programs (excluding students enrolled in the joint degree programs with OSU and OIT as well as the School of Public Health joint degree students registered by PSU). The following table sets forth the number of students enrolled in OHSU's programs for each of the past three academic years.

Fall Headcount Enrollment [(a)]
For Programs in the Years Indicated

	2018/2019	2017/2018	2016/2017
School of Dentistry:			
Graduate	27	27	27
Professional	296	290	294
Subtotal	323	317	321
School of Medicine:			
Undergraduate	18	14	13
Graduate	812	773	827
Professional	603	592	578
Subtotal	1,433	1,379	1,418
School of Nursing:			
Undergraduate	764	762	764
Graduate	222	214	217
Professional	44	40	41
Subtotal	1,030	1,016	1,022
School of Public Health:			
Graduate	213	183	138
Total	2,999	2,895	2,899

(a) This table excludes interns, residents and trainees. This table also excludes students enrolled in the joint Pharm.D. degree program with OSU, the joint undergraduate programs with OIT and the School of Public Health joint degree students registered by PSU.

(b) Public Health enrollment under the Schools of Medicine and Nursing were transferred to the School of Public Health.

OREGON HEALTH & SCIENCE UNIVERSITY

(A Component Unit of the State of Oregon)

Management Discussion and Analysis

June 30, 2019 and 2018

OHSU Research

OHSU is a national leader in neuroscience; cancer research; hearing; microbiology; ophthalmology; infectious disease and immunology; reproductive biology; atomic, molecular, cellular, and tissue imaging; and evidence-based medicine. In 2019, OHSU research projects received 70% of the grants made by the National Institutes of Health (NIH) in the state of Oregon, with the next largest recipient receiving 12% of the grants. OHSU was ranked 25th out of the 2,532 entities that received funding from the NIH in 2019. Faculty members include five members of the National Academy of Sciences and six members of the National Academy of Medicine. Researchers at OHSU have developed many of the leading advances in medicine, including the first artificial heart valve, pioneering use of optical coherence tomography, the first percutaneous angioplasty procedure, and the first molecularly targeted cancer therapy (Gleevec®).

OHSU's many institutes are nationally and internationally recognized, including the Knight Cancer Institute, the only National Cancer Institute designated Comprehensive Cancer Center in Oregon, the Vollum Institute, privately endowed and dedicated to basic science research that has led to new treatments for neurological and psychiatric diseases, the Casey Eye Institute, a world-recognized academic regional eye center that attracts top specialists from around the globe, the Vaccine and Gene Therapy Institute, which focuses on serious viral disease threats and programs intended to span the continuum between basic and clinical science, where discoveries are rapidly advanced from the level of molecular and cellular biology through animal models and ultimately into clinical testing, and the Oregon Non-Human Primate Research Center, one of the seven National Primate Research Centers supported by the National Institutes of Health. Their world-class translational research programs focus on current, developing and projected high-priority human medical needs that are projected to increase in importance over the coming decades.

OHSU actively pursues private and public partnerships on important and innovative research projects to supplement federal funding, with corporate partners such Thermo Fisher Scientific's Analytical Instrumentals Segment, a leading electronic microscopy company, and other major information technology and life sciences companies, and with academic partners such as PSU, OSU, University of Oregon, Pacific Northwest National Laboratory and Lawrence Berkeley National Laboratory.

In May 2018, OHSU was awarded a $42 million, 6-year grant to establish the Pacific Northwest Center for Cryo-EM. This state-of-the-art electron microscopy user facility is operated jointly by OHSU and Pacific Northwest National Laboratory, and will allow researchers from a diverse range of backgrounds to tackle the most challenging scientific problems and train the next generation of cryo-electron microscopy (cryo-EM) specialists and users. With the purchase of four revolutionary microscopes to be located in the Robertson Life Sciences Building, cryo-EM researchers can visualize biological molecules at an atomic scale, leading to advances in diseases such as Parkinson's, Alzheimer's, and cancer.

OHSU Healthcare

OHSU is home to Oregon's only major academic health center, which serves a multistate area with tertiary health care services from its campus in Portland, Oregon, where it operates two hospitals, OHSU Hospital and OHSU Doernbecher Children's Hospital (Doernbecher Hospital and, collectively with OHSU Hospital, the OHSU Hospitals), with 576 licensed beds. During 2019, the OHSU Hospitals represented 8.4% of the available beds and 11.8% of the filled beds for the entire State. The OHSU Hospitals had an 85% occupancy rate for available beds in 2019, compared to the Oregon statewide average of 60% according to the Oregon Association of Hospitals and Health Systems' Oregon DataBank. As an academic health center, OHSU's professional staff is composed primarily of the faculty of OHSU's School of Medicine. The OHSU Practice Plan (OPP) is the largest organized clinical practice in Oregon. As of June 30, 2019, there were over 1,879 active faculty practice plan members, including physicians, nurse practitioners, physician assistants and other licensed independent practitioners from across all medical specialties.

OHSU Patient Activity	Fiscal year ending June 30			Variance	
	2019	2018	2017	2019 v 2018	2018 v 2017
	(Dollars in thousands)				
Inpatient admissions	29,174	29,213	29,747	(0.1)%	(1.8)%
Average length of stay	6.12	5.94	5.92	3.0	0.3
Average daily census	476	464	470	2.6	(1.3)
Day/observation patients	42,320	40,378	37,552	4.8 %	7.5 %
Emergency visits	47,856	48,461	47,193	(1.2)	2.7
Ambulatory visits	987,024	955,857	893,999	3.3	6.9
Surgical cases	37,080	35,560	33,892	4.3	4.9
Casemix index	2.26	2.18	2.09	3.7 %	4.3 %
Outpatient share of activity	52.3 %	51.5 %	49.5 %	1.6	4.0
CMI/OP adjusted admissions	137,995	131,210	122,967	5.2	6.7

In addition to its tertiary care focus in Portland, OHSU is working with other health care providers noted below to leverage expertise and resources throughout Oregon.

Adventist Health. Adventist Health Portland and OHSU finalized an agreement to integrate their clinical activities and services in the Portland metropolitan area through an affiliation effective January 1, 2018. This agreement makes OHSU and Adventist Health Portland part of the same Portland metropolitan health system, bringing together Adventist's health care enterprise that includes a 302-bed medical center, 34 medical clinics and home care and hospice services in the Portland-Vancouver metro area. Under this affiliation, OHSU and Adventist Health will share a bottom line and operate as a unified system. The agreement does not include OHSU's research and education missions. The other nineteen Adventist Health hospitals in the western United States are also excluded from the agreement. Each organization will retain its existing hospital licenses, capital assets and employees. Each entity will continue to maintain its own mission and culture but together will seek to transform access and the delivery of health to Oregonians through a unified clinical enterprise and shared brand experience.

OREGON HEALTH & SCIENCE UNIVERSITY

(A Component Unit of the State of Oregon)

Management Discussion and Analysis

June 30, 2019 and 2018

***Tuality Healthcare*.** On February 1, 2016, OHSU affiliated with Tuality through the execution of a management agreement (the Tuality Agreement) between the organizations. Tuality owns and operates Tuality Community Hospital, a 215-licensed-bed acute care hospital located in Hillsboro, Oregon. Under the Tuality Agreement, OHSU agrees to oversee the unified and integrated clinical enterprises of OHSU and Tuality as a single, integrated economic unit. OHSU and Tuality remain as separate entities, own their own assets and continue to be the licensed operators of their own facilities. Under the Tuality Agreement, OHSU agrees to be responsible for Tuality's operating income and loss, including making cash payments to Tuality in an amount equal to any Tuality operating loss, in the manner specified in the Tuality Agreement. Tuality is a component unit of OHSU as OHSU approves Tuality's annual operating budget. Since Tuality has a separate board of directors and they do not provide services exclusively to OHSU, they are presented as a discretely presented component unit of OHSU.

***Mid-Columbia Medical Center*.** In August 2014, Mid-Columbia Medical Center (MCMC) and OHSU signed a 10-year mutual cooperation agreement. MCMC is a 49-bed general medical and surgical hospital in The Dalles, Oregon, approximately 85 miles east of Portland. The collaboration supports the continued and enhanced availability and local provision of primary care and specialty services at MCMC and in the MCMC service area recruitment. As part of the collaboration, OHSU supports the management and delivery of outpatient services at MCMC, and MCMC added an eighth position to its board of directors, selected by OHSU. In addition, MCMC converted to the EPIC electronic health records system, as used by OHSU.

Columbia Memorial Hospital. OHSU and Columbia Memorial Hospital (CMH) in Astoria, Oregon, have collaborated on programs, including cardiology and cancer, offering chemotherapy, imaging, pharmacy, and other services for individuals on the North Oregon Coast. OHSU and CMH jointly organize and operate an Oncology Collaboration, including a 18,000-square-foot comprehensive cancer treatment center and specialty clinic, with radiation therapy. CMH owns and operates the cancer treatment center, opened in October 2017, under its license while OHSU has provided the professional services and medical direction through OHSU-employed physicians.

OHSU and Doernbecher Foundations

OHSU has two designated independent nonprofit foundations – the Oregon Health and Science University Foundation (the OHSU Foundation) and the Doernbecher Children's Hospital Foundation (the Doernbecher Foundation), collectively, the Foundations. The Foundations exist to secure private philanthropic support to advance OHSU's vital missions and to invest and manage gifts responsibly to honor donors' wishes.

The OHSU Foundation is an Oregon nonprofit corporation promoting the charitable, scientific, and educational purposes of OHSU. Doernbecher Foundation is an Oregon nonprofit corporation promoting interest in and support for Doernbecher Children's Hospital. Both Foundations are component units of OHSU for financial reporting purposes, but are not part of the OHSU Obligated Group established pursuant to the Master Indenture, which currently consists solely of OHSU. Both Foundations have self-perpetuating boards of directors, on which the OHSU president sits as an ex officio voting member.

OREGON HEALTH & SCIENCE UNIVERSITY

(A Component Unit of the State of Oregon)

Management Discussion and Analysis

June 30, 2019 and 2018

As OHSU's designated foundations, all development activities conducted by the Foundations must be coordinated with OHSU. In accepting gifts, the Foundations must obtain OHSU approval for all endowments and any gifts that result in new programs. In addition, if either foundation were dissolved or if the OHSU president were to revoke recognition of either foundation as an OHSU-designated foundation, the assets of such Foundation would, within the limits of legal and fiduciary rights, be distributed to OHSU, its successor in interest, or to another entity recognized by OHSU as an institution foundation. These interrelated functions and requirements have been further confirmed and implemented in the articles and bylaws of the Foundations. The table below identifies major gifts, which are reported as required under the Council for Advancement and Support of Education (CASE) Reporting Standards and Management Guidelines, which may differ from recognition rules under governmental accounting standards.

Amount	OHSU major gifts description	Fiscal year
$25 million	OHSU and Doernbecher Children's Hospital gift	2017–18
$14.7 million	SMMART Trials grant	2017–18
$10 million	Doernbecher Children's Hospital Foundation NICU construction gift	2017–18
$15 million	Center for Pancreatic Health gift	2016–17
$15 million	Casey Eye Institute gift	2015–16
$12 million	Gary and Christine Rood Family Pavilion gift	2015–16
$500 million	Knight Cancer Institute gift	2014–15
$100 million	Knight Cancer Institute gift	2014–15
$38.8 million	Vaccine and Gene Therapy Institute, Oregon National Primate Research Center, and Behavioral Neuroscience grant	2014–15
$28.9 million	Knight Cancer Institute and OHSU Parkinson Center gift	2013–14
$25 million	Center for Pancreatic Health gift	2013–14
$10 million	Knight Cancer Institute gift	2013–14
$125 million	Gift to create a Cardiovascular Institute at OHSU	2012–13
$25 million	Bob and Charlee Moore Institute for Nutrition gift	2011–12
$10 million	New School of Dentistry gift	2010–11
$100 million	Knight Cancer Institute gift	2008–09

Economic Outlook

As the U.S. economy enters the eleventh year of recovery from the 2008 financial crisis and ensuing recession, the US and Oregon economies have exhibited continued economic growth accompanied with robust labor markets. The Oregon unemployment rate continued to maintain historically low levels during the fiscal year, remaining unchanged from 4.0% in June 2018 to 4.0% as of June 2019. Nationally, the unemployment rate decreased from 3.9% in June 2018 to 3.7% in June 2019. Economic growth has modestly accelerated above the post-recession trend of approximately 2% annually, with real GDP growing 2.3% year over year from March 2018 to March 2019.

OREGON HEALTH & SCIENCE UNIVERSITY

(A Component Unit of the State of Oregon)

Management Discussion and Analysis

June 30, 2019 and 2018

For much of the past decade post financial crisis, interest rates in the U.S. and much of the developed world remained at historically low levels, with periodic temporary increases followed by subsequent reversion. This trend continued during the first half of the fiscal year. During the second half of the year however concerns over trade and the health of the aggregate global economy mounted. For the full fiscal year, the bull market in equities continued with the Russell 3000 Index, a broad-based measure of US Equity performance posting a 8.8% return. The fixed income markets also performed well with the Barclays Aggregate posting a 9.5% return, with May and June 2019 in particular contributing to the strong absolute returns as concerns over trade and geopolitics subsumed market attention and drove safe haven asset returns.

The healthcare regulatory environment continues to exhibit policy uncertainty, especially at the federal level. Although legislative efforts to modify or repeal the Affordable Care Act (ACA) appear to have subsided, executive actions continue to be considered and taken which have the potential to materially affect the functioning of the law going forward.

Since inception, Oregon and OHSU have leaned into the ACA, to significant effect on both. Approximately 500,000 Oregonians have gained health insurance coverage through the Oregon Health Plan (Medicaid expansion) or the new individual insurance market, with 95% of adults and 98% of children now covered. This has substantially reduced OHSU’s share of patient activity without any insurance coverage, from approximately 5% to 1%.

The economic trends described above are major inputs to OHSU’s financial and strategic planning. In response, the University continues to build a diverse and equitable environment for all its members, refine its partnership strategy to maintain access for Oregonians to their public academic health center, to accelerate the development and application of new knowledge, and to educate health professionals and scientists across disciplines to improve health and well-being. Results over the past several fiscal years show that OHSU’s financial position remains strong, with net position increasing 25.2% over the last three fiscal years, from $2.89 billion in June 2016 to $3.62 billion in June 2019, driven by strong operating performance, public support, philanthropy and investment returns.

OHSU’s financial strength is further recognized by its credit ratings, Aa3/AA-/AA- with stable outlooks, confirmed during the past fiscal year with Moody’s, S&P and Fitch, respectively. The University’s disciplined budget process and long range financial planning are designed to maintain this trajectory, while continuing to invest in faculty, programs, technology and facilities consistent with a nationally ranked health sciences university. On this path, OHSU has continued to receive unwavering public and philanthropic support, as evidenced by the Knight Cancer Challenge, the OHSU Onward campaign to raise a second billion dollars, success in federal and nonfederal research awards, and continued support from the State of Oregon through biennial appropriations, capital support and Medicaid funding.

OREGON HEALTH & SCIENCE UNIVERSITY
(A Component Unit of the State of Oregon)

Statements of Net Position

June 30, 2019 and 2018

(Dollars in thousands)

		2019	2018
Assets:			
Current assets:			
Cash and cash equivalents	$	87,015	52,918
Short-term investments		325,165	312,765
Current portion of funds held by trustee		42,891	48,893
Patients accounts receivable, net of bad debt allowances of $3,150 in 2019 and $2,346 in 2018		390,249	413,197
Student receivables		26,184	22,255
Grant and contract receivables		62,550	75,845
Interest receivable		912	1,204
Current portion of pledges and estates receivable		74,160	129,510
Other receivables, net		42,362	42,645
Inventories at cost		44,421	24,088
Prepaid expenses		29,938	32,328
Total current assets		1,125,847	1,155,648
Noncurrent assets:			
Capital assets, net of accumulated depreciation		2,072,996	2,009,564
Funds held by trustee – less current portion		13,040	12,734
Long-term receivables		33,500	33,500
Long-term investments:			
Long-term investments, restricted		680,006	653,068
Long-term investments, unrestricted		1,276,210	1,119,813
Total long-term investments		1,956,216	1,772,881
Deferred financing costs, net		1,932	2,163
Pledges and estates receivable – less current portion		351,332	390,704
Restricted postemployment benefit asset		3,493	1,389
Other noncurrent assets		12,475	16,552
Total noncurrent assets		4,444,984	4,239,487
Total assets		5,570,831	5,395,135
Deferred outflows:			
Deferred amortization of derivative instruments		7,330	8,529
Loss on refunding of debt		22,306	23,777
Pension obligation		173,514	149,247
Goodwill		523	639
Other postemployment benefits (OPEB) obligation		2,079	356
Total deferred outflows		205,752	182,548
Total assets and deferred outflows	$	5,776,583	5,577,683

(Continued)

OREGON HEALTH & SCIENCE UNIVERSITY
(A Component Unit of the State of Oregon)

Statements of Net Position

June 30, 2019 and 2018

(Dollars in thousands)

	2019	2018
Liabilities:		
Current liabilities:		
Current portion of long-term debt	$ 23,971	23,394
Current portion of long-term capital leases	3,919	866
Current portion of self-funded insurance programs liability	33,221	29,885
Accounts payable and accrued expenses	168,693	159,453
Accrued salaries, wages, and benefits	101,775	90,058
Compensated absences payable	62,338	85,111
Unearned revenue	60,565	57,428
Other current liabilities	5,537	90,244
Total current liabilities	460,019	536,439
Noncurrent liabilities:		
Long-term debt – less current portion	949,535	974,677
Long-term capital leases – less current portion	1,906	2,714
Liability for self-funded insurance programs – less current portion	39,682	38,060
Liability for life income agreements	23,235	23,975
Pension liability	456,006	424,000
Other noncurrent liabilities	33,483	34,754
Total noncurrent liabilities	1,503,847	1,498,180
Total liabilities	1,963,866	2,034,619
Deferred inflows:		
Deferred amortization of derivative instruments	643	7,051
Gain on refunding of debt	1,834	2,165
Life income agreements	33,681	31,919
Pending fund	86,456	81,181
Pension obligation	68,675	52,078
Other postemployment benefits (OPEB) obligation	2,229	1,379
Total deferred inflows	193,518	175,773
Net position:		
Net investment in capital assets	1,239,304	1,160,403
Restricted, expendable	717,100	813,026
Restricted, nonexpendable	274,762	249,931
Unrestricted	1,388,033	1,143,931
Total net position	3,619,199	3,367,291
Total liabilities, deferred inflows, and net position	$ 5,776,583	5,577,683

See accompanying notes to financial statements.

OREGON HEALTH & SCIENCE UNIVERSITY
(A Component Unit of the State of Oregon)

Statements of Revenues, Expenses, and Changes in Net Position

Years ended June 30, 2019 and 2018

(Dollars in thousands)

		2019	2018
Operating revenues:			
Patient service revenue, net of bad debt adjustments of $21,221 in 2019 and $19,064 in 2018	$	2,350,926	2,210,653
Student tuition and fees, net		78,332	73,975
Gifts, grants, and contracts		611,080	613,352
Other revenue		137,780	152,078
Total operating revenues		3,178,118	3,050,058
Operating expenses:			
Salaries, wages, and benefits		1,859,136	1,732,915
Defined benefit pension		72,043	76,587
Services, supplies, and other		983,489	901,243
Provider tax		—	49,600
Depreciation and amortization		186,720	151,095
Interest		31,300	28,537
Total operating expenses		3,132,688	2,939,977
Operating income		45,430	110,081
Nonoperating revenues, net:			
Investment income and gain in fair value of investments		141,110	90,823
State appropriations		37,276	37,026
Other		(3,989)	1,720
Total nonoperating revenues, net		174,397	129,569
Net income before contributions for capital and other		219,827	239,650
Other changes in net position:			
Contributions for capital and other		7,593	3,053
Nonexpendable donations		24,488	16,981
Total other changes in net position		32,081	20,034
Total increase in net position		251,908	259,684
Net position – beginning of year, as adjusted*		3,367,291	3,111,581
Adjustment due to implementation of GASB Statement No. 75		—	(3,974)
Net position – end of year	$	3,619,199	3,367,291

* Beginning year net position for year ended June 30, 2018 was adjusted by ($3,974) to reflect the impact of implementing GASB 75 – *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions.*

See accompanying notes to financial statements.

OREGON HEALTH & SCIENCE UNIVERSITY
(A Component Unit of the State of Oregon)

Statements of Cash Flows

Years ended June 30, 2019 and 2018

(Dollars in thousands)

	2019	2018
Cash flows from operating activities:		
Receipts for patient services	$ 2,305,006	2,214,830
Receipts from students	74,403	76,152
Receipts of gifts, grants, and contracts	637,002	530,789
Other receipts	141,099	133,140
Payments to employees for services	(1,912,941)	(1,769,659)
Payments to suppliers	(1,008,031)	(919,627)
Net cash provided by operating activities	236,538	265,625
Cash flows from noncapital financing activities:		
Federal direct loan proceeds	72,396	54,447
Federal direct loan disbursements	(61,081)	(64,967)
State appropriations	37,276	37,026
Nonexpendable donations and life income agreements	8,289	9,482
Net cash provided by noncapital financing activities	56,880	35,988
Cash flows from capital and related financing activities:		
Scheduled principal payments on long-term debt	(14,488)	(4,503)
Interest payments on long-term debt	(41,477)	(30,276)
Acquisition of capital assets	(250,476)	(418,215)
Net capital lease activity	2,245	(719)
Contributions received for capital and other	7,593	3,053
Net cash used for capital and related financing activities	(296,603)	(450,660)
Cash flows from investing activities:		
Purchases of investments	(3,779,698)	(4,280,745)
Proceeds from sales and maturities of investments	3,716,431	4,380,219
Interest on investments and cash balances	100,549	21,721
Net cash provided by investing activities	37,282	121,195
Net increase (decrease) in cash and cash equivalents	34,097	(27,852)
Cash and cash equivalents, beginning of year	52,918	80,770
Cash and cash equivalents, end of year	$ 87,015	52,918

(Continued)

OREGON HEALTH & SCIENCE UNIVERSITY
(A Component Unit of the State of Oregon)

Statements of Cash Flows

Years ended June 30, 2019 and 2018

(Dollars in thousands)

		2019	2018
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	$	45,430	110,081
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization		186,720	151,095
Provision for bad debts		21,221	19,064
Interest expense reported as operating expense		31,300	28,537
Noncash contribution		(73,298)	(11,050)
Defined benefit pension		24,336	28,938
Net changes in assets and liabilities:			
Patient accounts receivable		1,727	(85,797)
Student receivables		(3,929)	2,177
Grant and contracts receivable		1,980	(21,245)
Pledges and estates receivable		94,722	52,280
Other receivables, assets, and deferred outflows		3,319	(18,938)
Inventories		(20,333)	(1,299)
Prepaid expenses		2,390	(5,188)
Accounts payable and accrued expenses		9,240	22,127
Accrued salaries, wages, and benefits		11,717	6,376
Compensated absences payable		(22,773)	4,529
Due to contractual agencies		(68,868)	
Other current liabilities		(15,839)	80,955
Liability for life income agreements		(740)	42
Unearned revenue		3,137	(115,916)
Liability for self-funded insurance programs		4,958	5,531
Other noncurrent liabilities and deferred inflows		121	13,326
Net cash provided by operating activities	$	236,538	265,625
Supplemental schedule of noncash capital and related financing and investing activities:			
Unrealized change in fair value of investments	$	36,357	9,257
Loss on disposal of capital assets		(411)	(296)
Prior year adjustment for GASB Statement No. 75		—	(3,974)

See accompanying notes to financial statements.

TUALITY HEALTHCARE AND SUBSIDIARIES

Consolidated Balance Sheets

June 30, 2019 and 2018

Assets	2019	2018
Current assets:		
Cash and cash equivalents	$ 3,716,600	15,201,900
Short-term investments	524,600	814,800
Patient accounts receivable, net of allowance for uncollectible accounts of $3,943,100 and $3,354,300	30,624,700	26,195,400
Other receivables	7,713,000	4,975,200
Supplies inventory	3,758,300	3,427,900
Prepaid expenses and other	2,791,300	1,994,500
Current portion of assets whose use is limited	972,900	954,000
Total current assets	50,101,400	53,563,700
Assets whose use is limited:		
Board-designated funds	35,489,400	38,305,400
Under bond indenture agreement – held by Trustee	900	900
Donor-restricted – specific purpose	4,792,700	4,408,900
Donor-restricted – endowment	2,782,200	2,788,000
Required for current liabilities	(972,900)	(954,000)
Total assets whose use is limited	42,092,300	44,549,200
Property and equipment:		
Property and equipment, net of accumulated depreciation and amortization	59,756,100	49,402,300
Other assets:		
Other receivables – noncurrent	1,749,000	1,315,400
Investments in unconsolidated affiliates	2,136,600	3,023,200
Deferred compensation plan	2,357,800	2,265,300
Cash value of life insurance	529,300	502,700
Deferred costs and other	230,200	230,200
Intangible assets	1,687,000	1,747,300
Goodwill	318,500	318,500
Total other assets	9,008,400	9,402,600
Total assets	$ 160,958,200	156,917,800

(Continued)

TUALITY HEALTHCARE AND SUBSIDIARIES

Consolidated Balance Sheets

June 30, 2019 and 2018

Liabilities and Net Assets		2019	2018
Current liabilities:			
Accounts payable	$	15,390,900	14,222,000
Accrued payroll and employee benefits		12,301,700	11,341,400
Estimated liabilities for Medicare and Medicaid settlements		452,800	562,300
Long-term debt due within one year		1,047,000	1,191,900
Accrued bond interest payable		97,900	104,000
Total current liabilities		29,290,300	27,421,600
Long-term liabilities:			
Long-term debt, net of amount due within one year		13,069,000	14,092,900
Liability for pension benefits		51,789,600	41,420,700
Other long-term liabilities		20,509,200	11,892,200
Total long-term liabilities		85,367,800	67,405,800
Total liabilities		114,658,100	94,827,400
Net assets:			
Net assets without donor restrictions		38,542,600	54,733,400
Net assets with donor restrictions		7,757,500	7,357,000
Total net assets		46,300,100	62,090,400
Total liabilities and net assets	$	160,958,200	156,917,800

See accompanying notes to consolidated financial statements.

TUALITY HEALTHCARE AND SUBSIDIARIES

Consolidated Statements of Operations

For the years ended June 30, 2019 and 2018

	2019	2018
Net patient service revenue:		
Patient service revenue (net of contractual allowances and discounts)	$ 203,114,800	188,998,200
Provision for bad debts	(11,986,900)	(11,893,900)
Total net patient service revenue	191,127,900	177,104,300
Other revenue:		
OHSU support	7,556,100	7,235,700
Other revenue	10,266,400	9,493,200
Total other revenue	17,822,500	16,728,900
Total revenue	208,950,400	193,833,200
Operating expenses:		
Salaries and wages	85,227,800	85,211,100
Employee benefits	22,035,500	21,824,400
Supplies and other expenses	75,934,700	67,247,300
Professional fees	18,533,900	11,643,900
Depreciation and amortization	8,176,600	7,408,600
Interest	733,800	739,300
Total operating expenses	210,642,300	194,074,600
Loss from operations	(1,691,900)	(241,400)
Other income:		
Realized income on investments whose use is limited by board designation	713,000	727,700
Gain on investments in affiliated companies	1,095,800	1,110,200
Gain (loss) on disposal of property and equipment	90,900	234,700
Other nonoperating expenses	—	(35,000)
Total other income	1,899,700	2,037,600
Excess of revenue over expenses	207,800	1,796,200
Contributions for property and equipment acquisition	29,100	89,500
Change in net unrealized gain on other-than-trading securities	623,100	500,600
Pension-related changes	(17,050,800)	3,091,800
(Decrease) increase in net assets without donor restrictions	$ (16,190,800)	5,478,100

See accompanying notes to consolidated financial statements.

TUALITY HEALTHCARE AND SUBSIDIARIES

Consolidated Statements of Changes in Net Assets

Years ended June 30, 2019 and 2018

		2019	2018
Net assets without donor restrictions:			
Excess of revenue over expenses	$	207,800	1,796,200
Contributions for property and equipment acquisition		29,100	89,500
Change in net unrealized gain on other-than-trading securities		623,100	500,600
Pension-related changes		(17,050,800)	3,091,800
(Decrease) increase in net assets without donor restrictions		(16,190,800)	5,478,100
Net assets with donor restrictions:			
Gifts, grants, and bequests		1,523,300	1,430,500
Investment income		129,900	476,700
Net assets released from restrictions		(1,280,800)	(1,016,400)
Contributions for endowment funds		28,100	3,800
Increase in net assets with donor restrictions assets		400,500	894,600
Change in net assets		(15,790,300)	6,372,700
Net assets, beginning of year		62,090,400	55,717,700
Net assets, end of year	$	46,300,100	62,090,400

See accompanying notes to consolidated financial statements.

OREGON HEALTH & SCIENCE UNIVERSITY
(A Component Unit of the State of Oregon)
Notes to Financial Statements
June 30, 2019 and 2018
(Dollars in thousands)

(1) Organization and Summary of Significant Accounting Policies

(a) Organization

As the only health sciences university and major academic health center in the state of Oregon (the State), Oregon Health & Science University (OHSU or the University) is dedicated to the education and training of healthcare professionals, research, patient care, outreach, and public service. In addition to the School of Medicine, School of Nursing, School of Dentistry, the joint College of Pharmacy with Oregon State University, and the joint School of Public Health with Portland State University, OHSU comprises several other academic and research units, including the Vollum Institute, the Vaccine and Gene Therapy Institute, Oregon National Primate Research Center, OHSU Brain Institute, Oregon Institute of Occupational Health Science, Oregon Clinical and Translational Research Institute, and the Pacific Northwest Center for Cryo-EM. OHSU also comprises several clinical units, including OHSU Hospital (the Hospital), the OHSU Practice Plan (OPP), and the Institute on Development and Disability (IDD). Doernbecher Children's Hospital is a unit of the Hospital serving pediatric patients. The Knight Cancer Institute is the only National Cancer Institute designated cancer center in the State, and the Knight Cardiovascular Institute provides the State's most comprehensive clinical and research heart program. In addition, OHSU operates a captive insurance company domiciled in Arizona for self-insurance purposes, OHSU Insurance Company (INSCO), which is blended in the accompanying financial statements.

Pursuant to an act of the Oregon Legislature (the Act), on July 1, 1995, OHSU was restructured from one of seven component units of the Oregon University System (OUS) to an independent public corporation. OHSU remains a component unit of the State.

The majority of the real property that constitutes OHSU's main campus on Marquam Hill (and certain off-campus properties) in Portland is owned by the State. Pursuant to the Act, the State retained title of such real property and OHSU was granted exclusive care, custody, and control of such real property. To evidence this condition, the State and OHSU entered into a 99-year lease, dated July 1, 1995 (the State Lease), under which the State leased to OHSU all of the State's leasable interest in such real property. Under the terms of the State Lease, the State may terminate the State Lease if, prior to such termination, the State causes the defeasance or discharge of all then-outstanding obligations of OHSU that were issued to finance improvements on the property subject to the State Lease or to refinance obligations of OHSU to the State. Under the State Lease, improvements include completed and partially completed buildings, fixtures, structures, and other improvements constructed on the property subject to the State Lease. In addition, OHSU was granted ownership of all personal property of the University, as it existed prior to the enactment of the Act.

Oregon Health & Science University Foundation (OHSU Foundation) and Doernbecher Children's Hospital Foundation (together, the Foundations) are separately incorporated nonprofit foundations affiliated with OHSU. The primary purpose of the Foundations is to raise money for OHSU research, scientific, charitable, and educational purposes and to promote support for Doernbecher Children's Hospital. Consequently, the financial position and the changes in financial position of the Foundations are blended in the accompanying financial statements.

(Continued)

Additionally, the University Medical Group (UMG) is included as a blended component unit of OHSU. UMG is an Oregon public benefit corporation, organized and operated to provide billing and reporting services solely for the OPP within the School of Medicine at OHSU. The OPP management committee acts as the board of directors for UMG and is responsible for the day-to-day oversight of the clinical practice. As the board of UMG is under the supervision and control of the OPP, and therefore, OHSU, UMG is a blended component unit of OHSU.

On February 1, 2016, OHSU affiliated with Tuality Healthcare (Tuality) through the execution of a management agreement (the Tuality Agreement) between the organizations. Tuality owns and operates Tuality Community Hospital, a 215-licensed-bed acute care hospital located in Hillsboro, Oregon. Under the Tuality Agreement, OHSU agrees to oversee the unified and integrated clinical enterprises of OHSU and Tuality as a single, integrated economic unit. OHSU and Tuality remain as separate legal entities, own their own assets, and continue to be the licensed operators of their respective facilities. Tuality is a component unit of OHSU as OHSU approves Tuality's annual operating budget. Since Tuality has a separate board of directors and they do not provide services exclusively to OHSU, they are presented as a discretely presented component unit of OHSU.

(b) Accounting Standards

The accompanying financial statements are prepared in accordance with accounting principles generally accepted in the United States of America using the accrual basis of accounting. OHSU's financial statements and note disclosures are based on all applicable Governmental Accounting Standards Board (GASB) pronouncements and interpretations. OHSU uses proprietary fund accounting.

OHSU prepares and presents its financial information in accordance with GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* (GASB 34), known as the "Reporting Model" statement. GASB 34 established the requirements and reporting model for annual financial statements. GASB 34 requires that financial statements be accompanied by a narrative introduction and analytical overview of the reporting entity in the form of "management's discussion and analysis." This reporting model also requires the use of a direct-method cash flow statement.

OHSU has also adopted GASB Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities – an amendment of GASB Statement No. 34*. This statement establishes accounting and financial reporting standards for public colleges and universities within the financial reporting guidelines of GASB 34.

(c) New Accounting Pronouncements

During the year ended June 30, 2019, OHSU adopted GASB Statement No. 83, *Certain Asset Retirement Obligations* (GASB 83). GASB 83 provides financial statement users with information about asset retirement obligations (AROs) that were not addressed in GASB standards by establishing uniform accounting and financial reporting requirements for these obligations. GASB 83 establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for ARO's. The adoption of GASB 83 did not have a significant impact on the financial statements taken as a whole.

(d) Accounting Standards Impacting the Future

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities* (GASB 84), which is effective for reporting periods beginning after December 15, 2018. The objective of GASB 84 is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. GASB 84 establishes criteria for identifying activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. Governments with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position. An exception to that requirement is provided for a business-type activity that normally expects to hold custodial assets for three months or less. GASB 84 describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria. The University is currently analyzing the impact of this statement.

In June 2017, GASB issued Statement No. 87, *Leases* (GASB 87), which is effective for reporting periods beginning after December 15, 2019. The objective of GASB 87 is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. GASB 87 increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as deferred inflows of resources or deferred outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the principle that leases are financings of the right to use an underlying asset. Under GASB 87, a lessee is required to recognize a lease liability and an intangible right to use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The University is currently analyzing the impact of this statement.

In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period* (GASB 89), which is effective for reporting periods beginning after December 15, 2019. The objectives of GASB 89 are to (1) enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reported period and (2) simplify accounting for interest cost incurred before the end of a construction period. GASB 89 requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. GASB 89 also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. The University is currently analyzing the impact of this statement.

In August 2018, GASB issued Statement No. 90, *Majority Equity Interests* (GASB 90), which is effective for reporting periods beginning after December 15, 2018. The objective of GASB 90 is to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value. The University is currently analyzing the impact of this statement.

(e) Financial Reporting Entity

As defined by generally accepted accounting principles, the financial reporting entity consists of OHSU as the primary government and its component units, which are legally separate organizations for which the primary government is financially accountable. Financial accountability is defined as a) appointment of the voting majority of the component units' board, and either (1) the ability to impose will by the primary government or (2) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government, or (b) the component unit is financially dependent on and there is potential for the component unit to provide specific financial benefits to, or impose specific burdens on, the primary government.

Component units are reported as part of the reporting entity under the blended or discrete method of presentation. Blending involves merging the component unit data with the primary government. There are three situations when blending is allowed: (1) when the board of the component unit is substantially the same as that of the primary government and there is a financial benefit or burden relationship between the primary government and the component unit or management of the primary government has operational responsibility for the component unit, (2) when the component unit provides services entirely, or almost entirely, to the primary government or otherwise exclusively, or almost exclusively, benefits the primary government even though it does not provide services directly to it, or (3) the component unit's total debt outstanding, including leases, is expected to be repaid entirely or almost entirely with resources of the primary government. OHSU Foundation, Doernbecher Children's Hospital Foundation, INSCO and UMG are considered to be blended component units as they serve the primary government exclusively. All transactions between OHSU and its blended component units are eliminated upon consolidation. Tuality is presented discretely since it has a separate board of directors and it does not provide services exclusively to OHSU. It is considered a nonmajor component unit as there are no significant transactions with OHSU and there is not a significant financial benefit/burden relationship with OHSU.

Financial reports for INSCO, UMG, OHSU Foundation, and Doernbecher Children's Hospital Foundation that include financial statements and required supplementary information are publicly available. These reports, and those of Tuality, may be obtained by contacting the management of OHSU.

(f) Basis of Accounting

Basis of accounting refers to the timing of when revenues and expenses are recognized in the accounts and reported in the financial statements. OHSU reports as a proprietary fund within the governmental model. OHSU's financial statements have been prepared using the accrual basis of accounting with the economic resources measurement focus. Under this method of accounting, revenue is recognized when earned and expenses are recorded when liabilities are incurred without regard to receipt or disbursement of cash.

(g) Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates in OHSU's financial statements include patient accounts receivable allowances, liabilities related to self-insurance programs, the fair value of interest rate swap agreements, and valuation of pension liabilities.

(h) Cash and Cash Equivalents

OHSU held no cash equivalents within cash and cash equivalents at June 30, 2019 or 2018.

(i) Investments

Investments are carried at fair value. Fair values are determined based on quoted market prices, where available. Investments in joint ventures are recorded using the equity method of accounting. Alternative investments, which are not readily marketable, are carried at estimated fair values as provided by investment managers, primarily using net asset values (NAVs). OHSU reviews and evaluates the values provided by the investment managers and agrees with the valuation methods and assumptions used in determining the fair value of the alternative investments. These estimated fair values may differ from the values that would have been used had a ready market for those securities existed.

Net unrealized gains and losses are included in the net unrealized gain (loss) in fair value of investments in nonoperating revenues in the statements of revenues, expenses, and changes in net position. Interest, dividends, and realized gains and losses on investments are included in nonoperating revenues as investment income when earned.

(j) Inventories

Inventories consist primarily of supplies in organized stores at various locations across the campus and in the Hospital. Inventories are recorded using several different methodologies dependent upon the operational use of the supplies and system capabilities. OHSU utilizes standard-cost and average-cost methodologies to record and report inventory value. In fiscal year 2019, pharmaceutical supplies were moved to inventory. The impact of this change in policy did not have a significant impact in the financial position or results of operations of OHSU as of and for the year ended June 30, 2019.

(k) Capital Assets

Capital asset acquisitions are stated at cost. Donated items are recorded on the basis of fair market value at the date of donation. Effective July 1, 2018, OHSU capitalizes equipment additions greater than $5 and capital projects greater than $25 which is a change from the prior threshold of $3 for equipment and $10 for capital projects. The impact of this change in policy did not have a significant impact in the financial position or results of operations of OHSU as of and for the year ended June 30, 2019. Maintenance, repairs, and minor replacements are expensed as incurred. When properties are retired or otherwise disposed of, the related cost and accumulated depreciation are removed from the respective accounts and any gain or loss on disposition is recorded as other in nonoperating revenue.

Interest on borrowed amounts during major construction is capitalized and amortized over the depreciable life of the related asset. During fiscal years 2019 and 2018, OHSU capitalized interest expense of approximately $6,095 and $8,701, respectively. This was net of approximately $15 and $941, respectively, of interest income on unspent project funds.

The provision for depreciation is determined by the straight-line method at rates calculated to amortize the cost of assets over the shorter of their estimated useful lives or the related lease term as follows: buildings and other improvements, 10 to 40 years; and equipment, 3 to 20 years.

(l) Net Position Classifications

Net position is classified into four net asset categories, in accordance with donor-imposed restrictions:

- Net investment in capital assets represents the depreciated value of capital purchases, net of related debt.
- Net position restricted, expendable, carries externally imposed time or purpose restrictions that expire in the future.
- Net position restricted, nonexpendable, carries externally imposed restrictions that never expire.
- Net position unrestricted carries no externally imposed restrictions.

Investment income earned on donor-restricted endowment funds in excess of the annual spending distribution is accounted for in the expendable restricted net position category.

The Foundations first apply restricted resources to an expense where an expense is incurred for a purpose for which both restricted and unrestricted funds are available.

(Dollars in thousands)

A summary of restricted funds by restriction category for fiscal years ended June 30, 2019 and 2018 is as follows:

		2019	2018
Restricted expendable:			
Research	$	506,307	595,298
Academic support		47,974	40,720
Instruction		40,218	38,225
Capital projects and planning		29,756	52,646
Student aid		54,156	52,123
Clinical support		12,525	12,939
Institutional support		3,400	3,340
Defined-benefit OPEB		3,493	1,389
Other		19,271	16,346
	$	717,100	813,026
Restricted nonexpendable:			
Research	$	38,615	32,406
Instruction		74,657	68,620
Clinical support		450	429
Public service		4,710	4,603
Academic support		88,370	80,614
Student aid		45,760	44,316
Other		22,200	18,943
	$	274,762	249,931

(m) Endowments

The endowment corpus is accounted for in the restricted, nonexpendable net position category and reported on the statements of net position as restricted long-term investments. The Foundations' spending policy for endowment funds is determined by the boards of trustees and is based on a three-year moving average of the fair value of the endowment fund. The boards of trustees authorized a 4.5% distribution in the years ended June 30, 2019 and 2018.

The Foundations' management and investment of donor-restricted endowment funds are subject to the provisions of the Uniform Prudent Management of Institutional Funds Act enacted by the State in January 2008.

The endowment fund investment pool (endowment fund) held by the Foundations is the repository for funds from restricted, nonexpendable contributions where the principal amount cannot be used, but a spending distribution, described below, can be used for the designated purpose. The endowment fund also holds quasi-endowment funds, which have been designated as endowment by the Foundations' boards of trustees. All interest, dividends, and changes in fair value on the endowment fund are allocated to the appropriate unrestricted or restricted net position classification as specified by the donor at the time of receipt. Endowment accounts receive spending distributions subject to the Foundations' boards of trustees approved spending policy, which provides a predetermined amount of total return that can be spent for purposes designated by the donor. All expendable income restricted by the donor is carried as restricted, expendable net position until such time as the restriction has been met. At June 30, 2019 and 2018, the fair value of investments in the endowment fund was $773,900 and $651,900, respectively. The fair value of the unspent portion of endowments in excess of corpus at June 30, 2019 and 2018 was $60,300 and $59,600, respectively.

Spending distributions were not made for certain endowment accounts during 2019 and 2018 because the market value of the individual endowment accounts dropped below the corpus. Spending distributions on these accounts will be resumed if specifically authorized by the Foundations' boards of trustees or at the time that the earnings of the endowment are sufficient to restore the corpus and support the annual spending distribution. At June 30, 2019 and 2018, the accumulated loss of $0 and $0, respectively, related to endowment accounts with market value below corpus was reflected in nonexpendable restricted net position.

(n) Federal Income Taxes

OHSU, as a division of the State, is not subject to federal income taxes of the Internal Revenue Code, except for unrelated business income.

(o) State Appropriations

The Oregon State Legislature makes an appropriation to OHSU on a biennial basis. The appropriation is recognized as nonoperating revenues over the related appropriation period as applicable eligibility requirements are met.

(p) Research Activity

Restricted grants receivable represent receivables for grant activities on which OHSU has met all applicable eligibility requirements and on which the funds are available from the granting agency. As of June 30, 2019 and 2018, the grants receivable balance was $26,905 and $36,025, respectively, and was included in grant and contract receivables in the accompanying statements of net position. The balance in unearned revenue as of year-end represents amounts advanced for which OHSU has not met all applicable eligibility requirements. As of June 30, 2019 and 2018, the grants unearned revenue balance was $38,309 and $31,613, respectively; additionally, unearned revenue for the Knight Cancer Challenge State Grant of $0 and $7,217 was included in unearned revenue in the accompanying statements of net position as of June 30, 2019 and 2018, respectively.

(q) Operating Revenues

OHSU includes patient service revenue, student tuition and fees, gifts, grants and contracts, and other income from sales and services in operating revenues. These revenues are key components of the operations of OHSU.

(Dollars in thousands)

(r) Net Patient Service Revenue

A summary of patient service revenues during the years ended June 30, 2019 and 2018 is as follows:

		2019	2018
Gross patient charges	$	5,450,576	4,958,597
Contractual discounts		(3,078,429)	(2,728,880)
Bad debt adjustments		(21,221)	(19,064)
Net patient service revenues	$	2,350,926	2,210,653

OHSU has agreements with third-party payors that provide for payments at amounts different from established rates. Payment arrangements include prospectively determined rates per discharge, outpatient case rates, reimbursed costs, discounted charges, and per diem payments. Net patient service revenue is reported at the estimated net realizable amounts due and determined to be collectible from patients, third-party payors, and others for services rendered and includes estimates for potential retroactive revenue adjustments under reimbursement agreements with third-party payors. Such estimates are adjusted in future periods as final settlements are determined.

A significant portion of OHSU's services are provided to Medicare, Medicaid, and Oregon Health Plan (OHP) patients under contractual arrangements. Inpatient acute care services rendered by OHSU to Medicare, Medicaid, and OHP program beneficiaries are generally reimbursed at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors (i.e., Medicare severity diagnosis related groups or MS DRGs). Such payments include a capital cost component and may be greater or less than the actual charges for services. Most outpatient services related to Medicare beneficiaries are reimbursed prospectively under the ambulatory payment classifications methodology. Home health services related to Medicare beneficiaries are reimbursed under a prospective payment system methodology. OHSU is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after audits of OHSU's annual cost reports by the Medicare fiscal intermediary and Medicaid.

During fiscal year 2018, OHSU partnered with the State of Oregon (the State) and created an innovative collaboration leveraging significant federal funding for Oregon's Medicaid program. Through the Intergovernmental Transfer (IGT) partnership with the State this program enabled support for OHSU's research and education missions and in fiscal years 2019 and 2018 the program generated $116,000 and $55,000, respectively. The legislature approved the program in the Oregon Health Authority's 2017–2019 budget and Oregon's OHSU IGT Program was approved by Centers for Medicare and Medicaid Services (CMS) and implemented on January 1, 2018. By reducing OHSU's losses from the Medicaid program, the IGT program enables OHSU to fund research and education missions. This new approach replaces several of OHSU's previous funding mechanisms and ended OHSU's participation in Oregon's provider tax.

(Dollars in thousands)

The laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. As a result, there is at least a reasonable possibility that estimated third-party payor settlements payable, net will change by a material amount in the near term. For the years ended June 30, 2019 and 2018, OHSU received third-party settlements of $151 and $104, respectively, as a result of final settlements of prior years' cost reports and revisions of estimates for prior years cost report settlements.

OHSU has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations to provide medical services to subscribing participants. The basis for payment to OHSU under these agreements includes prospectively determined rates per discharge, discounts from established charges, prospectively determined fee schedules, and certain capitated per member per month payment arrangements.

Significant concentrations of gross patient accounts receivable as of June 30, 2019 and 2018 were approximately as follows:

	2019	2018
Medicare and Medicare managed care contracts	24 %	25 %
Medicaid and OHP	21	20
Commercial and managed care insurance	53	53
Nonsponsored	2	2
	100 %	100 %

(s) Student Tuition and Fees Revenues

A summary of student tuition and fees revenues during the years ended June 30, 2019 and 2018 is as follows:

	2019	2018
Gross student tuition	$ 92,392	86,521
Exemptions	(14,060)	(12,546)
Student tuition and fees revenues, net	$ 78,332	73,975

(t) Charity Care

OHSU provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its published rates. Because OHSU does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue.

OHSU maintains records to identify and monitor the level of charity care it provides. These records include the amount of charges forgone for services and supplies furnished under its charity care policy.

(Continued)

Charity care provided measured as charges forgone and based on established rates was $52,799 and $45,537 in 2019 and 2018, respectively.

(u) Pledges and Estates Receivable

Pledges and estates receivable are recorded as receivables and revenues in the appropriate net asset category based upon donor-imposed restrictions and are reported at fair value at the date the promise is received. Pledges are generally received within 5 to 10 years of the date of original commitment. The majority of estates are received within one year. Pledges and estates receivable, less reserves for estimated uncollectible amounts, are discounted to their present value using rates that range from 0.30% to 4.88%.

(v) Life Income Agreements

The Foundations have been named as remainder beneficiaries for various life income agreements. Life income agreements provide for contractual payments to designated beneficiaries for a specific period, after which the remaining principal and interest revert to the Foundations. Contributions received under life income agreements are included in long-term investments, restricted, with the corresponding commitment to the beneficiary included in liability for life income agreements in the accompanying statements of net position. The Foundations have investments with a fair value of $55,400 and $56,500 as at June 30, 2019 and 2018, respectively, related to its individually managed life income agreements.

(w) Moda Note Receivable

OHSU has contracts with, and receives patient revenues from the major health plans in Oregon. OHSU's guiding principle in developing payor provider partnerships is to ensure that Oregonians continue to have access to Oregon's public health sciences university and academic health center and its affiliates and that OHSU has access to major populations of Oregon across its missions of patient care, education, research, and outreach.

Since 2013, OHSU has partnered with Moda Health Plan, Inc. (Moda) to advance population health management. In December 2014, OHSU invested $50,000 in Moda through a 10-year surplus note to help capitalize Moda's Oregon healthcare efforts. The principal balance of this note shall become due and payable in full on December 15, 2024, and the note bears interest on its unpaid principal balance at a rate equal to 4% per annum. Payment of interest and principal is subject to approval by the Oregon insurance commissioner, which is part of the Department of Consumer and Business Services (DCBS).

Moda had a large share of Oregon's new individual insurance market during the initial years of the Affordable Care Act and has significant receivables due from the federal government under the risk corridor program that was designed to encourage plans to offer individual coverage. However, it is uncertain if, or when, the federal government will pay these amounts. In light of uncertain payment of federal risk corridor receivables, higher risk from losses at Moda, and the likelihood that interest payments will be deferred, OHSU recorded a valuation reserve of $16,500 against the surplus note receivable as of June 30, 2015.

(Dollars in thousands)

In February 2016, DCBS issued a consent order requiring Moda to sell a variety of assets and take steps to improve its financial position. In June 2017, as a result of Moda completing several transactions to generate the capital needed to meet regulatory standards, together with Moda reducing its risk by withdrawing from some markets, DCBS lifted the consent order. In February 2019, Delta Dental of California and Moda announced the completion of a $152,400 investment by Delta Dental of California for a 49.5% ownership interest in Moda. The California Department of Managed Health Care (DMHC) and Oregon's DCBS have approved the investment. As a result of the improved financial position of Moda, the Oregon insurance commissioner allowed payment of accrued interest to OHSU for $7,000 in fiscal year 2019.

OHSU reviewed the valuation of the note receivable as of June 30, 2019 and 2018 and has retained the current net valuation of $33,500, which represents 0.9% and 1.00% of the University's total net position as of June 30, 2019 and June 30, 2018, respectively.

(2) Cash and Investments

OHSU holds substantially all of its cash, cash equivalents, and investment balances at financial institutions. OHSU's cash is insured by the Federal Deposit Insurance Corporation subject to standard limits. Additionally, a portion of cash and cash equivalents are collateralized deposits as required under the Oregon Revised Statutes (ORS).

OHSU's investment policies are approved by the board of directors and are accounted for as prescribed by GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Changes in the fair value of investments are included in nonoperating revenues. The composition of investments at fair value at June 30, 2019 and 2018 is as follows:

		2019	2018
Short-term investments:			
Cash and cash equivalents	$	423	409
Mutual funds		151,418	138,980
U.S. government securities		—	2,145
U.S. agency securities		505	785
Corporate obligations		57,619	79,924
Fixed income		115,200	90,522
		325,165	312,765
Funds held by trustee, current portion:			
Fixed income		42,891	48,893
		42,891	48,893

(Dollars in thousands)

		2019	2018
Funds held by trustee, less current portion:			
Other fixed income	$	13,040	12,734
		13,040	12,734
Long-term investments – less current portion:			
Cash and cash equivalents		28,703	22,771
U.S. government securities		379,017	313,149
U.S. agency securities		57,957	21,879
Corporate obligations		374,797	406,642
Fixed income		152,684	115,823
Equities		369,779	362,749
Alternative investments		204,178	215,177
Joint ventures and partnerships		343,958	280,071
Real estate investments and other		45,143	34,620
		1,956,216	1,772,881
Total investments, all categories	$	2,337,312	2,147,273

The methods used to determine the fair value of financial instruments reflect market participant objectives and are based on the application of a valuation hierarchy. These methods are prescribed by GASB No. 72, *Fair Value Measurement and Application*. The hierarchy is based on the reliability of inputs as follows:

- Level 1 – Valuation is based on quoted prices for identical financial instruments in active markets. OHSU does not adjust the quoted price for Level 1 financial instruments.
- Level 2 – Valuation is based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and independent pricing models or other model-based valuation techniques using observable inputs.
- Level 3 – Certain types of financial instruments are classified as Level 3 within the valuation hierarchy because these financial instruments trade infrequently and, therefore, have little or no price transparency.

(Continued)

(Dollars in thousands)

The following table presents a categorization, based on the foregoing valuation hierarchy, of OHSU's financial instruments measured at fair value as of June 30, 2019:

	Level 1	Level 2	Level 3	Fair value
Cash and money market funds	$ —	143,987	—	143,987
U.S. government securities	—	379,017	—	379,017
U.S. agency securities	—	58,462	—	58,462
Domestic equity securities	92,827	2	134	92,963
International equity securities	74,002	—	—	74,002
Commercial paper	—	7,779	—	7,779
U.S. corporate securities	—	283,528	—	283,528
Non-U.S. corporate securities	—	148,886	—	148,886
Asset-backed securities	—	65,745	—	65,745
Venture capital and private equity	—	—	8,554	8,554
Mutual funds – fixed income only	126,704	5,335	—	132,039
Municipal bonds	—	2,326	—	2,326
Other fixed income	1,820	600	—	2,420
Mutual funds – other	151,418	—	—	151,418
Real estate investments and other	1,273	1,607	2,191	5,071
	$ 448,044	1,097,274	10,879	1,556,197
Investments measured using NAV per share or its equivalent				735,820
Equity-method investments				45,295
Total assets				$ 2,337,312

OREGON HEALTH & SCIENCE UNIVERSITY
(A Component Unit of the State of Oregon)
Notes to Financial Statements
June 30, 2019 and 2018
(Dollars in thousands)

The following table presents a categorization, based on the foregoing valuation hierarchy, of OHSU's financial instruments measured at fair value as of June 30, 2018.

	Level 1	Level 2	Level 3	Fair value
Cash and money market funds	$ —	126,433	—	126,433
U.S. government securities	—	315,294	—	315,294
U.S. agency securities	—	22,664	—	22,664
Domestic equity securities	85,383	—	134	85,517
International equity securities	43,694	—	—	43,694
Commercial paper	—	9,508	—	9,508
U.S. corporate securities	—	337,807	—	337,807
Non-U.S. corporate securities	—	148,758	—	148,758
Asset-backed securities	—	58,023	—	58,023
Venture capital and private equity	—	—	47,354	47,354
Mutual funds – fixed income only	85,351	6,045	—	91,396
Municipal bonds	—	5,622	—	5,622
Other fixed income	—	1,633	—	1,633
Mutual funds – other	138,980	—	—	138,980
Real estate investments and other	1,209	1,797	5,382	8,388
	$ 354,617	1,033,584	52,870	1,441,071
Investments measured using NAV per share or its equivalent				667,293
Equity-method investments				38,909
Total assets				$ 2,147,273

There were no transfers of financial instruments between Level 1 or Level 2 classifications either in 2019 or 2018. Changes in Level 3 financial instruments are as follows:

	2019	2018
Balance at beginning of year	$ 52,870	5,558
Net realized losses	(115)	(132)
Net unrealized gains	99	108
Purchases	8,569	47,371
Sales	(3,190)	(35)
Transfer to NAV per share, or its equivalent, classification from sales	(47,354)	—
Balance at end of year	$ 10,879	52,870

 (Continued)

Net realized and unrealized gains and losses on financial instruments classified as Level 3 are reported as nonoperating revenues as investment income when earned.

OHSU uses a practical expedient for the estimation of the fair value of investments in funds for which the investment does not have a readily determinable fair value. The practical expedient used by OHSU for certain financial instruments is the NAV per share. Valuations provided by fund administrators for these financial instruments consider variables such as the financial performance of underlying investments, recent sales prices and other pertinent information. The valuation is adjusted when changes to inputs and assumptions are corroborated by evidence, such as completed or pending third-party transactions in the underlying security and changes in financial results, data or cash flows. Management or its discretionary investment partner reviews the valuations and assumptions provided by fund administrators for reasonableness and believes that the carrying amounts of these financial instruments are reasonable estimates of fair value.

The following table presents information for investments where either the NAV per share or its equivalent was used to value the investments as of June 30, 2019 and 2018:

	Redemption frequency	Redemption notice period
Domestic equities	Quarterly	3–90 days
Non-U.S. equities	Weekly to every four years	3–90 days
Global equities	Quarterly	3–90 days
Venture capital/private equity	Event-driven	N/A
Marketable alternative investments	Monthly to annually	15–95 days
Real estate investments and contracts	Event-driven	N/A

Domestic Equities, Non-U.S. Equities, Global Equities and Natural Resources funds represent investments in equities, both U.S. and international, and may include investments in developed and emerging markets.

OREGON HEALTH & SCIENCE UNIVERSITY
(A Component Unit of the State of Oregon)
Notes to Financial Statements
June 30, 2019 and 2018
(Dollars in thousands)

(3) Investments and Related Policies

(a) Interest Rate Risk

As of June 30, 2019 and 2018, OHSU had the following investments and maturities at fair value:

	2019				
	Maturity				
	Less than 1 year	1–5 Years	6–10 Years	More than 10 years or none	Total
Cash and money market funds	$ 143,636	351	—	—	143,987
U.S. government securities	1,029	358,864	17,713	1,411	379,017
U.S. agency securities	505	48,564	1,385	8,008	58,462
Domestic equity securities	—	—	—	128,885	128,885
International equity securities	—	—	—	240,894	240,894
Commercial paper	7,779	—	—	—	7,779
U.S. corporate securities	44,594	226,103	10,929	1,902	283,528
Non-U.S. corporate securities	23,554	121,914	3,418	—	148,886
Asset-backed securities	20,250	23,411	2,539	19,545	65,745
Joint ventures and partnerships	—	—	—	343,957	343,957
Mutual funds – fixed income only	43,833	50,222	25,331	13,120	132,506
Municipal bonds	71	994	1,037	224	2,326
Other fixed income	—	535	65	—	600
Mutual funds, other	—	—	—	151,418	151,418
Alternative investments	—	—	—	204,179	204,179
Real estate investments and other	—	—	—	45,143	45,143
	$ 285,251	830,958	62,417	1,158,686	2,337,312

OREGON HEALTH & SCIENCE UNIVERSITY
(A Component Unit of the State of Oregon)
Notes to Financial Statements
June 30, 2019 and 2018
(Dollars in thousands)

	2018				
	Maturity				
	Less than 1 year	1–5 Years	6–10 Years	More than 10 years or none	Total
Cash and money market funds	$ 123,884	2,549	—	—	126,433
U.S. government securities	4,943	301,671	7,470	1,210	315,294
U.S. agency securities	785	12,889	4,685	4,305	22,664
Domestic equity securities	—	—	—	125,746	125,746
International equity securities	—	—	—	237,002	237,002
Commercial paper	9,508	—	—	—	9,508
U.S. corporate securities	68,757	257,188	9,664	2,198	337,807
Non-U.S. corporate securities	24,352	122,196	1,965	245	148,758
Asset-backed securities	19,221	24,163	1,359	13,280	58,023
Joint ventures and partnerships	—	—	—	280,071	280,071
Mutual funds – fixed income only	32,170	26,237	21,128	10,400	89,935
Municipal bonds	87	4,058	1,015	462	5,622
Other fixed income	—	1,299	334	—	1,633
Mutual funds, other	—	—	—	138,980	138,980
Alternative investments	—	—	—	215,177	215,177
Real estate investments and other	—	—	—	34,620	34,620
	$ 283,707	752,250	47,620	1,063,696	2,147,273

OHSU held $65,745 and $58,023 of asset-backed securities collateralized primarily by auto loans, credit card receivables, and collateralized mortgage obligations as of June 30, 2019 and 2018, respectively. These securities are valued at their estimated fair values. The valuation of these securities is sensitive to principal prepayments, which may result from a decline in interest rates, and they are sensitive to an increase in average maturity, which may result from interest rate increases that lead to decreasing prepayments.

At June 30, 2019 and 2018, OHSU had certain joint ventures and partnerships, alternative investments, real estate investments, and other investments. These investments may contain elements of both credit and market risk. Such risks may include limited liquidity, absence of regulatory oversight, dependence upon key individuals, and nondisclosure of portfolio composition. Because these investments are not readily marketable, their estimated fair value is subject to uncertainty and, therefore, may differ from the value that would have been used had a ready market for such investments existed. Such differences could be material.

OHSU's investment policies vary based on the investment objectives of the portfolio. The operating and trustee-held portfolios seek to preserve principal with the intent of maximizing total return within appropriate risk parameters. Maturities of securities selected in these portfolios are driven by prevailing market conditions, while considering cash requirements of the organization.

The endowment portfolio, which is included in long-term investments in the accompanying statements of net position, seeks to produce a predictable and stable payout stream that increases over time while achieving growth of corpus. Foundation investment policies are established based on the investment objectives of the portfolio. Each portfolio has its own board-authorized asset allocation guidelines. The objective for the current fund is to provide a reliable source of liquidity to meet short-term working capital needs. The current fund may invest in cash, cash equivalents, fixed income securities, equity mutual funds and ETFs, and quasi endowment within the endowment fund. The duration of the current fund 1-5 year portfolio shall be within a range of 75% to 125% of the Barclay's 1–5 Year Government/Credit Bond Index. The objective for the endowment fund is to produce a predictable and stable payout stream that increases over time, while achieving growth of corpus. The endowment fund may invest in cash and cash equivalents, fixed-income securities, U.S. and non U.S. equity securities and other alternative investments. The charitable gift annuity pool seeks to produce a relatively predictable and stable payout stream that will satisfy the funds distribution obligations while achieving long-term capital appreciation of the overall fund balance. The charitable gift annuity pool may invest in cash and cash equivalents, U.S. and non-U.S. equities, fixed-income, and real estate. Charitable trusts are managed to provide for the distribution of a stated income payment while attempting to achieve reasonable expected total returns. Charitable trust investment objectives and asset allocation guidelines are determined based on the individual circumstances of each trust account. Allowable investments for charitable trusts include cash and cash equivalents, U.S. and non-U.S. equities, fixed-income, real estate and commodities.

(b) Credit Risk

The operating and trustee-held portfolios require the following minimum ratings or better from Moody's or Standard & Poor's (S&P) at the date of purchase:

	Minimum Moody's rating	Minimum S&P rating
Bankers acceptances	P-1	A-1
Commercial paper	P-2	A-2
Certificates of deposit	Baa3/P-2	BBB-/A-2
Deposit notes	Baa3/P-2	BBB-/A-2
Eurodollar certificate of deposits (CD) or Eurodollar time deposits	Baa3/P-2	BBB-/A-2
Yankee CDs	Baa3/P-2	BBB-/A-2
Corporate debt	Baa3	BBB-
Foreign government and supranational debt	Baa3	BBB-
Insurance company annuity contracts and guaranteed investment contracts	A3	A-
Mortgage pass-through securities	Aaa	AAA
Structured securities, including asset-backed securities	Aaa	AAA
Pooled investments	Aa	AA
Municipal bonds (taxable or tax-exempt)	A2/P-1	A/A-1

The current fund investment policy requires minimum ratings or better from S & P's, Moody's, or Fitch as follows:

	Minimum Standard & Poor's rating	Minimum Moody's rating	Minimum Fitch rating
U.S. and foreign corporate indebtedness	BBB- or A-2	Baa3 or P-2	BBB- or F-2
Certificates of deposit	BBB- or A-2	Baa3 or P-2	BBB- or F-2
Foreign government, foreign agency or supranational organization debt	A or A-1	A2 or P-1	A or F-1
Agency mortgage-backed securities	AAA	Aaa	AAA
Commercial mortgage-backed securities	AAA	Aaa	AAA
Asset-backed securities	AAA	Aaa	AAA
Municipal bonds	A	A2	A

(Dollars in thousands)

At the time of purchase, securities must be rated by at least two of the three rating agencies. If the security is rated by all three agencies, the middle rating will apply. If only two ratings are available, then the lower rating will be used.

If the credit quality of a holding in the current fund declines so that it is below the level required as stated above, a decision will be made by the Investment Committee to hold or sell the security.

Investments in the charitable gift annuity pool shall have a minimum credit quality rating of Baa/BBB or an average credit rating of Baa/BBB for mutual funds or pooled funds and a minimum rating of A-1/P-1 for investments in commercial paper. The charitable trust investments generally have a minimum credit quality rating in investment-grade Baa/BBB bond investments and a minimum rating of A-1/P-1 for investments in commercial paper. However, an individual trust may hold up to 9% of the portfolio in below-investment-grade investments.

As of June 30, 2019 and 2018, OHSU had the following investments with credit rating at fair value:

Investment type	Credit rating S&P or equivalent		Total 2019	Total 2018
Cash and money market funds	AAA	$	54,493	2,926
	AA-		1,006	—
	A+		1,005	1,002
	A-1+		74,902	3,024
	A-1		—	11,809
	Not rated		884	40,595
	NA		11,697	67,077
U.S. government securities	AAA		87,448	64,850
	AA+		291,569	236,046
	AA		—	1,525
	AA-		—	2,662
	A+		—	3,618
	A		—	1,677
	A-		—	508
	BBB		—	117
	BBB-		—	1,155
	B		—	3,135
U.S. agency securities	AAA		10,649	7,979
	AA+		47,812	14,686
	A-1+		—	3,431
	A-1		7,779	4,844
	A-2		—	746

OREGON HEALTH & SCIENCE UNIVERSITY
(A Component Unit of the State of Oregon)
Notes to Financial Statements
June 30, 2019 and 2018
(Dollars in thousands)

Investment type	Credit rating S&P or equivalent		Total 2019	Total 2018
	NA	$	—	486
U.S. corporate securities	AAA		714	1,238
	AA+		2,047	3,718
	AA		9,950	12,545
	AA-		19,093	24,153
	A+		36,568	19,119
	A		58,214	89,137
	A-		39,605	46,955
	BBB+		51,076	54,244
	BBB		55,611	76,238
	BBB-		8,493	6,155
	BB		1,164	1,320
	B		341	324
	Below B		45	37
	Not rated		607	612
	n/a		—	2,013
Non-U.S. corporate securities	AAA		—	4,922
	AA-		19,158	25,449
	A+		18,791	24,009
	A		33,838	55,760
	A-		28,053	8,620
	BBB+		23,074	11,145
	BBB		17,287	10,621
	BBB-		7,370	7,021
	A-1		998	—
	Not rated		—	567
	NA		319	645
Asset-backed securities	AAA		39,430	37,053
	AA+		—	193
	AA		4,370	2,528
	AA-		267	—
	A		753	880
	BBB		280	156
	BB		179	46
	B		62	50
	Below B		1,535	1,368
	A-1+		5,247	5,138
	Not rated		2,682	852
	NA		10,940	9,760

(Continued)

(Dollars in thousands)

Investment type	Credit rating S&P or equivalent	Total 2019	Total 2018
Mutual funds – fixed income only	AAA	$ 84,940	56,904
	AA	6,456	4,917
	A	14,136	7,892
	BBB	12,606	8,540
	BB	3,574	3,136
	B	4,426	3,369
	Below B	2,828	2,282
	Not rated	3,539	2,893
Municipal bonds	AAA	163	1,874
	AA	1,995	2,236
	A	168	1,513
Other fixed income	BBB	265	342
	BB	193	760
	B	123	524
	Below B	8	5
	Not rated	10	1
Joint ventures and partnerships	NA	343,958	280,071
Mutual funds – other	NA	151,418	138,980
Alternative investments	NA	204,179	215,177
Real estate investments and other	NA	45,143	34,620
Domestic equity securities	NA	128,885	125,746
International equity securities	NA	240,894	237,002
		$ 2,337,312	2,147,273

(c) *Concentration of Credit Risk*

OHSU's operating and trustee-held portfolios limit investments in any one issue to a maximum of 5% (10% prior to investment policy amendment adopted by the board in October 2013) depending upon the investment type, except for issues of the U.S. government, which may be held without limitation, or

U.S. government agencies limited to 15% (without limit prior to policy amendment). The current fund's investment policy limits investments in any issuer or issuer as follows:

	Maximum concentration
U.S. and foreign corporate indebtedness	No more than 3% per issuer
Certificates of deposit	No more than 5% per issuer
Foreign government, foreign agency, or supranational organization debt	No more than 5% per issuer
Agency mortgage-backed securities	No more than 15% per cusip
Commercial mortgage-backed securities	No more than 5% per cusip
Asset-backed securities	No more than 5% per cusip
Municipal bonds	No more than 5% per cusip

The endowment and charitable gift annuity portfolios limit investments in any one issue to a maximum of 5%, except for issues of the U.S. government or agencies of the U.S. government or diversified mutual funds, which may also be held without limitation. The Foundations' policies relating to the charitable gift annuity pool limit investments in any one issue to a maximum of 5%, except for issues of the U.S. government and its agencies or diversified mutual funds, which may be held without limitation. The Foundations' investment policy for charitable trusts limits investments in any one issue to a maximum of 5%, except for issues of the U.S. government and its agencies or diversified mutual funds. The current fund investment policy places no limit on the amount that may be invested in any one issuer, except that a maximum of 3% may be invested in the securities of any nongovernmental issuer. As of June 30, 2019 or 2018, OHSU had no investments in excess of the thresholds discussed above.

(d) Foreign Currency Risk

OHSU's investment policies permit investments in international equities and other asset classes, which can include foreign currency exposure. The endowment fund allows for investments in international equities and in non-U.S. dollar-denominated bonds. The current fund allows up to 20% of the portfolio to be invested in non-U.S. sovereign or supranational issues. The charitable gift annuity pool investment policy allows up to 30% of the portfolio to be invested in international equities. The charitable trust investment policy allows up to 32% of the portfolio to be invested in international equities, based on the individual circumstances of each trust account. The following table details the fair value of foreign denominated securities by currency type:

(Dollars in thousands)

Foreign currency		Value (U.S. dollar) 2019	2018
British sterling pound	$	9,655	5,265
Canadian dollar		8,122	7,228
Euro		19,438	4,462
Total	$	37,215	16,955

(4) Due from/to Contractual Agencies

Due from contractual agencies, reflected in patient accounts receivable under current assets in the statements of net position, represents amounts receivable from the State Medicaid Program (Medicaid), the Federal Medicare Program (Medicare), and other contractual agencies. Due to contractual agencies, reflected in other current liabilities in the statements of net position, represents amounts payable to Medicaid, Medicare and other contractual agencies. A summary of the balances as of June 30, 2019 and 2018 is as follows:

		Due from contractual agencies		Due to contractual agencies		Net, due from (to)	
		As of June 30, 2019	As of June 30, 2018	As of June 30, 2019	As of June 30, 2018	As of June 30, 2019	As of June 30, 2018
Medicaid	$	14,682	18,693	—	—	14,682	18,693
Intergovernmental transfer		18,984	77,295	(4,215)	(73,136)	14,769	4,159
Medicare		—	—	(815)	(647)	(815)	(647)
Other contractual agencies		6,351	4,420	—	—	6,351	4,420
	$	40,017	100,408	(5,030)	(73,783)	34,987	26,625

In 2017, OHSU worked with the state legislature and the Oregon Health Authority to build a new program that would leverage additional federal funds for the state's Medicaid program, maintain historical principles of support for OHSU's missions, and simplify the complexity of prior funding programs between OHSU and the State. The legislature approved the program in the Oregon Health Authority's 2017–2019 budget and Oregon's OHSU Intergovernmental Transfer (IGT) Program was approved by the U.S. Centers for Medicare and Medicaid Services (CMS) and implemented on January 1, 2018, with the corresponding funding payments between entities beginning in March 2018. Under this new IGT program, OHSU no longer pays the hospital tax paid by other hospitals in Oregon. Instead, because OHSU is an Oregon public corporation, it transfers funds directly to the state to be used for Oregon's Medicaid program. The federal government matches funds used in the Medicaid program on approximately a three-to-one basis.

(Dollars in thousands)

Oregon's Medicaid coordinated care organizations (CCO's) pay OHSU an additional amount per clinical service provided to patients as Quality and Access payments. These additional payments have been approved by CMS and are funded through a combination of OHSU's IGT and federal dollars. The purpose of these funds is to maintain access to the high quality unique academic health center services OHSU provides to Medicaid patients.

During fiscal year 2019 and 2018 respectively, OHSU made intergovernmental transfers of $299,570 and $71,850 to the State of Oregon. The State of Oregon used these dollars, and the corresponding federal match, for payment of Medicaid services throughout Oregon. Oregon's Medicaid CCO's paid OHSU $357,415 and $113,946, in fiscal year 2019 and 2018 respectively, through Quality and Access payments. The Quality and Access Payments and the Intergovernmental transfers, are included as a net reduction in the contractual discounts and represents a portion of the Medicaid payment for patient care services. A net benefit of the program, including funding from other federal and state sources, allows the University to have resources available to support OHSU's missions. During the year ended June 30, 2019 and 2018, the University was able to provide support for research and education of $116,000 and $55,000, respectively.

(5) Capital Assets

Capital assets for fiscal years ended June 30, 2019 and 2018 are listed by category below:

		2019	2018
Land and land improvements	$	83,645	83,645
Buildings and other improvements		2,655,655	2,123,230
Equipment		1,058,487	986,769
Construction in progress		102,172	523,114
Accumulated depreciation		(1,826,963)	(1,707,194)
Total capital assets, net	$	2,072,996	2,009,564

(Dollars in thousands)

The following is a summary of capital assets for the fiscal years ended June 30, 2019 and 2018:

	Balance June 30, 2018	Increases	Decreases	Balance June 30, 2019
Capital assets not depreciated:				
Land and land improvements	$ 83,645	—	—	83,645
Construction in progress	523,114	—	(420,942)	102,172
Total capital assets not depreciated	606,759	—	(420,942)	185,817
Other capital assets:				
Buildings and other improvements	2,123,230	554,193	(21,768)	2,655,655
Equipment	986,769	128,614	(56,896)	1,058,487
Total other capital assets	3,109,999	682,807	(78,664)	3,714,142
Less accumulated depreciation:				
Buildings and other improvements	(951,805)	(93,289)	13,646	(1,031,448)
Equipment	(755,389)	(74,956)	34,830	(795,515)
Total accumulated depreciation	(1,707,194)	(168,245)	48,476	(1,826,963)
Other capital assets, net	1,402,805	514,562	(30,188)	1,887,179
Total capital assets, net	$ 2,009,564	514,562	(451,130)	2,072,996

OREGON HEALTH & SCIENCE UNIVERSITY
(A Component Unit of the State of Oregon)
Notes to Financial Statements
June 30, 2019 and 2018
(Dollars in thousands)

	Balance June 30, 2017	Increases	Decreases	Balance June 30, 2018
Capital assets not depreciated:				
Land and land improvements	$ 79,580	4,065	—	83,645
Construction in progress	255,019	394,014	(125,919)	523,114
Total capital assets not depreciated	334,599	398,079	(125,919)	606,759
Other capital assets:				
Buildings and other improvements	2,047,035	76,284	(89)	2,123,230
Equipment	940,085	69,788	(23,104)	986,769
Total other capital assets	2,987,120	146,072	(23,193)	3,109,999
Less accumulated depreciation:				
Buildings and other improvements	(868,826)	(83,068)	89	(951,805)
Equipment	(710,153)	(68,027)	22,791	(755,389)
Total accumulated depreciation	(1,578,979)	(151,095)	22,880	(1,707,194)
Other capital assets, net	1,408,141	(5,023)	(313)	1,402,805
Total capital assets, net	$ 1,742,740	393,056	(126,232)	2,009,564

(6) Compensated Absences Payable

Vacation pay for classified employees is earned at 8 to 24 hours per month, depending on the length of service and classification, with a maximum accrual of up to 364 hours per employee and a maximum payment upon separation of up to 364 hours. A maximum of 96 to 288 hours of vacation can be earned per year, depending on the length of service and classification. Vacation pay for unclassified employees is earned at 14.67 hours per month, with a maximum accrual of 256 hours. The maximum payment of unused vacation hours at termination varies from 80 to 136 hours at a 50% payment rate. There are a few exceptions, such as: the previous Management Service employees who transitioned to Unclassified Administrative on July 8, 1996 will be paid up to 250 hours unused accrued vacation at 100% pay rate. Eligible employees have the opportunity to cash-out unused accrued vacation hours, up to 100 hours per year based on their representational group.

Sick leave is recorded as an expense when paid. Sick leave for employees is earned at the rate of 8 hours per month and a maximum of 96 hours per year, with no restrictions on maximum hours accrued. Employees in the following groups earn sick leave at the rate of 1 hour for 30 hours worked: resource, flex, temporary, unclassified below 0.5FTE, OHSU student, non-OHSU student, graduate assistant. No liability exists for terminated employees.

(7) Retirement Plans

The University, excluding blended component units, offers various pension plans to all qualified employees: the State's Public Employees Retirement System (PERS), which includes a cost-sharing, defined-benefit plan and a defined-contribution plan (individual account plan – IAP), the University Pension Plan (UPP), and the Clinical Retirement Plan (CRP).

(a) Defined-Benefit Pension Plan Descriptions

PERS is a cost-sharing, multiemployer retirement system available to units of state government, political subdivisions, community colleges, and school districts, containing multiple actuarial pools. Plan assets may be used to pay the benefits of the employees of any employer that provides pensions through the plan. As of the June 30, 2018 measurement date, there were 904 participating employers.

PERS is administered in accordance with ORS Chapter 238, Chapter 238A, and Internal Revenue Code Section 401(a). The State's legislature has delegated authority to the Public Employees Retirement Board (PERS Board) to administer the system. The PERS Board is composed of five trustees who administer retirement (service and disability), death, and retiree health insurance benefits. All members of the PERS Board are appointed by the governor and confirmed by the state senate. The governor designates the chairperson. Statute specifies PERS Board membership must be three people with experience in business management, pension management, or investing who are not members of the PERS system; one person who is either an employee of the state in a management position or a person who holds an elective office in the governing body of a participating public employer other than the state; and one person representing public employees and retirees.

The State's PERS issues a publicly available financial report that includes financial statements and required supplementary information, including a 10-year historical trend information showing the accumulation of sufficient assets to pay benefits when due. Copies of the State's PERS's Comprehensive Annual Financial Report and Actuarial Valuations may be obtained from the PERS Web site at https://www.oregon.gov/pers/EMP/Pages/Actuarial-Financial-Information.aspx.

PERS comprises three separate defined-benefit groups: PERS Tier 1, PERS Tier 2, and Oregon Public Service Retirement Plan (OPSRP).

(i) Benefits Provided

The following describes the benefits provided through the PERS plan:

(1) PERS Tier 1/PERS Tier 2

(a) The Tier 1/Tier 2 plans are closed to new members hired on or after August 29, 2003.

(b) Members are provided retirement, disability, and death benefits.

(c) Vesting occurs if either of the following conditions are met, unless the account is withdrawn:

1. An active member in each of 5 calendar years
2. Reached at least 55 years of age while working in a qualifying position (age 50 for police and fire members).

(d) The retirement allowance is payable monthly for life. It may be selected from 13 retirement benefit options. These options include survivorship benefits and lump-sum refunds.

(e) The basic benefit is based on years of service and final average salary. A percentage (2.00% for police and fire employees, 1.67% for general employees) is multiplied by the number of years of service and the final average salary. Benefits may also be calculated under either a formula plus annuity (for members who were contributing before August 21, 1981) or a money match computation if a greater benefit results.

(f) Normal retirement age for general members is age 58 for Tier 1 and age 60 for Tier 2, or any age with 30 years or more of retirement credit. Normal retirement age for police and fire members is age 55, or age 50 with 25 years or more of retirement credit. Benefits are reduced if normal retirement age is not attained.

(g) Annual Cost of Living Adjustments (COLA) of up to 2% annually for service time accrued before October 1, 2013; COLA for service time after that date uses a lower rate. Service time accrued in both periods is “blended.”

(2) PERS OPSRP

(a) The OPSRP plan is open to members hired on or after August 29, 2003.

(b) Members are provided retirement, disability, and death benefits.

(c) Vesting occurs if either of the following conditions are met, unless the account is withdrawn:

1. Completion of at least 600 hours of service in each of five calendar years
2. Reached normal retirement age as an active member on that date.

(d) The retirement allowance is payable monthly for life.

(e) The basic benefit is based on years of service and final average salary. A percentage (1.8% for police and fire employees, 1.5% for general employees) is multiplied by the number of years of service and the final average salary.

(f) Normal retirement age for general members is age 65, or age 58 with 30 years or more of retirement credit. Normal retirement age for police and fire members is age 60, or age 53 with 25 years or more of retirement credit. Benefits are reduced if normal retirement age is not attained.

(g) Annual COLA of up to 2% annually for service time accrued before October 1, 2013; COLA for service time after that date uses a lower rate. Service time accrued in both periods is "blended."

(ii) Contributions

PERS funding policy provides for monthly employer contributions at actuarially determined rates. These contributions, expressed as a percentage of covered payroll, are intended to accumulate sufficient assets to pay benefits when due. This funding policy applies to the PERS defined-benefit plan and the OPEBs.

The employer contribution rate for active employees is established by the PERS Board based upon actuarial valuations, which are performed once every two years to determine the level of employer contributions. Employer contribution rates during the period were based on the December 31, 2015 actuarial valuation. The rates were based on a percentage of payroll and first became effective July 1, 2017. The employer contribution rate for PERS Tier 1 and Tier 2 was 14.98% from July 1, 2017 to June 30, 2019. The employer contribution rate for OPSRP was 7.86% (OPSRP Police and Fire, 12.63%) from July 1, 2017 to June 30, 2019.

The State and certain schools, community colleges, and political subdivisions have made lump-sum payments to establish side accounts and their rates have been reduced. OHSU made $10,000 lump-sum payments to PERS during fiscal years 2019 and 2018, respectively. Amounts contributed post measurement date, including fiscal year 2019 and 2018 side account contributions of $10,000, are recorded as deferred outflows in the amount of $47,919 and $47,087 for the years ended June 30, 2019 and 2018, respectively.

The defined-benefit pension plan contributions can be found in the required supplementary information.

(iii) Net Pension Liability

OHSU's proportionate share of the net pension liability for PERS as of June 30, 2019 and 2018 is $456,006 and $424,000, respectively, utilizing a June 30, 2018 and 2017 measurement date, respectively. The net pension liability for the June 30, 2019 and 2018 fiscal year-end was determined based on the results of the December 31, 2016 and December 31, 2015 actuarial valuation rolled forward to the respective measurement dates using standard actuarial procedures.

The basis for OHSU's proportion is actuarially determined by comparing OHSU's projected long-term contribution effort to the PERS cost-sharing, multiple-employer defined benefit pension plan with the total projected long-term contribution effort of all participating employers. OHSU's proportionate share was 3.01% for the June 30, 2018 measurement date and 3.15% for the June 30, 2017 measurement date.

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of PERS, and additions to/deductions from PERS' fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

(iv) Proportionate Share of Pension Expense and Deferrals Related to Pensions

OHSU's pension expense for the years ended June 30, 2019 and 2018 was $72,043 and $76,587, respectively. The pension expense, which is considered period interest cost, service cost, amortization of deferred outflows and inflows, and changes in benefit terms, has decreased since prior year.

In July 2017, the assumed rate of return on investments was reduced from 7.50% to 7.20%. The new assumed rate became effective for Tier One earnings crediting in calendar year 2018, and was used as the basis for updated actuarial equivalency factors effective January 1, 2018. The new assumed rate was also used in the actuarial valuation which established the employer contribution rates for the 2019-21 biennium.

(Dollars in thousands)

Deferred outflows of resources and deferred inflows of resources for pensions were related to the following sources as of the fiscal years ended June 30, 2019 and 2018:

	Deferred outflow of resources		Deferred inflow of resources	
	2019	2018	2019	2018
Differences between expected and actual experience	$ 15,512	20,505		—
Changes of assumptions	106,021	77,288		—
Net difference between projected and actual earnings on pension plan investments		4,367	(20,250)	—
Changes in proportionate share		—	(45,026)	(46,547)
Differences between contributions and OHSU's proportionate share of system contributions	4,062	—	(3,399)	(5,531)
Total (prior to post-MD contributions)	125,595	102,160	(68,675)	(52,078)
Contributions subsequent to the measurement date	47,919	47,087	—	—
Gross deferred outflow (inflow) of resources	$ 173,514	149,247	(68,675)	(52,078)

The contributions made subsequent to the measurement date of $47,919 will be recognized as a reduction in the net pension liability during the year ending June 30, 2020.

(Dollars in thousands)

Remaining amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Fiscal year ending		Deferred outflow/(inflow) of resources
2020	$	40,836
2021		25,517
2022		(13,962)
2023		2,188
2024		2,341
Total	$	56,920

(v) Actuarial Methods and Assumptions

The following methods and assumptions were used in developing total pension liability reported as of June 30, 2019 and 2018.

Actuarial methods and assumptions	2019	2018
Valuation date	December 31, 2016	December 31, 2015
Measurement date	June 30, 2018	June 30, 2017
Experience study report	2016, published July 2017 Based on data for the experience period January 1, 2013 to December 31, 2016	2014, published Sep. 2015 Based on data for the experience period January 1, 2011 to December 31, 2014
Actuarial assumptions:		
Actuarial cost method	Entry Age Normal	Entry Age Normal
Inflation rate	2.50%	2.50%
Long-term expected rate of return	7.20%	7.20%
Discount rate	7.20%	7.20%
Projected salary increases	3.50%	3.50%
Cost of Living Adjustments (COLA)	Blend of 2% COLA and graded COLA (1.25%/ 0.15%) in accordance with Moro case decision; blend based on service	Blend of 2% COLA and graded COLA (1.25%/ 0.15%) in accordance with Moro case decision; blend based on service

(Dollars in thousands)

Actuarial methods and assumptions	2019	2018
Mortality	***Healthy retirees and beneficiaries:*** RP-2014 Healthy annuitant, sex-distinct, generational with Unsex, Social Security Data Scale, with collar adjustments and set-backs as described in the valuation ***Active members:*** RP-2014 Employees, sex-distinct, generational with Unisex, Social Security Data Scale, with collar adjustments and set-backs as described in the valuation ***Disabled retirees:*** RP-2014 Disabled retirees, sex-distinct, generational with Unsex, Social Security Data Scale.	***Healthy retirees and beneficiaries:*** RP-2000 sex-distinct, generational per Scale BB, with collar adjustments and setbacks, as described in the valuation ***Active members:*** Mortality rates are a percentage of healthy retiree rates that vary by group, as described in the valuation ***Disabled retirees:*** Mortality rates are a percentage (70% for males and 95% for females) of the RP-2000 sex-distinct, generational per Scale BB, disabled mortality table.

Actuarial valuations of an ongoing plan involve estimates of the value of projected benefits and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Experience studies are performed as of December 31 of even numbered years. The 2016 experience study, used in developing total pension liability reported as of June 30, 2019, was based on the data for the experience period January 1, 2013 to December 31, 2016 and the 2014 experience study, used in developing total pension liability reported as of June 30, 2018, was based on the data for the experience period January 1, 2011 to December 31, 2014.

(vi) *Discount Rate*

The discount rate used to measure the total pension liability at June 30, 2018 was 7.20% and at June 30, 2017 was 7.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for PERS was applied to all periods of projected benefit payments to determine the total pension liability. The impact of a 1.00% decrease and increase in the discount rate on the net pension liability is as follows:

Discount Rate Sensitivity – Net Pension Liability
(Dollars in thousands)

OHSU's proportionate share		1% Decrease	Current discount rate	1% Increase
June 30, 2019	$	762,072	456,006	203,373
June 30, 2018		722,573	424,000	174,337

(vii) Investments

The Oregon State Treasury is the investment officer for the State. Investment standards are established in ORS 293.726 and require funds to be managed as a prudent investor would do. The Oregon Investment Council (OIC) establishes policies for the investment and reinvestment of moneys in the Oregon Public Employees Retirement Fund (OPERF).

ORS 293.701 defines the investment funds over which OIC has responsibility. Included is the OPERF, which comprises the defined benefit pension plan, the individual account program, and the other postemployment benefit plans. OIC establishes policies for the investment and reinvestment of moneys in the investment funds as well as the acquisition, retention, management, and disposition of investments in the investment funds. OIC is also responsible for providing an examination of the effectiveness of the investment program.

(1) Assumed Asset Allocation

The following table illustrates both the assumed asset allocation. Deferred outflows of resources and deferred inflows of resources for pensions were related to the following sources as of the measurement date June 30, 2018:

OIC Target and Actual Investment Allocation as of June 30, 2018*

Asset class/strategy	OIC policy low range	OIC policy high range	OIC target allocation	Asset class/strategy	Actual allocation
Cash	— %	3.0 %	— %	Cash	5.2 %
Debt securities	15.0	25.0	20.0	Debt securities	18.9
Public equity	32.5	42.5	37.5	Public equity	36.7
Real estate	9.5	15.5	12.5	Real estate	10.1
Private equity	13.5	21.5	17.5	Private equity	19.7
Alternative equity	—	12.5	12.5	Alternative equity	7.3
Opportunity portfolio[1]	—	3.0	—	Opportunity portfolio[1]	2.1
Total			100.0 %	Total	100.0 %

[1] Opportunity portfolio is an investment strategy, and it may be invested up to 3% of total plan net assets.

(Dollars in thousands)

The following table illustrates both the assumed asset allocation. Deferred outflows of resources and deferred inflows of resources for pensions were related to the following sources as of the measurement date June 30, 2017:

OIC Target and Actual Investment Allocation as of June 30, 2017*

Asset class/strategy	OIC policy low range	OIC policy high range	OIC target allocation	Asset class/strategy	Actual allocation
Cash	— %	3.0 %	— %	Cash	4.1 %
Debt securities	15.0	25.0	20.0	Debt securities	19.2
Public equity	32.5	42.5	37.5	Public equity	38.8
Real estate	9.5	15.5	12.5	Real estate	11.2
Private equity	14.0	21.0	17.5	Private equity	19.4
Alternative equity	—	12.5	12.5	Alternative equity	5.3
Opportunity portfolio[1]	—	3.0	—	Opportunity portfolio[1]	2.0
Total			100.0 %	Total	100.0 %

[1] Opportunity portfolio is an investment strategy, and it may be invested up to 3% of total plan net assets.

* The OIC target allocations are based on OIC asset classes as determined by each manager's primary investment type, not the financial statement classification of individual holdings. The target allocation amounts do not include deferred compensation plan investments. The actual investment allocation is based on the financial statement investment classifications, including deferred compensation plan investments.

(2) Long-Term Expected Rate of Return

To develop an analytical basis for the selection of the long-term expected rate of return assumption the PERS Board reviews long-term assumptions developed by the consulting actuary's capital market assumptions team and the OIC investment advisers. The table below shows the actuary's assumptions for each of the asset classes in which the plan was invested at that time based on the OIC long-term target asset allocation. The OIC's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions and includes adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

(Dollars in thousands)

Asset class	2019 Target allocation*	2019 Compound annual return (Geometric)	2018 Target allocation**	2018 Compound annual return (Geometric)
Core fixed income	8.00 %	3.49 %	8.00 %	4.00 %
Short-term bonds	8.00	3.38	8.00	3.61
Bank/leveraged loans	3.00	5.09	3.00	5.42
High-yield bonds	1.00	6.45	1.00	6.20
Large/mid cap U.S. equities	15.75	6.30	15.75	6.70
Small cap U.S. equities	1.30	6.69	1.30	6.99
Micro cap U.S. equities	1.30	6.80	1.30	7.01
Developed foreign equities	13.13	6.71	13.13	6.73
Emerging market equities	4.12	7.45	4.12	7.25
Non-U.S. small cap equities	1.88	7.01	1.88	7.22
Private equity	17.50	7.82	17.50	7.97
Real estate (property)	10.00	5.51	10.00	5.84
Real estate (REITs)	2.50	6.37	2.50	6.69
Hedge fund of funds – diversified	2.50	4.09	2.50	4.64
Hedge fund – event-driven	0.63	5.86	0.63	6.72
Timber	1.88	5.62	1.88	5.85
Farmland	1.88	6.15	1.88	6.37
Infrastructure	3.75	6.60	3.75	7.13
Commodities	1.88	3.84	1.88	4.58
Assumed inflation – mean	—	2.50	—	2.50
	100.00 %		100.00 %	

* Based on the OIC Statement of Investment Objectives and Policy Framework for the Oregon Public Employees Retirement Fund, revised as of December 3, 2014. The revised allocation was adopted at the June 7,2017 OIC meeting.

** Based on the OIC Statement of Investment Objectives and Policy Framework for the Oregon Public Employees Retirement Fund, revised as of December 3, 2014. The revised allocation was adopted at the June 26, 2015 OIC meeting.

(b) Other Retirement Plans

In addition to the PERS defined benefit retirement plan, OHSU has three defined-contribution plans – the PERS IAP, the UPP, and the CRP.

Effective January 1, 2004, employees participating in PERS (Tier 1, Tier 2, and OPSRP) have had their 6% member contributions placed in the IAP. The IAP is a defined-contribution plan and is managed separately from the defined-benefit portion of the PERS pension plan.

(Dollars in thousands)

Effective July 1, 1996, OHSU established the UPP. The UPP is a defined-contribution plan, which is available as an alternate to PERS for employees who are not eligible for the CRP. Employees become fully vested in employer contributions over a three- to four-year period (depending on collective bargaining agreements) or upon reaching age 50. Contribution levels are determined by the collective bargaining agreements for union represented employees and the board of directors of OHSU for noncollective bargaining employees. In fiscal years 2019 and 2018, all employer contributions to the plan were 6% of salary.

For Oregon Nurse Association (ONA) represented employees and noncollective bargaining employees, which includes faculty, research, and unclassified administrative participating in the UPP; OHSU offers a 6% employee contribution, which is employer paid and is fully vested at the time of the contribution.

In January 2016, the 6% employee contributions that OHSU funded for American Federation of State, County and Municipal Employees (AFSCME) represented employees, were eliminated per a Memorandum of Understanding of the July 19, 2015–June 30, 2019 collective bargaining agreement, which states that the Employer will discontinue the 6% employee contribution pickup for eligible employees participating in the UPP.

In July 2016, the 6% employee contributions that OHSU funded for the OHSU Police Association-represented employees, were eliminated from the July 1, 2016–June 30, 2019 collective bargaining agreement, which states that the Employer shall continue to make a 6% employee retirement plan contribution for eligible employees participating in the UPP prior to the first full-pay period following July 1, 2016, at which time the contribution will be discontinued.

For employees who are members of the OPP who work in a qualifying position, OHSU offers participation in the CRP. The CRP is an employer-paid, defined-contribution plan, and contributions to this plan are fully vested at the time of the contribution. A variable contribution rate is used for employees enrolled prior to January 1, 2009. After January 1, 2009, a 12% contribution rate is used.

		2019	2018
UPP:			
Employer contribution	$	41,305	37,551
Employee contribution [1]		23,989	24,185
	$	65,294	61,736
CRP:			
Employer contribution	$	28,620	26,308
	$	28,620	26,308

[1] Of the employees' share, the employer paid $23,989 and $24,185 related to noncollective bargaining employees and ONA-represented employees in fiscal years 2019 and 2018, respectively.

(Dollars in thousands)

OHSU offers all eligible employees, full and part time, an option to participate in one of two tax-deferred savings plans through the University Voluntary Savings Program. The 403(b) Plan is often referred to as a tax-deferred investment plan while the 457(b) Plan is referred to as a deferred compensation plan. Both plans offer a variety of investment options. The contribution and investment earnings under these plans are tax deferred, which may be accumulated by the employee for distribution at a future date. All contributions to these plans are made by the employee and are fully vested at the time of the contribution.

The Foundations have defined-contribution plans available for substantially all employees. The plans are funded through the purchase of a group annuity contract with an insurance company at a discretionary amount equal to 12% of eligible compensation. Contributions are fully vested after five years. The Foundations contributed $1,000 and $1,000 for the purchase of retirement annuities during the fiscal years ended June 30, 2019 and 2018, respectively.

(8) Postemployment Benefits Other than Pensions (OPEB)

OHSU administers a single-employer, defined-benefit healthcare plan for qualified employees and postemployment healthcare for retiring employees eligible to receive medical coverage. Additionally, for eligible PERS members, PERS administers the Retirement Health Insurance Account (RHIA) cost-sharing, multiple-employer defined-benefit OPEB plan.

(a) Single-Employer, Defined-Benefit Plans

(i) Plan Description

OHSU provides retiree health program coverage to current and future retirees of OHSU who qualify for retirement. Members who terminate prior to retirement eligibility or are not participating in the plan at retirement are not eligible to participate in the program. The employee must be actively enrolled in an OHSU medical plan at the time of separation from OHSU.

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

(ii) Employees Covered by Benefit Terms

The plan provides access for retiring employees to OHSU's employee medical plans at the same premium rates assessed to active employees. As of the measurement date of October 1, 2018, the following employees were covered by the benefit terms.

	October 1, 2018	October 1, 2017
Active employees	13,018	13,018
Retired members and others, receiving benefits	101	101
Total participants	13,119	13,119

(Dollars in thousands)

(iii) Benefit Payments

Benefit payments made for the fiscal year end June 30, 2019 and June 30, 2018 were $458 and $663, respectively.

(iv) Total OPEB Liability

The total OPEB liability as of the reporting date June 30, 2019 and 2018 is $12,335 and $12,506, respectively. The total OPEB liability was determined by an actuarial valuation as of October 1, 2017, calculated based on the discount rate and actuarial assumptions below, and was then projected forward to the measurement date. The liability is included in other noncurrent liabilities in the accompanying statements of net position.

(v) Actuarial Assumptions and Other Inputs

The following methods and assumptions were used in developing the total OPEB liability.

Fiscal year ending	June 30, 2019	June 30, 2018
Valuation date	October 1, 2017	October 1, 2017
Measurement date	October 1, 2018	October 1, 2017
Reporting date	June 30, 2019	June 30, 2018
Experience study report	2016 Oregon PERS Experience Study Based on January 1, 2013 to December 31, 2016	2016 Oregon PERS Experience Study Based on January 1, 2013 to December 31, 2016
Inflation	2.50%	2.50%
Discount rate*	4.18%	3.64%

* The discount rate was based on the Bond Buyer General Obligation 20-Bond Municipal Index.

(vi) Expense and Deferred (Inflows)/Outflows of Resources Related to OPEB

The OPEB expense, which is considered concurrent period interest cost, service cost, amortization of deferred outflows and inflows, and effect of plan changes, was $1,033 and $1,140 for the fiscal year ended June 30, 2019 and June 30, 2018, respectively.

(Dollars in thousands)

As of June 30, 2019 and 2018 the deferred inflows and outflows of resources were as follows:

		Deferred outflow of resources		Deferred inflow of resources	
		2019	2018	2019	2018
Differences between expected and actual experience	$	—		—	—
Changes of assumptions		—		(1,249)	(709)
Total (prior to post-MD contributions)		—	—	(1,249)	(709)
Contributions subsequent to the measurement date		458	205		—
Gross deferred outflow (inflow) of resources	$	458	205	(1,249)	(709)

The contributions made subsequent to the measurement date of $458 will be recognized as a reduction in the total OPEB liability during the year ending June 30, 2020.

(b) Cost-Sharing, Multiple-Employer Defined-Benefit Plans

(i) Plan Description

ORS 238.420 established the RHIA. RHIA is a cost-sharing, multiple-employer OPEB plan for 904 participating employers. The plan was closed to new entrants hired on or after August 29, 2003.

The State's PERS issues a publicly available financial report that includes financial statements and required supplementary information, including a 10-year historical trend information showing the accumulation of sufficient assets to pay benefits when due. Copies of the Oregon Public Employees Retirement System's Comprehensive Annual Financial Report and Actuarial Valuations may be obtained from the PERS Web site at:
www.oregon.gov/pers/Pages/Financials/Actuarial-Financial-Information.aspx.

(ii) Benefits Provided

The plan authorizes a payment of up to sixty dollars from RHIA toward the monthly cost of health insurance for eligible PERS members.

(iii) Contributions

Contributions are advance-funded on an actuarially determined basis. The contractually required contributions for retiree healthcare liabilities for the period July 1, 2017 through June 30, 2019 are 0.43% of all PERS-covered salaries to amortize the unfunded actuarial accrued liability and 0.07%

of PERS-covered salaries for Tier One and Tier Two members normal cost portion of RHIA benefits. These rates were based on the December 31, 2015 actuarial valuation.

Contributions to the OPEB plan from OHSU were $1,590 and $1,656 for the years ended June 30, 2019 and June 30, 2018, respectively. Employees are not required to contribute to the OPEB plan.

(iv) OPEB Asset/(Liability), OPEB Expense/(Income), and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At fiscal year ended June 30, 2019 and 2018, OHSU reported an asset of $3,493 and $1,389 for its proportionate share of the net OPEB asset/(liability), respectively. The net OPEB asset/(liability) was measured as of June 30, 2018 and 2017 and the total OPEB asset/(liability) used to calculate the net OPEB asset/(liability) was determined by an actuarial valuation as of December 31, 2016 and December 31, 2015, respectively. OHSU's proportion of the net OPEB asset/(liability) was based on a projection of OHSU's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating members, actuarially determined. At the June 30, 2018 and 2017 measurement date, OHSU's proportionate share was 3.13% and 3.33%, respectively.

The OPEB expense/(income), which is considered concurrent period interest cost, service cost, amortization of deferred outflows and inflows, and effect of plan changes, was $(1) and $(3), for the year ended June 30, 2019 and 2018, respectively. As of June 30, 2019 and 2018, the deferred inflows and outflows of resources were as follows:

(Dollars in thousands)

		Deferred outflow of resources		Deferred inflow of resources	
		2019	**2018**	**2019**	**2018**
Differences between expected and actual experience	$	—	—	(198)	—
Changes of assumptions		—	—		—
Net difference between				(11)	
projected and actual earnings on investments		—	—	(753)	—
Changes in proportionate share		31	—	(18)	(643)
Differences between					(27)
contributions and OHSU's proportionate share of system contributions		—	—	—	—
Total (prior to post-MD contributions)		31	—	(980)	(670)
Contributions subsequent to the measurement date		1,590	151	—	—
Gross deferred outflow (inflow) of resources	$	1,621	151	(980)	(670)

The contributions made subsequent to the measurement date of $1,590 will be recognized as a reduction in the total OPEB liability during the year ending June 30, 2020.

(Dollars in thousands)

(v) Actuarial Assumptions and Other Inputs

The total OPEB liability/(asset) in the December 31, 2016 and 2015 actuarial valuations were determined using the following actuarial assumptions, applied to all periods included in the measurement.

Fiscal year ending	June 30, 2019	June 30, 2018
Valuation date	December 31, 2016	December 31, 2015
Measurement date	June 30, 2018	June 30, 2017
Reporting date	June 30, 2019	June 30, 2018
Experience study report	2016, published July 26, 2017 Based on data for the experience period January 1, 2013 to December 31, 2016	2014, published September 23, 2015 Based on data for the experience period January 1, 2011 to December 31, 2014
Actuarial assumptions:		
Actuarial cost method	Entry age normal	Entry age normal
Inflation rate	2.50%	2.50%
Long-term expected rate of return	7.20%	7.50%
Discount rate	7.20%	7.50%

(9) Long-Term Debt, Bonds, and Capital Leases

Long-term debt, including related unamortized original issue discounts and premiums and capital leases at June 30, 2019 and 2018, is as follows:

	2019	2018
Debt Service Payment Agreement (DSPA)	$ 3,976	5,864
Tenancy in Common Agreement (TIC)	24,682	25,258
Bonds payable, revenue bonds, Series 1995A	32,180	41,023
Bonds payable, revenue bonds, Series 2012A, B, C, and E	272,289	281,418
Bonds payable, revenue bonds, Series 2015A and B	137,320	138,380
Bonds payable, revenue bonds, Series 2015C	100,000	100,000
Bonds payable, revenue bonds, Series 2016A and B	268,018	269,015
Bonds payable, revenue bonds, Series 2017A and B	119,935	120,152
Local improvement district agreements	15,106	16,961
Capital leases	5,825	3,580
Less current portion of debt and capital leases	(27,890)	(24,260)
	$ 951,441	977,391

(a) *Debt Service Payment Agreement*

OHSU became an independent public corporation pursuant to an act of the Oregon Legislative Assembly in 1995 (the Act). Pursuant to the Act, OHSU assumed liability for outstanding indebtedness of the State previously incurred for the benefit of OHSU. To evidence this obligation, OHSU and the Oregon State Board of Higher Education (on behalf of the State of Oregon) entered into a DSPA, dated as of July 1, 1995, as subsequently amended (the State DSPA), pursuant to which OHSU makes payments to the State in amounts sufficient to pay when due all principal, interest, and any other charges with respect to such previously issued debt. In fiscal year 2017, the State refunded a portion of the 2007 Bonds included as part of the State DSPA with the 2017 Series I Bonds, which resulted in decreased debt service payments over time. Payment under the terms of the DSPA by OHSU represents full satisfaction of any legal obligation related to such outstanding indebtedness.

(b) *Tenancy in Common Agreement – Robertson Life Sciences Building*

During fiscal year 2011, OHSU entered into a joint construction project with the Oregon State Board of Higher Education (previously referred to as Oregon University System) to build the Robertson Life Sciences Building (previously referred to as the Collaborative Life Sciences Building) on OHSU's Schnitzer Campus located in Portland's South Waterfront to be jointly owned, developed, and operated collaboratively with Portland State University and Oregon State University. As partial consideration for OHSU's receipt of 50% undivided percentage interest in the tenancy in common of the Robertson Life Sciences Building, OHSU agreed to pay to the State one half of each assigned scheduled fixed-rate Series 2011F and G State Bonds debt service issued to fund the construction of the project. Subsequently, in fiscal year 2017, the State refunded a portion of the 2011 Series G Bonds with the 2017 Series I Bonds, which resulted in decreased debt service payments over time. Payments under the terms of the TIC by OHSU represents full satisfaction of any legal obligation related to such outstanding indebtedness.

(c) *Bonds Payable*

During fiscal year 1996, OHSU issued its first Insured Revenue Bonds Series A and B (1995 Revenue Bonds), which were partially refunded in fiscal years 2005 and 2012. The remaining outstanding 1995 Revenue Bond maturities are due July 1, 2019 through July 1, 2021 requiring semiannual interest payments with outstanding rate of 5.75%. Under the terms of the outstanding 1995 Revenue Bonds, OHSU is required to maintain funds held by a trustee for debt service reserve requirements for these bonds in amounts sufficient to pay specified principal and interest payments. The 1995 Revenue Bonds are limited obligations of OHSU and are secured by OHSU's gross revenue. Pursuant to the Oregon Uniform Revenue Bond Act, the 1995 Revenue Bonds are not general obligation bonds and are payable solely from the revenue pledged.

In fiscal year 2012, as part of a comprehensive bond portfolio restructuring, OHSU issued refunding Revenue Bonds, Series 2012A, Series 2012C, and Series 2012D, which refinanced over 50% of its existing outstanding debt portfolio. The Series 2012A was issued as fixed-rate bonds with remaining outstanding maturities due July 1, 2019 through July 1, 2028 requiring semiannual interest payments with outstanding rates ranging from 3.0% to 5.0%. The Series 2012C was issued as variable rate bond with remaining outstanding maturities due July 1, 2019 through July 1, 2027. The Series 2012D was issued as direct placement variable rate bonds and subsequently refunded with a new Series 2015B in fiscal year 2015. In fiscal year 2013, Series 2012E was issued as fixed-rate bonds with maturities due beginning July 1, 2023 to July 1, 2032 requiring semiannual interest payments with rates ranging from 4.0% to 5.0%. The 2012 Revenue Bonds are limited obligations of OHSU and are secured by OHSU's gross revenues. Pursuant to the Oregon Uniform Revenue Bond Act, the 2012 Revenue Bonds are not general obligation bonds and are payable solely from revenue pledged.

Additionally, in fiscal year 2012, during the restructuring process, OHSU simultaneously issued $85,570 of new tax-exempt variable rate revenue bonds, the Series 2012B-1, 2012B-2, and 2012B-3 to pay for certain costs of construction and other costs of issuance for the expanded CLSB Skourtes Tower project, which contains the OHSU School of Dentistry. The Series 2012B-1 and 2012B-2 were refunded with a new Series 2015A in fiscal year 2015. The remaining Series 2012B-3 bonds have maturities due beginning July 1, 2040 through July 1, 2042. The 2012 Revenue Bonds are limited obligations of OHSU and are secured by OHSU's gross revenues. Pursuant to the Oregon Uniform Revenue Bond Act, the 2012 Revenue Bonds are not general obligation bonds and are payable solely from revenue pledged.

In fiscal year 2015, OHSU restructured its Series 2012B 1, 2012B 2, and 2012D variable rate bonds with the Series 2015A and 2015B refunding revenue bonds to extend and stagger renewal dates of letters of credit and direct placement expiration dates. The Series 2015A refunded the 2012B-1 and 2012B-2 bonds. The Series 2015A was issued as direct placement variable rate bonds, with maturities due beginning July 1, 2040 to July 1, 2042. The Series 2015B refunded the Series 2012D bonds. The Series 2015B was issued as direct placement variable rate bonds, with and has remaining outstanding maturities due July 1, 2019 to July 1, 2032. No economic gain or loss was incurred as a result of this restructuring. The 2015 Revenue Bonds are limited obligations of OHSU and are secured by OHSU's gross revenues. Pursuant to the Oregon Uniform Revenue Bond Act, the 2015A and 2015B Revenue Bonds are not general obligation bonds and are payable solely from revenue pledged. In fiscal year 2016, OHSU issued the federally taxable Series 2015C Revenue Bonds in the amount of $100,000. The Series 2015C was issued as fixed-rate bonds with a maturity date of July 1, 2045 requiring semiannual interest payments at a rate of 5.0%. The proceeds from the Series 2015C will be used for general public corporation or other public purposes, including, but not limited to, financing capital expenses, noncapital expenses, and costs related to the issuance of the bonds. The 2015C Revenue Bonds are limited obligations of OHSU and are secured by OHSU's gross revenues. Pursuant to the Oregon Uniform Revenue Bond Act, the 2015C Revenue Bonds are not general obligation bonds and are payable solely from revenue pledged.

In fiscal year 2016, OHSU issued the Series 2016A Revenue Bonds in the amount of $50,000. The Series 2016A was issued as direct placement bonds with maturities due beginning July 1, 2043 through July 1, 2046 requiring monthly interest payments currently calculated at a rate of 2.30%. The Series 2016A was issued for capital improvements related to the construction of a new ambulatory care tower and as a prerequisite to the receipt of state matching grant funds for the construction of a new Knight Cancer Research Building. The 2016A Revenue Bonds are limited obligations of OHSU and are secured by OHSU's gross revenues. Pursuant to the Oregon Uniform Revenue Bond Act, the 2016A Revenue Bonds are not general obligation bonds and are payable solely from revenue pledged.

Additionally in fiscal year 2016, OHSU issued the Series 2016B Revenue Bonds in the amount of $199,835. The Series 2016B was issued as fixed-rate bond with maturities due beginning July 1, 2028 through July 1, 2046 requiring semiannual interest payments with outstanding interest rates ranging from 2.5% to 5.0%. The Series 2016B was issued to advance refund the Series 2009A and for capital improvements related to the construction of a new ambulatory care tower and as a prerequisite to the receipt of state matching grant funds for the construction of a new Knight Cancer Research Building. The 2016B Revenue Bonds are limited obligations of OHSU and are secured by OHSU's gross revenues. Pursuant to the Oregon Uniform Revenue Bond Act, the 2016B Revenue Bonds are not general obligation bonds and are payable solely from revenue pledged.

The Series 2009A Revenue Bonds, which were advance refunded in fiscal year 2016, were fixed rate bonds with maturities due beginning July 1, 2033 through July 1, 2039. The amount of in-substance defeased debt outstanding as of June 30, 2019 is $158,505. The Series 2009A bonds are considered to be defeased in substance and the liability related to these bonds has been removed from long-term debt. At the time of the advance refunding, funds were deposited into an irrevocable escrow account to provide for all future payments of principal and interest for the Series 2009A up to the redemption date of July 1, 2019 on which the University intends to redeem the bonds. The funds held in escrow for the refunding of the Series 2009A as of June 30, 2019 is $163,074.

While the advance refunding of the Series 2009A resulted in an economic gain for OHSU, the event generated a deferred accounting loss, which has been reflected as a deferred outflow in the financial statements. The deferred accounting loss is being amortized using the effective-interest method over the original life of the Series 2009A. The balances of the deferred accounting loss from the advance refunding of the Series 2009A as of June 30, 2019 and 2018 were $20,640 and $21,839, respectively.

In fiscal year 2017, OHSU issued the Series 2017A Revenue Bonds in the amount of $65,460. The Series 2017A Revenue Bonds were issued as fixed rate bonds with maturities due beginning July 1, 2033 through July 1, 2046 requiring semiannual interest payments with outstanding interest rates ranging from 3.5% to 5.0%. The Series 2017A Revenue Bonds were issued for capital improvements related to the construction of a new ambulatory care tower and as a prerequisite to the receipt of State matching grant funds for the construction of a new Knight Cancer Research Building. The 2017A Revenue Bonds are limited obligations of OHSU and are secured by OHSU's gross revenues. Pursuant to the Oregon Uniform Revenue Bond Act, the 2017A Revenue Bonds are not general obligation bonds and are payable solely from revenue pledged.

Additionally, in fiscal year 2017, OHSU issued the Series 2017B Revenue Bonds in the amount of $50,000. The Series 2017B Revenue Bonds were issued as direct placement bonds with a maturity date of July 1, 2047, requiring monthly interest payments currently calculated at a rate of 2.16%. The Series 2017B Revenue Bonds were issued for capital improvements related to the construction of a new ambulatory care tower and as a prerequisite to the receipt of state matching grant funds for the construction of a new Knight Cancer Research Building. The 2017B Revenue Bonds are limited obligations of OHSU and are secured by OHSU's gross revenues. Pursuant to the Oregon Uniform Revenue Bond Act, the 2017B Revenue Bonds are not general obligation bonds and are payable solely from revenue pledged.

(Dollars in thousands)

OHSU has multiple credit enhancement facilities, including irrevocable standby letters of credit with U.S. Bank NA and direct placements with Wells Fargo Municipal Capital Strategies LLC and JPMorgan Chase Bank, NA as bondholder representative for DNT Asset Trust, as noted in the tables below for the periods ended June 30, 2019 and 2018:

2012BC and 2015AB variable rate debt as of June 30, 2019

Series	Facility counterparty	Principal outstanding	Facility matures	LT Ratings S&P/Moody's /Fitch	Reset
2012B-3	U.S. Bank, NA	$ 28,520	7/31/2020	AA-/A1/AA-	Daily
2012C	U.S. Bank, NA	14,685	7/31/2020	AA-/A1/AA-	Daily
2015A	Wells Fargo Municipal Capital Strategies LLC	57,050	5/2/2022	A+/Aa2/AA-	Monthly
2015B	JPMorgan Chase Bank NA/DNT Asset Trust	80,270	5/3/2027	A+/Aa2/AA	Monthly
		$ 180,525			

2012BC and 2015AB variable rate debt as of June 30, 2018

Series	Facility counterparty	Principal outstanding	Facility matures	LT Ratings S&P/Moody's /Fitch	Reset
2012B-3	U.S. Bank, NA	$ 28,520	5/21/2020	AA-/Aa2/AA	Daily
2012C	U.S. Bank, NA	14,905	5/21/2020	AA-/Aa2/AA	Daily
2015A	Wells Fargo Municipal Capital Strategies LLC	57,050	5/2/2022	AA-/Aa2/AA	Monthly
2015B	JPMorgan Chase Bank NA/DNT Asset Trust	82,410	5/3/2027	A+/Aa3/AA-	Monthly
		$ 182,885			

The letters of credit will fund any put made by bondholders that is not successfully remarketed. In the event the standby letter of credit funds a put by bondholders, no principal payments are due for 367 days.

The indenture and other loan agreements contain, among other things, provisions placing restrictions on additional borrowings and leases and require the maintenance of days cash of hand and debt service coverage ratio. Management believes that it is in compliance with its debt covenants.

(d) Local Improvement District Assessments

OHSU initially entered into various local improvement district agreements (LIDs) with the City of Portland, Oregon during fiscal years 2007 and 2008 for real improvements to Portland's South Waterfront District, of which $30,000 of the initial debt is considered to be nonrecourse obligations of

(Dollars in thousands)

OHSU. During fiscal year 2012, OHSU entered into additional LIDs with the City of Portland for real improvements to the same Portland South Waterfront District for $4,807. All outstanding LID debt is scheduled to be repaid in semiannual installments, with final maturities through fiscal year 2029 and interest rates ranging between 4.19% and 4.71%. The total outstanding balances due as of June 30, 2019 and 2018 are $15,106 and $16,961, respectively, and have been included in long-term debt in the statements of net position.

(e) Interest Rate Swap Agreement

As of June 30, 2019 and 2018, OHSU held one interest rate swap agreement with Wells Fargo Bank, NA. The balances of OHSU's swap as of June 30, 2019 and 2018 are as follows:

	Notional		Fair value	
	2019	2018	2019	2018
Wells Fargo swap	$ 70,200	70,200	(13,413)	(6,272)
	$ 70,200	70,200	(13,413)	(6,272)

The notional amount of the outstanding swap with Wells Fargo Bank, NA and the principal amounts of the associated debt decline over time and terminate on July 1, 2042. The Series 2012B-3 and Series 2015A bonds are the assigned hedges under the current swap agreement with Wells Fargo Bank, NA. The swap has the option of early termination with a cash settlement. Under the swap agreement with Wells Fargo Bank, NA, OHSU makes fixed-rate interest payments of 2.51% and receives a variable-rate payment computed as 70.00% of the London Interbank Offered Rate. The fair value represents the estimated amount that OHSU would pay or receive if the swap agreement was terminated at year-end, taking into account current interest rates and the creditworthiness of the underlying counterparty. Total cash payments made to the swap counterparty were $590 and $993 during the years ended June 30, 2019 and 2018, respectively.

OHSU's interest rate swap agreement with Wells Fargo Bank, NA was established when OHSU entered into an International Swaps and Derivatives Association swap novation in fiscal year 2016. Previously, OHSU held two interest rate swap agreements with U.S. Bank, NA. Prior to the swap agreements with U.S. Bank, NA, OHSU held swap agreements with UBS originally established in fiscal year 2005 and subsequently novated in fiscal year 2013. The assigned hedges at the time of novation in fiscal year 2013 were the Series 2012B-1, Series 2012B-2, and Series 2012B-3 Bonds. Subsequently, the Series 2012B-1 and 2012B-2 Bonds were refunded with the Series 2015A Bonds in fiscal year 2015, at which point the Series 2012B-3 and Series 2015A Bonds were established as the new assigned hedges. The Series 2012B-3 and Series 2015A Bonds are the assigned hedges under the current agreement with Wells Fargo Bank, NA.

Management has evaluated the effectiveness of the current hedges assuming hybrid instruments; each swap consists of a companion debt instrument, amortized using the effective-interest method, representing the value of the swap at the inception of the current hedge, and a hedging instrument, amortized using the effective-interest method, representing the hypothetical value of the swap had it held no value at the inception of the hedge.

The companion debt instrument for the Wells Fargo Bank, NA swap was determined at the date of novation in fiscal year 2016 and is reported in other liabilities. The liability is being amortized over the remaining term of the swap agreement on an effective-interest basis as an offset to interest expense. The value of the companion debt instrument as of June 30, 2019 and 2018 is $13,871 and $14,501, respectively. The value of the debt instrument is offset by deferred amortization of debt instruments, a deferred outflow, which is amortized on an effective-interest method and has a balance of $7,330 and $8,529 as of June 30, 2019 and 2018, respectively.

The on-market value portion of the hedging derivative instrument for the Wells Fargo Bank, NA swap is recorded in other noncurrent liabilities, with an offsetting balance recorded in either deferred outflows or deferred inflows dependent on the fair value as of fiscal year-end. Any changes to the value of the hedging instruments are recorded by increasing or decreasing the statements of net position accounts. During the current fiscal year, the total value changed from a liability and corresponding deferred outflow to an asset and corresponding deferred inflow. The total value recorded is an asset of $643 and $7,051 as of June 30, 2019 and 2018, respectively.

OHSU is exposed to swap credit risk, which is the risk that the counterparty will not fulfill its obligation. As of June 30, 2019 and 2018, the counterparties' long-term credit ratings were A+ from Standard & Poor's, Aa2 from Moody's, and AA- from Fitch. Additionally, the swap exposes OHSU to basis risk, which is the risk that arises when the relationship between the rates on the variable rate bonds and the swap formulas noted above vary from historical norms. If this occurs, swap payments received by OHSU may not fully offset its bond interest payments. As these rates change, the effective synthetic rate on the bonds will change.

OHSU may be additionally responsible for posting collateral based on its credit ratings and if the total swap liability exceeds a predetermined value on its reporting date. Based on current credit ratings for OHSU and the current market value of the swap, OHSU is not required to post any collateral at this time.

OHSU or the counterparty may terminate the swaps if the other party fails to perform under the terms of the contracts.

(f) Capital Leases

OHSU has entered into agreements for the lease of certain equipment and vehicles. Amortization of the capitalized value of these assets is included in depreciation and amortization expense on the statements of revenues, expenses, and changes in net position. Future minimum lease payments under these agreements are as follows:

(Dollars in thousands)

Year ending June 30:		
2020	$	4,103
2021		975
2022		972
2023		34
2024		5
		6,089
Less amount representing interest		(264)
		5,825
Less current portion		(3,919)
	$	1,906

(g) *Summary of Long-Term Debt, Bonds, and Capital Leases*

Long-term debt listed on the accompanying statements of net position comprises outstanding state DSPA and TIC agreements, revenue bonds, and City of Portland Local Improvement District agreements totaling $973,506 and $998,071 as of June 30, 2019 and 2018, respectively. Included in long-term debt are unamortized net original issue discounts and premiums of $38,514 and $41,651 and accreted interest for the DSPA and 1995 Revenue Bonds of $26,004 and $32,942 as of June 30, 2019 and 2018, respectively. Interest is accreted on the DSPA and the 1995 Revenue Bonds from the date the obligations were issued until maturity using the effective-interest method.

The issuance cost of obtaining debt is deferred and amortized over the term of the related debt using the effective-interest method and is listed as prepaid finance costs on the accompanying statements of net position.

(Dollars in thousands)

Principal and interest payments under the DSPA, the various revenue bond obligations, and the local improvement district agreements are as follows:

		Principal	Interest	Total
Year(s) ending June 30:				
2020	$	14,836	44,565	59,401
2021		14,834	44,252	59,086
2022		15,489	44,013	59,502
2023		24,922	33,645	58,567
2024		23,941	32,684	56,625
2025–2029		129,161	149,063	278,224
2030–2034		155,015	119,587	274,602
2035–2039		134,100	86,905	221,005
2040–2044		166,488	55,671	222,159
2045–2049		230,205	14,592	244,797
	$	908,991	624,977	1,533,968

Interest on variable rate debt has been projected forward based on trailing 12-month average interest rates.

(h) Changes in Long-Term Liabilities

Changes in OHSU's total long-term liabilities during the fiscal years ended June 30, 2019 is summarized below:

		Balance June 30, 2018	Increases	Decreases	Balance June 30, 2019
Liability for self-funded insurance programs	$	67,945	31,009	(26,051)	72,903
Liability for life income agreements		23,975	2,560	(3,300)	23,235
Long-term debt		998,071	—	(24,565)	973,506
Long-term capital leases		3,580	3,460	(1,215)	5,825
Other noncurrent liabilities		34,754	33	(1,304)	33,483
Pension liability		424,000	32,006	—	456,006
	$	1,552,325	69,068	(56,435)	1,564,958

OREGON HEALTH & SCIENCE UNIVERSITY
(A Component Unit of the State of Oregon)
Notes to Financial Statements
June 30, 2019 and 2018
(Dollars in thousands)

	Balance June 30, 2017	Increases	Decreases	Balance June 30, 2018
Liability for self-funded insurance programs	$ 62,414	30,611	(25,080)	67,945
Liability for life income agreements	23,933	5,635	(5,593)	23,975
Long-term debt	1,004,390	—	(6,319)	998,071
Long-term capital leases	4,299	126	(845)	3,580
Other noncurrent liabilities	31,963	6,699	(3,908)	34,754
Pension liability	526,200	—	(102,200)	424,000
	$ 1,653,199	43,071	(143,945)	1,552,325

(10) Life Income Fund – Annuities

Assets contributed as life income agreements are recorded at their fair value. The present value of estimated future payments to beneficiaries of annuity agreements is recorded as a liability. The present values of these estimated payments were determined on the basis of published actuarial factors for the ages of the respective annuity beneficiaries. Differences between the assets contributed and the expected payments to be made to beneficiaries have been recorded as donations in the year established.

Life income contributions, including gifts, grants, and contracts in the accompanying statements of revenues, expenses, and changes in net position, are as follows for the fiscal years ended June 30, 2019 and 2018:

	2019		
	Agreements	Asset	Liability
Charitable remainder unitrusts	3	$ 2	1
Charitable lead unitrusts	1	1,011	299
Charitable gift annuities	13	1,545	902
Total	17	$ 2,558	1,202

	2018		
	Agreements	Asset	Liability
Charitable remainder unitrusts	5	$ 2,813	949
Charitable gift annuities	6	113	54
Total	11	$ 2,926	1,003

(Dollars in thousands)

The assets and corresponding liabilities related to life income agreements are included in long-term investments, restricted, and the liability for life income agreements in the accompanying statements of net position.

Total life income instruments held at June 30, 2019 and 2018 are as follows:

	2019		
	Agreements	Asset	Liability
Charitable remainder unitrusts	64	$ 23,820	7,922
Charitable lead unitrusts	3	21,615	8,451
Charitable remainder trust annuities	1	117	79
Charitable gift annuities	191	10,446	6,185
Life estate agreements	3	996	598
Total	262	$ 56,994	23,235

	2018		
	Agreements	Asset	Liability
Charitable remainder unitrusts	68	$ 24,136	8,685
Charitable lead unitrusts	2	21,096	8,935
Charitable remainder trust annuities	2	217	127
Charitable gift annuities	190	9,641	5,664
Life estate agreements	3	909	564
Total	265	$ 55,999	23,975

Fifteen charitable gift annuities, included above, have been reinsured with insurance carriers in order to reduce liability exposure. Under the reinsurance contracts, the future beneficiary payments are paid by the insurance carrier. To the extent the insurance carriers are unable to perform under the contract, OHSU would be responsible for payment.

(11) Funds Held in Trust by Others

The Foundations are the named beneficiaries of 41 and 43 trusts held by outside trustees as of June 30, 2019 and 2018, respectively. The reported fair market value of trust assets held by others was $50,400 and $50,000 of the years ended June 30, 2019 and 2018, respectively. The Foundations record contributions as trust distributions occur. Trust distributions of $2,400 and $1,800 were recorded as contributions during the fiscal years ended June 30, 2019 and 2018, respectively.

(Dollars in thousands)

(12) Pledges and Estates Receivables

The Foundations had the following pledges and estates receivable as of June 30, 2019 and 2018:

		2019	2018
Pledges maturing within 1 year	$	72,949	128,449
Pledges maturing within 2–10 years		372,939	417,770
		445,888	546,219
Less allowance for uncollectible pledges		(2,420)	(2,741)
		443,468	543,478
Less discount for net present value		(19,814)	(24,964)
Total net pledges receivable		423,654	518,514
Estates receivable		1,935	1,789
Less allowance for uncollectible estates		(97)	(89)
Total net estates receivable		1,838	1,700
Total pledges and estates receivable	$	425,492	520,214

(13) Commitments and Contingencies

(a) Liability for Self-Funded Insurance Programs

Coverage for professional liability, patient general liability, and automobile liability is provided through OHSU's solely owned captive insurance company, OHSU Insurance Company. Current coverage limits are $4,500 per claim with an annual aggregate of $17,500 for professional liability and $3,000 per claim for general liabilities.

Coverage for the directors' and officers' liability and employment practices liability deductible is also provided through OHSU Insurance Company. Current coverage limits for claims made on or after July 1, 2014 are $1,000 for each and every claim.

Coverage for the cyber liability deductible is also provided through OHSU Insurance Company. The coverage limit for cyber liability is $250 for each and every claim.

Excess coverage and reinsurance is provided by a variety of insurers for claims that may exceed these limits. Coverage is written on a claims-made basis.

OHSU has contracted with independent actuaries to estimate the ultimate costs of settlement related to the coverage provided by OHSU Insurance Company. The liabilities are discounted at 3.0% in 2019 and 2018 and, in management's opinion, provide an adequate reserve for loss contingencies.

(Continued)

(Dollars in thousands)

In December 2007, the Oregon Supreme Court found unconstitutional certain provisions of the Oregon Tort Claims Act (OTCA) that limited OHSU's liability for the acts of its employees and agents in large damages cases.

Effective July 1, 2009, the OTCA was amended by Senate Bill 311 for events occurring on or after December 28, 2007. The new OTCA limits are as follows:

Date of event		New OTCA limit (per claim)	Occurrence aggregate
12/28/2007–06/30/2010	$	1,500,000	3,000,000
07/01/2010–06/30/2011		1,600,000	3,200,000
07/01/2011–06/30/2012		1,700,000	3,400,000
07/01/2012–06/30/2013		1,800,000	3,600,000
07/01/2013–06/30/2014		1,900,000	3,800,000
07/01/2014–06/30/2015		2,000,000	4,000,000
07/01/2015–06/30/2016		2,048,000	4,096,000
07/01/2016–06/30/2017		2,073,600	4,147,100
07/01/2017–06/30/2018		2,118,000	4,236,000
07/01/2018–06/30/2019		2,181,600	4,363,100

The impact of this decision has been included in the liability for self-funded insurance programs in the accompanying financial statements.

In September 2013, a judgment was awarded against OHSU in a professional liability case that was in excess of the OTCA, which limits OHSU's and other Oregon public body's liability for the acts of its employees and agents. OHSU disbursed the sum of $3,000, the amount of the tort cap in place at the date of the event. In May 2016, the Oregon Supreme Court affirmed the OTCA in this case.

Effective January 1, 2017, OHSU Insurance Company affiliated with a newly formed Oregon limited liability company called OHSU Project Co., LLC (a controlled affiliate of OHSU), which comprises OHSU and other nonaffiliated healthcare providers and systems, referred to as members. The operating agreement of OHSU Project Co., LLC asserts that OHSU's membership interest or voting power with respect to OHSU Project Co., LLC may not constitute less than ten percent (10%) of the outstanding membership interests. OHSU's membership interest was 34.2% and 33.1% as of June 30, 2019 and 2018, respectively.

The OHSU Project Co., LLC's sole purpose is to purchase casualty stop-loss insurance from OHSU Insurance Company for the benefit of its members. Each provider is entitled to coverage equal to its percentage membership interest in the limited liability company. The contracted payor effectuated the health insurance products entering into a provider-networking contract with OHSU Project Co., LLC.

Insco provides to OHSU Project Co., LLC medical aggregate excess of loss coverage for its share of the medical loss ratio (MLR) risk and cedes a portion of the risk to Swiss Re. Should MLR deteriorate sufficiently so as to trigger the risk ceded to Swiss Re, then Swiss Re will be liable for 90% of OHSU Project Co., LLC's risk share, subject to a maximum liability of $1,500 with the 10% retention staying with OHSU Insurance Company.

On January 1, 2006, workers compensation coverage for all employees was placed with the SAIF Corporation in accordance with statutory requirements. The State Accident Insurance Fund also provides Employers Liability coverage in the amount of $500, without retention. The State Accident Insurance Fund policy was written as a paid loss retrospective plan until July 1, 2017 at which time it converted its coverage to a guaranteed cost plan. This paid premium is an estimate and varies with audited payroll. In addition, the State Accident Insurance Fund bills monthly for the prior year's claims paid losses. (2006 to June 2017), adding a 16.5% loss conversion factor to the paid loss costs. Six months after the policy term, and every 12 months thereafter, a retrospective evaluation is completed (for years 2006 to June 2017) to determine any additional amounts to be paid, including outstanding reserves, for claims relating to the policy year.

(b) Unemployment Compensation

Unemployment compensation claims are administered by the Oregon Employment Division pursuant to Oregon Revised Statutes. The estimated amount of future benefits payments to claimants and the resulting liability to OHSU have been reflected as accrued salaries, wages, and benefits in the accompanying statements of net position.

(c) Employee Health Programs

OHSU is self-insured for its risk of loss related to costs to insure its employees for medical, dental, and vision coverage. OHSU has utilized a third-party actuary to assist in the estimation of its liability for the employee health programs related to claims payable and those claims incurred but not yet paid or reported of approximately $17,957 and $16,241 as of June 30, 2019 and 2018, respectively. These amounts are included in current portion of self-funded insurance program liabilities in the accompanying statements of net position.

(d) Labor Organizations

As of fiscal year end June 30, 2019, approximately 57% of OHSU's employees are represented by labor organizations: 16% of OHSU's employees are nurses represented by the ONA, 40% of OHSU's employees are represented by the AFSCME, and less than 1% of OHSU's employees are represented by the OHSU Police Association. The current contract with ONA expires on June 30, 2020. The current contract with AFSCME will be in effect until June 30, 2022. The current contract with the OHSU Police Association expires on June 30, 2021.

(e) Construction Contracts

OHSU had outstanding commitments on unexpended construction contracts totaling approximately $42,362 and $71,503 at June 30, 2019 and 2018, respectively. These commitments will be primarily funded from gifts, grants, funds held by trustee, and other investment accounts.

(Dollars in thousands)

(f) Legal Proceedings

The healthcare industry and academic medical centers are subject to numerous laws and regulations of federal, state, and local governments. These laws and regulations include, but are not limited to, laws and regulations related to licensure, accreditation, government health program participation, reimbursement for patient services, Medicare and Medicaid fraud and abuse, and laws and regulations governing the conduct of federally funded research, research involving human and animal subjects, and other facets of research. Government monitoring and enforcement activity continues with respect to possible violations of fraud and abuse laws and regulations and other laws and regulations applicable to healthcare providers and healthcare institutions, including academic medical centers. Violations of these laws and regulations could result in expulsion from government healthcare programs, together with the imposition of significant fines and penalties and repayments for patient services previously billed. Management believes OHSU is in compliance with applicable fraud and abuse laws and regulations, as well as other applicable government laws and regulations.

OHSU's compliance with the referenced laws and regulations may be subject to current or future government review and interpretation, as well as regulatory actions unknown or unasserted at this time.

OHSU is involved in litigation and is periodically the subject of regulatory inquiries in the normal course of its business. In past years, OHSU was subject to several federal healthcare audits as a part of national initiatives targeting large numbers of hospitals and academic medical centers and was the subject of government-issued subpoenas and postpayment reviews concerning specific OHSU billing practices. OHSU responded to these audits, subpoenas, and reviews, and these matters were resolved or are expected to be resolved without material adverse effect on OHSU's financial position, changes in financial position, or liquidity.

(g) Operating Leases

Leases that do not meet the criteria for capitalization are classified as operating leases, with the related rentals charged to operations as incurred.

Rental expenses under operating leases were approximately $22,393 and $21,720 in 2019 and 2018, respectively. The following is a schedule of future minimum rental commitments under operating leases as of June 30, 2019 and 2018 that have initial or remaining lease terms in excess of one year:

Year ending June 30:	
2020	$ 17,269
2021	16,399
2022	13,908
2023	9,585
2024	7,622
Thereafter	22,229
	$ 87,012

(h) Tuality Health Affiliation

On February 1, 2016, OHSU affiliated with Tuality Healthcare (Tuality) through the execution of a management agreement (the Tuality Agreement) between the organizations. Under the Tuality Agreement, OHSU agrees to oversee the unified and integrated clinical enterprises of OHSU and Tuality as a single, integrated economic unit. OHSU and Tuality remain as separate entities, own their own assets, and continue to be the licensed operators of their own facilities. Per the agreement, OHSU has guaranteed Tuality's operating income and will provide operating cash flow support. The initial term of the Tuality Agreement is 20 years and it may be renewed or extended by written agreement of the parties. The Tuality Agreement is subject to termination in the event of material breaches of the Tuality Agreement or for certain other reasons specified in the Tuality Agreement.

After February 1, 2016, OHSU guarantees operating income support in the following manner: to the extent Tuality incurs an operating loss for any fiscal year, OHSU will provide operating support in the form of a cash payment to Tuality in an amount equal to the operating loss, which will result in Tuality's operating income being equal to zero.

If in any fiscal year, Tuality's operating cash flow, defined in the Tuality Agreement as operating income plus depreciation less regular principal payments on long-term debt and less capital spending, is negative, OHSU will provide Tuality a capital advance in the form of a cash payment to bring Tuality's operating cash flow to a balance of zero. The capital advance will be recorded on Tuality's financial statements as a payable to OHSU, and on OHSU's financial statements as a receivable from Tuality, subject to any required reserves for estimates of collectability. Such capital advances will not bear interest and will be repayable by Tuality to OHSU from positive operating cash flow generated in future fiscal years under general guidelines specified in the Tuality Agreement.

For fiscal years 2019 and 2018, operating income support amounted to $7,556 and $7,236, respectively. The operating cash flow support, recorded as a note receivable, in other noncurrent assets on the statements of net position, was $7,952 and $2,592 for the years ended June 30, 2019 and 2018, respectively. In light of uncertain operating income in the near term and the likelihood that cash flow available for repayment will be deferred into future years, OHSU recorded a valuation reserve of $7,632 against the note receivable under other noncurrent assets as of June 30, 2019. The total note receivable as of June 30, 2019 was $15,265.

(i) Adventist Health

On January 1, 2018, OHSU and Adventist Health entered into a Health System agreement, an operating agreement and an academic affiliation agreement. Under this affiliation, OHSU and Adventist Health will operate as a unified clinical system with a shared bottom line. The affiliation applies to OHSU's Portland-area clinical services and activities and Adventist Health Portland, which includes the 302-bed Adventist Health Portland Medical Center and its 34 affiliated clinics and home care and hospice services in the Portland-Vancouver metro area. The other 19 Adventist Health hospitals in the western United States are excluded from the agreements. Each organization will retain its existing hospital licenses, capital assets, and employees and will not join each other's master trust indenture obligated group or otherwise guarantee each other's outstanding debt.

Each entity will continue to maintain its individual mission and culture but will together strive to transform access and the delivery of healthcare to Oregonians through a unified clinical enterprise and shared brand experience. A board of managers comprising representatives from each organization has been created to oversee the system.

The initial term of the Adventist agreement is 20 years and it may be renewed or extended by written agreement of the parties, and the agreement is subject to termination in the event of material breaches or for certain other reasons specified in the agreement.

OHSU and Adventist Health's allocation amount is determined by multiplying the consolidated Metro Health System net operating results by such party's proportional allocation percentage, including the amount of such party's total capital charges (for the same period for which such allocation amount is determined). The result shall equal the party's net share of the Metro Health System earnings before interest, depreciation, and amortization (EBIDA).

OHSU and Adventist's net share for each period shall be compared to each party's actual metro clinical enterprise adjusted EBIDA for the same period. OHSU and Adventist Health agree that if a party's net share for a period is less than such party's metro clinical enterprise adjusted EBIDA for such period, such party shall pay to the other party the amount of the difference (net share payment). OHSU and Adventist agree that if a party's net share for a period is more than such party's metro clinical enterprise adjusted EBIDA for the same period, such party shall receive from the other party a payment in the amount of the difference (net share receivable). During the first five years of the agreement, a net share payment cap of $5,000 will be applied in any calendar year.

For fiscal years 2019 and 2018, OHSU's support payment to Adventist amounted to $5,000 per year as the net share payment cap was met, respectively. In order to optimize health care provider coverage and accessibility within the Portland metropolitan area, OHSU also paid $263 for physician recruitments in fiscal year 2019.

(Dollars in thousands)

(14) Blended Component Units

Condensed combining statements for OHSU and its blended component units are shown below:

				2019			
	University	INSCO	UMG	OHSUF Foundation	DCH Foundation	Eliminations/ reclassifications	Total combined
Assets:							
Current assets	$ 1,003,339	68,174	12,058	98,912	4,967	(61,603)	1,125,847
Noncurrent assets:							
Capital assets, net of accumulated depreciation	2,072,351	—	478	167	—	—	2,072,996
Other noncurrent assets	899,181	—	—	1,386,424	86,383	—	2,371,988
Total noncurrent assets	2,971,532	—	478	1,386,591	86,383	—	4,444,984
Total assets	3,974,871	68,174	12,536	1,485,503	91,350	(61,603)	5,570,831
Deferred outflows	205,752	—	—	—	—	—	205,752
Total assets and deferred outflows	$ 4,180,623	68,174	12,536	1,485,503	91,350	(61,603)	5,776,583
Liabilities:							
Current liabilities	$ 449,792	871	3,595	66,695	669	(61,603)	460,019
Noncurrent liabilities	1,441,698	36,111	7	24,314	1,717	—	1,503,847
Total liabilities	1,891,490	36,982	3,602	91,009	2,386	(61,603)	1,963,866
Deferred inflows	73,381	—	—	117,943	2,194	—	193,518
Net position:							
Net investment in capital assets	1,239,137	—	—	167	—	—	1,239,304
Restricted, expendable	82,979	—	—	608,639	25,482	—	717,100
Restricted, nonexpendable	—	—	—	244,651	30,111	—	274,762
Unrestricted	893,636	31,192	8,934	423,094	31,177	—	1,388,033
Total net position	2,215,752	31,192	8,934	1,276,551	86,770	—	3,619,199
Total liabilities, deferred inflows and net position	$ 4,180,623	68,174	12,536	1,485,503	91,350	(61,603)	5,776,583

OREGON HEALTH & SCIENCE UNIVERSITY
(A Component Unit of the State of Oregon)
Notes to Financial Statements
June 30, 2019 and 2018
(Dollars in thousands)

	2018						
	University	INSCO	UMG	OHSUF Foundation	DCH Foundation	Eliminations/ reclassifications	Total combined
Assets:							
Current assets	$ 1,037,394	9,571	10,852	156,468	5,292	(63,929)	1,155,648
Noncurrent assets:							
Capital assets, net of accumulated depreciation	2,009,125	—	176	263	—	—	2,009,564
Other noncurrent assets	733,359	48,749	—	1,362,354	85,461	—	2,229,923
Total noncurrent assets	2,742,484	48,749	176	1,362,617	85,461	—	4,239,487
Total assets	3,779,878	58,320	11,028	1,519,085	90,753	(63,929)	5,395,135
Deferred outflows	182,548	—	—	—	—	—	182,548
Total assets and deferred outflows	$ 3,962,426	58,320	11,028	1,519,085	90,753	(63,929)	5,577,683
Liabilities:							
Current liabilities	$ 514,138	833	2,964	82,036	397	(63,929)	536,439
Noncurrent liabilities	1,438,175	33,245	69	24,872	1,819	—	1,498,180
Total liabilities	1,952,313	34,078	3,033	106,908	2,216	(63,929)	2,034,619
Deferred inflows	62,673	—	—	110,885	2,215	—	175,773
Net position:							
Net investment in capital assets	1,160,140	—	—	263	—	—	1,160,403
Restricted, expendable	78,712	—	—	704,548	29,766	—	813,026
Restricted, nonexpendable	—	—	—	221,061	28,870	—	249,931
Unrestricted	708,588	24,242	7,995	375,420	27,686	—	1,143,931
Total net position	1,947,440	24,242	7,995	1,301,292	86,322	—	3,367,291
Total liabilities, deferred inflows and net position	$ 3,962,426	58,320	11,028	1,519,085	90,753	(63,929)	5,577,683

OREGON HEALTH & SCIENCE UNIVERSITY
(A Component Unit of the State of Oregon)
Notes to Financial Statements
June 30, 2019 and 2018
(Dollars in thousands)

Condensed combining information related to revenues, expenses, and changes in net position for the years ended June 30, 2019 and 2018 is as follows:

	2019						
	University	INSCO	UMG	OHSUF Foundations	DCH Foundations	Eliminations/ reclassifications	Total combined
Operating revenues:							
Patient service revenue	$ 2,350,926	—	—	—	—	—	2,350,926
Student tuition and fees, net	78,332	—	—	—	—	—	78,332
Gifts, grants, and contracts	679,603	—	—	55,217	14,962	(138,702)	611,080
Other revenue	135,961	19,893	19,229	3,516	134	(40,953)	137,780
Total operating revenues	3,244,822	19,893	19,229	58,733	15,096	(179,655)	3,178,118
Operating expenses:							
Salaries, wages, and benefits	1,832,965	—	12,549	13,622	—	—	1,859,136
Defined-benefit pension	72,043	—	—	—	—	—	72,043
Services, supplies, and other	990,334	17,224	5,647	156,361	18,801	(204,878)	983,489
Depreciation and amortization	186,526	—	95	99	—	—	186,720
Interest	31,300	—	—	—	—	—	31,300
Total operating expenses	3,113,168	17,224	18,291	170,082	18,801	(204,878)	3,132,688
Operating income (loss)	131,654	2,669	938	(111,349)	(3,705)	25,223	45,430
Nonoperating revenues (expenses):							
Investment income and change in fair value of investments	74,606	4,281	1	58,410	3,812	—	141,110
State appropriations	37,276	—	—			—	37,276
Other	(8,040)	—	—	5,006	(955)	—	(3,989)
Total nonoperating revenues (expenses), net	103,842	4,281	1	63,416	2,857	—	174,397
Net income (loss) before other changes in net position	235,496	6,950	939	(47,933)	(848)	25,223	219,827
Other changes in net position:							
Contributions for capital and other	32,816	—	—	—	—	(25,223)	7,593
Nonexpendable donations	—	—	—	23,192	1,296	—	24,488
Total other changes in net position	32,816	—	—	23,192	1,296	(25,223)	32,081
Total increase (decrease) in net position	268,312	6,950	939	(24,741)	448	—	251,908
Net position – beginning of year	1,947,440	24,242	7,995	1,301,292	86,322	—	3,367,291
Net position – end of year	$ 2,215,752	31,192	8,934	1,276,551	86,770	—	3,619,199

(Continued)

OREGON HEALTH & SCIENCE UNIVERSITY

(A Component Unit of the State of Oregon)

Notes to Financial Statements

June 30, 2019 and 2018

(Dollars in thousands)

	2018						
	University	INSCO	UMG	OHSUF Foundations	DCH Foundations	Eliminations/ reclassifications	Total combined
Operating revenues:							
Patient service revenue	$ 2,210,653	—	—	—	—	—	2,210,653
Student tuition and fees, net	73,975	—	—	—	—	—	73,975
Gifts, grants, and contracts	662,755	—	—	48,061	15,774	(113,238)	613,352
Other revenue	149,428	18,527	18,532	3,387	103	(37,899)	152,078
Total operating revenues	3,096,811	18,527	18,532	51,448	15,877	(151,137)	3,050,058
Operating expenses:							
Salaries, wages, and benefits	1,708,088	—	12,056	12,771	—	—	1,732,915
Defined-benefit pension	76,587	—	—	—	—	—	76,587
Services, supplies, and other	954,216	16,161	5,256	115,571	10,928	(151,289)	950,843
Depreciation and amortization	150,867	—	119	109	—	—	151,095
Interest	28,537	—	—	—	—	—	28,537
Total operating expenses	2,918,295	16,161	17,431	128,451	10,928	(151,289)	2,939,977
Operating income (loss)	178,516	2,366	1,101	(77,003)	4,949	152	110,081
Nonoperating revenues (expenses):							
Investment income and change in fair value of investments	24,233	(208)	2	62,031	4,765	—	90,823
State appropriations	37,026	—	—			—	37,026
Other	(297)	—	—	2,732	(715)	—	1,720
Total nonoperating revenues (expenses), net	60,962	(208)	2	64,763	4,050	—	129,569
Net income (loss) before other changes in net position	239,478	2,158	1,103	(12,240)	8,999	152	239,650
Other changes in net position:							
Contributions for capital and other	9,053	(5,848)	—	—	—	(152)	3,053
Nonexpendable donations	—	—	—	15,803	1,178	—	16,981
Total other changes in net position	9,053	(5,848)	—	15,803	1,178	(152)	20,034
Total increase (decrease) in net position	248,531	(3,690)	1,103	3,563	10,177	—	259,684
Net position – beginning of year, as adjusted	1,702,883	27,932	6,892	1,297,729	76,145	—	3,111,581
Adjustment to implementation of GASB Statement No. 75	(3,974)	—	—	—	—	—	(3,974)
Net position – end of year	$ 1,947,440	24,242	7,995	1,301,292	86,322	—	3,367,291

OREGON HEALTH & SCIENCE UNIVERSITY
(A Component Unit of the State of Oregon)
Notes to Financial Statements
June 30, 2019 and 2018
(Dollars in thousands)

Condensed combining information related to cash flows for the years ended June 30, 2019 and 2018 is as follows:

	2019						
	University	INSCO	UMG	OHSUF Foundations	DCH Foundations	Eliminations/ reclassifications	Total combined
Net cash provided by (used for) operating activities	$ 322,655	7,212	1,497	(91,513)	(3,313)	—	236,538
Net cash provided by noncapital financing activities	57,377	—	—	(456)	(41)	—	56,880
Net cash provided by (used for) capital and related financing activities	(296,203)	—	(396)	(4)	—	—	(296,603)
Net cash provided by (used for) investing activities	(50,746)	(6,529)	—	91,813	2,744	—	37,282
Net change in cash and cash equivalents	33,083	683	1,101	(160)	(610)	—	34,097
Cash and cash equivalents, beginning of year	16,726	3,402	8,662	20,771	3,357	—	52,918
Cash and cash equivalents, end of year	$ 49,809	4,085	9,763	20,611	2,747	—	87,015

	2018						
	University	INSCO	UMG	OHSUF Foundations	DCH Foundations	Eliminations/ reclassifications	Total combined
Net cash provided by (used for) operating activities	$ 292,600	2,540	992	(37,191)	6,684	—	265,625
Net cash provided by noncapital financing activities	27,837	—	—	8,000	151	—	35,988
Net cash provided by (used for) capital and related financing activities	(450,649)	—	(22)	11	—	—	(450,660)
Net cash provided by (used for) investing activities	103,608	(2,090)	—	25,572	(5,895)	—	121,195
Net change in cash and cash equivalents	(26,604)	450	970	(3,608)	940	—	(27,852)
Cash and cash equivalents, beginning of year	43,330	2,952	7,692	24,379	2,417	—	80,770
Cash and cash equivalents, end of year	$ 16,726	3,402	8,662	20,771	3,357	—	52,918

OREGON HEALTH & SCIENCE UNIVERSITY
(A Component Unit of the State of Oregon)
Required Supplementary Information (Unaudited)
June 30, 2019 and 2018

Required Supplementary Information – Unaudited
OHSU's Proportionate Share of the Net Pension (Asset)/Liability and Related Ratios

(Dollar amounts in thousands)

Defined-benefit pension plan[1]	2019	2018	2017	2016	2015
OHSU's proportion of the net pension (asset) liability (rounded)	3.01 %	3.51 %	3.51 %	3.98 %	4.26 %
OHSU's proportionate share of the net pension (asset) liability	$ 456,006	424,000	526,200	228,337	(96,652)
Covered payroll	323,343	337,473	326,959	345,363	365,618
OHSU's proportionate share of the net pension (asset) liability as a percentage of covered payroll	141.03 %	125.64 %	160.94 %	66.12 %	(26.44)%
Plan fiduciary net position as a percentage of the total pension liability	82.10 %	83.10 %	80.50 %	91.90 %	103.60 %

[1] Ten-year trend information will be presented prospectively.

Required Supplementary Information – Unaudited
Schedule of Defined-Benefit Pension Plan Contributions

(Dollars in thousands)

Year ended June 30[1]	2019	2018	2017	2016	2015
Contractually required contributions	$ 37,919	37,087	30,809	31,353	30,250
Contributions in relation to the contractually required contributions	47,919	47,087	30,809	31,353	37,750
Contribution excess	$ (10,000)	(10,000)	—	—	(7,500)
OHSU's covered payroll	$ 330,868	323,343	337,473	326,959	345,363
Contributions as a percentage of covered payroll	14.48 %	14.56 %	9.13 %	9.59 %	10.93 %

[1] Ten year trend information will be presented prospectively.

See accompanying independent auditors' report.

Schedule 1

OREGON HEALTH & SCIENCE UNIVERSITY

Combining Schedules of Net Position

Year ended June 30, 2019 with comparative totals for June 30, 2018

(Dollars in thousands)

	Hospital	Other University	Total University	Foundations	Eliminations/ reclassifications	2019	2018
Assets:							
Current assets:							
Cash and cash equivalents	$ 44,836	18,821	63,657	23,358	—	87,015	52,918
Short-term investments	271,371	53,371	324,742	423	—	325,165	312,765
Current portion of funds held by trustee	23,193	19,698	42,891	—	—	42,891	48,893
Patients accounts receivable, net of bad debt allowances	388,264	1,985	390,249	—	—	390,249	413,197
Student receivables	—	26,184	26,184	—	—	26,184	22,255
Grant and contract receivable	—	62,550	62,550	—	—	62,550	75,845
Interest receivable	—	—	—	912	—	912	1,204
Current portion of pledges and estates receivable	—	—	—	74,160	—	74,160	129,510
Other receivables, net	27,808	66,598	94,406	4,693	(56,737)	42,362	42,645
Inventories, at cost	41,722	2,699	44,421	—	—	44,421	24,088
Prepaid expenses	13,543	16,061	29,604	334	—	29,938	32,328
Total current assets	810,737	267,967	1,078,704	103,880	(56,737)	1,125,847	1,155,648
Noncurrent assets:							
Capital assets, net of accumulated depreciation	1,025,530	1,047,299	2,072,829	167	—	2,072,996	2,009,564
Funds held by trustee – less current portion	10,836	2,204	13,040	—	—	13,040	12,734
Surplus Note – Moda	—	33,500	33,500	—	—	33,500	33,500
Long-term investments:							
Long-term investments, restricted	—	44,887	44,887	635,119	—	680,006	653,068
Long-term investments, unrestricted	592,748	201,305	794,053	482,157	—	1,276,210	1,119,813
Total long-term investments	592,748	246,192	838,940	1,117,276	—	1,956,216	1,772,881
Prepaid financing costs, net	1,412	520	1,932	—	—	1,932	2,163
Pledges and estates receivable – less current portion	—	—	—	351,332	—	351,332	390,704
Restricted post employment benefit asset	—	3,493	3,493	—	—	3,493	1,389
Other noncurrent assets	7,991	286	8,277	4,198	—	12,475	16,552
Interest in the Foundations	—	1,363,321	1,363,321	—	(1,363,321)	—	—
Total noncurrent assets	1,638,517	2,696,815	4,335,332	1,472,973	(1,363,321)	4,444,984	4,239,487
Total assets	2,449,254	2,964,782	5,414,036	1,576,853	(1,420,058)	5,570,831	5,395,135
Deferred outflows:							
Deferred amortization of derivative instruments	4,091	3,239	7,330	—	—	7,330	8,529
Loss on refunding of debt	20,216	2,090	22,306	—	—	22,306	23,777
Pension obligation	—	173,514	173,514	—	—	173,514	149,247
Goodwill	523	—	523	—	—	523	639
Other Postemployment Benefits (OPEB) obligation	—	2,079	2,079	—	—	2,079	356
Total deferred outflows	24,830	180,922	205,752	—	—	205,752	182,548
Total assets and deferred outflows	$ 2,474,084	3,145,704	5,619,788	1,576,853	(1,420,058)	5,776,583	5,577,683

Schedule 1

OREGON HEALTH & SCIENCE UNIVERSITY

Combining Schedules of Net Position

Year ended June 30, 2019 with comparative totals for June 30, 2018

(Dollars in thousands)

	Hospital	Other University	Total University	Foundations	Eliminations/ reclassifications	2019	2018
Liabilities:							
Current liabilities:							
Current portion of long-term debt	$ 13,985	9,986	23,971	—	—	23,971	23,394
Current portion of long-term capital leases	834	3,085	3,919	—	—	3,919	866
Current portion of self-funded insurance programs liability	—	33,221	33,221	—	—	33,221	29,885
Accounts payable and accrued expenses	106,739	51,544	158,283	10,410	—	168,693	159,453
Accrued salaries, wages, and benefits	22,014	79,761	101,775	—	—	101,775	90,058
Compensated absences payable	34,564	27,774	62,338	—	—	62,338	85,111
Unearned revenue	2,922	57,643	60,565	—	—	60,565	57,428
Other current liabilities	4,939	441	5,380	56,894	(56,737)	5,537	90,244
Total current liabilities	185,997	263,455	449,452	67,304	(56,737)	460,019	536,439
Noncurrent liabilities:							
Long-term debt – less current portion	611,438	338,097	949,535	—	—	949,535	974,677
Long-term capital leases – less current portion	1,763	143	1,906	—	—	1,906	2,714
Liability for self-funded insurance programs – less current portion	—	39,682	39,682	—	—	39,682	38,060
Liability for life income agreements	—	—	—	23,235	—	23,235	23,975
Pension Liability	—	456,006	456,006	—	—	456,006	424,000
Other noncurrent liabilities	7,742	22,885	30,627	2,856	—	33,483	34,754
Total noncurrent liabilities	620,943	856,813	1,477,756	26,091	—	1,503,847	1,498,180
Total liabilities	806,940	1,120,268	1,927,208	93,395	(56,737)	1,963,866	2,034,619
Deferred inflows:							
Deferred amortization of derivative instruments	359	284	643	—	—	643	7,051
Gain on refunding of debt	940	894	1,834	—	—	1,834	2,165
Life income agreements	—	—	—	33,681	—	33,681	31,919
Pending funds	—	—	—	86,456	—	86,456	81,181
Pension obligation	—	68,675	68,675	—	—	68,675	52,078
Other Postemployment Benefits (OPEB) obligation	—	2,229	2,229	—	—	2,229	1,379
Total deferred inflows	1,299	72,082	73,381	120,137	—	193,518	175,773
Net position:							
Net investment in capital assets	446,506	792,798	1,239,304	—	—	1,239,304	1,160,403
Restricted, expendable	—	717,100	717,100	634,122	(634,122)	717,100	813,026
Restricted, nonexpendable	—	274,762	274,762	274,761	(274,761)	274,762	249,931
Unrestricted	1,219,339	168,694	1,388,033	454,438	(454,438)	1,388,033	1,143,931
Total net position	1,665,845	1,953,354	3,619,199	1,363,321	(1,363,321)	3,619,199	3,367,291
Total liabilities, deferred inflows and net position	$ 2,474,084	3,145,704	5,619,788	1,576,853	(1,420,058)	5,776,583	5,577,683

See accompanying independent auditors' report.

Schedule 2

OREGON HEALTH & SCIENCE UNIVERSITY

Consolidating Statements of Revenues, Expenses, and Changes in Net Position

Years ended June 30, 2019 and 2018

(Dollars in thousands)

	Hospital	Other University	Total University	Foundations	Eliminations/ reclassifications	2019	2018
Operating revenues:							
Patient service revenue, net of bad debt adjustments of $21,221 in 2019 and $19,064 in 2018	$ 1,878,457	472,469	2,350,926	—	—	2,350,926	2,210,653
Student tuition and fees, net	—	78,332	78,332	—	—	78,332	73,975
State appropriations	1,327	35,949	37,276	—	(37,276)	—	—
Gifts, grants, and contracts	32,940	646,663	679,603	70,179	(138,702)	611,080	613,352
Other revenue	88,959	49,682	138,641	3,650	(4,511)	137,780	152,078
Research and education support	(116,000)	116,000	—	—	—	—	—
Total operating revenues	1,885,683	1,399,095	3,284,778	73,829	(180,489)	3,178,118	3,050,058
Operating expenses:							
Salaries, wages, and benefits	857,476	988,038	1,845,514	13,622	—	1,859,136	1,732,915
Defined benefit pension	—	72,043	72,043	—	—	72,043	76,587
Services, supplies, and other	827,931	148,833	976,764	175,161	(168,436)	983,489	901,243
Provider tax	—	—	—	—	—	—	49,600
Depreciation and amortization	98,918	87,703	186,621	99	—	186,720	151,095
Interest	18,593	12,707	31,300	—	—	31,300	28,537
Total operating expenses	1,802,918	1,309,324	3,112,242	188,882	(168,436)	3,132,688	2,939,977
Operating income	82,765	89,771	172,536	(115,053)	(12,053)	45,430	110,081
Nonoperating revenues (expenses):							
Investment income and gain (loss) in fair value of investments	62,766	16,122	78,888	62,222	—	141,110	90,823
State appropriations	—	—	—	—	37,276	37,276	37,026
Other	(7,862)	(177)	(8,039)	4,050	—	(3,989)	1,720
Total nonoperating revenues (expenses), net	54,904	15,945	70,849	66,272	37,276	174,397	129,569
Net income (loss) before contributions for capital and other	137,669	105,716	243,385	(48,781)	25,223	219,827	239,650
Other changes in net position:							
Contributions for capital and other	41,148	(8,332)	32,816	—	(25,223)	7,593	3,053
Change in interest in the Foundations	—	(24,293)	(24,293)	—	24,293	—	—
Nonexpendable donations	—	—	—	24,488	—	24,488	16,981
Total other changes in net position	41,148	(32,625)	8,523	24,488	(930)	32,081	20,034
Total increase (decrease) in net position	178,817	73,091	251,908	(24,293)	24,293	251,908	259,684
Net position – beginning of year, as adjusted*	1,487,028	1,880,263	3,367,291	1,387,614	(1,387,614)	3,367,291	3,107,607
Net position – end of year	$ 1,665,845	1,953,354	3,619,199	1,363,321	(1,363,321)	3,619,199	3,367,291

* Beginning year net position for year ended June 30, 2018 was adjusted by ($3,974) to reflect the impact of implementing GASB 75 – Accounting and Financial Reporting for Postemployment Benefits *Other than Pensions.*

See accompanying independent auditors' report.

RESOLUTION 2019-10-06
OREGON HEALTH & SCIENCE UNIVERSITY
BOARD OF DIRECTORS

(Approval of Financial Statements and Independent Auditor's Report)

IT IS RESOLVED by the Board of Directors of Oregon Health & Science University that the Board hereby accepts the *Financial Statements and Independent Auditors' Report* as set out by KPMG (attached) for Oregon Health & Science University for the Fiscal Year 2019 (July 1, 2018 – June 30, 2019).

This Resolution is adopted this 25th day of October, 2019

______ Yeas

______ Nays

______ Abstentions

Signed by the Secretary of the Board on October _____, 2019.

____
Connie Seeley
Board Secretary

Exhibit A

OREGON HEALTH & SCIENCE UNIVERSITY

October 15, 2019

To: Members, OHSU Board of Directors

From: Lawrence J. Furnstahl
Executive Vice President & Chief Financial Officer

Re: Plan to Capture Interest Rate Savings

At next week's Board meeting, I seek approval to refinance part of OHSU's current debt and the lease of the Physicians Pavilion. Together, these transactions would secure approximately $70 million in present value savings at today's interest rates, while also reducing balance sheet risk.

Interest Rate Environment

Over the past one and a half years, interest rates have moved in two ways. First, long term interest rates have fallen significantly, and are now lower than 99% of the dates in the past three decades. Second, the front-end of the yield curve has flattened: short-term variable rates are now equal to or higher than 3 – 10 year fixed rates.

The reduction in long term rates make this a good time to refinance fixed rate debt and buy out the Physicians Pavilion lease, while the flattening of the front-end of the yield curve makes this a good time to refinance variable rate debt into medium-term fixed rates. This second move both reduces interest costs and lowers interest rate, tax policy and commitment risk.

For several months, we have worked with OHSU's independent financial advisor, Melio & Co., and lead investment banks, Goldman Sachs and JP Morgan, to identify the best structure to capture the savings now available. We studied almost $400 million of current debt and leases, and based on the current market recommend proceeding with refinancing 85% of this portfolio to reduce risk and secure $73.7 million in present value savings, as of October 11, 2019 interest rates.

Taxable Refunding of 2012 Fixed Rate Debt

The $126 million of 2012E fixed rate bonds can be advance refunded now with taxable debt, for present value savings of approximately $12 million. If we waited until these bonds could be called in 2022, and thus refunded with tax-exempt debt, the savings would nearly double at current rates. However, if tax-exempt rates rise by 125 basis points over the next three years, the incremental savings disappears. I recommend proceeding now to lock in the savings.

We could increase savings on refunding the 2012E debt through a tender offer to purchase outstanding bonds from investors, instead of escrowing the proceeds to the 2022 call date. The advantage is that OHSU can treat a tender offer as a current refunding, presumably eligible for lower-cost tax-exempt bonds, instead of taxable debt. Since we are already planning a tax-exempt fixed rate transaction as part of the overall plan, this option can be pursued further without much additional cost.

Shorter Maturity Variable Rate Debt

The $79 million of 2015B variable rate, bank direct placement debt has a current floating interest rate of 2.70%, and a relatively short final maturity of 2032. These can be fixed to maturity with tax-exempt bonds at a lower yield to call, due to the flatness of the front-end of the yield curve and the shorter maturity of these bonds. Fixing this debt to maturity eliminates interest rate, tax policy, and remarketing or commitment risk. Likewise, the $14.6 million of 2012C variable rate demand bonds have a current all-in floating rate of 1.88% and an even shorter final maturity of 2027. These too can be fixed to maturity at a lower rate.

Longer Maturity Variable Rate Debt

The $57 million of 2015A variable rate, bank direct placement debt has a current floating rate of 2.45% and a longer final maturity of 2042. I recommend using an “intermediate fixed” structure, of 5-year put bonds at a lower interest rate. At the end of 5 years, these will have to be remarketed (or else paid off in cash), either with another intermediate-term put bond, or else with shorter variable rate or longer fixed rate debt, depending on market conditions at that time. In effect, this approach maintains this debt in a “semi-variable rate” category, but extends the period out 5 years to take advantage of today’s flat and low yield curve.

Likewise, the $28.5 million of 2012B3 variable rate demand bonds have a current all-in floating rate of 1.88% and the same longer 2042 final maturity. These can be refinanced with 3 year put bonds, following the same logic. We use a mix of 3 and 5 year put bonds to spread the remarketing risk out across years. Although publicly-marketed put bonds appear to be the lowest cost option, we are also requesting quotes from banks to test whether direct placement debt would yield similar or greater savings.

Lease Buyout

Finally, the Physicians Pavilion lease includes an option to purchase that can be financed with long-term tax-exempt bonds, for estimated present value savings at current rates of $46 million. OHSU’s main outpatient facility on Marquam Hill, this nearly 85,000 square foot property has been used for clinical, healthcare, administrative and other purposes and is very suitable for such continued use for many more years. The land and parking structure below the building is already owned by OHSU.

Mix of Fixed and Variable Rate Debt

Over the longer term, OHSU’s optimal mix of fixed and variable rate debt is 80% / 20%, based on the Goldman Sachs asset / liability studies. Historically (although not currently), variable rate debt has a lower interest rate than fixed rate debt, but entails more risk: that rates will rise, that tax policy will change impacting the value of tax-exemption, and that the remarketing could fail, especially in a financial crisis. However, OHSU’s substantial short-term liquidity mitigates these risks, resulting in a long-range optimal position of 80% / 20%.

Our current actual mix is very close to this ratio. The interest cost of fixed rate debt is set when issued, thus timing for that component is key. Timing for issuance of variable rate debt, on the other hand, is not so critical, since the rate will move up and down with the market going forward. While it is impossible to predict future interest rate movements, if rates are historically low (like today) it is a good time to issue the fixed rate components, while the variable rate part can wait.

Given this, our plan is to lock in fixed rates through this fall's refinancing, which will temporarily shift of the current 80% fixed / 20% variable mix to 100% fixed, and then restore the mix to the targeted 80% / 20% through issuing mostly variable rate debt for the hospital expansion next year. That way, if rates rise in the meantime we don't lose much. If long-term rates are flat to down, we retain the option to issue a smaller share of variable rate debt.

It is important to note that even the temporary 100% fixed position includes about 20% of "intermediate" or shorter-term fixed rate debt. This is the portion that captures the value of the flat front-end of the yield curve noted above. In addition, OHSU has a $70 million interest rate swap, originally issued in 2005, to hedge variable rate debt against increases in interest rates. It is now matched to the 2012B3 and 2015A debt that will be refinanced with 3 and 5 year put bonds. Thus the close match between the swap and the underlying debt will be temporarily lost until new variable rate debt is issued next summer for the hospital expansion project. This is a manageable short-term risk, as the swap's mark-to-market value generally increases as rates rise.

Timeline

If approved by the Board, we would implement this plan in November and December. The exact structure and timing of the transactions may vary based on market conditions.

RESOLUTION NO. 2019-10-07
OF THE BOARD OF DIRECTORS OF
OREGON HEALTH AND SCIENCE UNIVERSITY

(Implementation of Bond Financing Options)

WHEREAS, Oregon Health and Science University, a public corporation of the State of Oregon ("OHSU" or "University"), is authorized by Oregon Revised Statutes ("ORS") 353.340 to 353.370, and applicable provisions of ORS Chapter 287A (collectively, the "Act"), to issue revenue bonds, refunding revenue bonds, revenue notes and other obligations to finance or refinance capital assets acquired, constructed, equipped, improved or otherwise used for educational, health care, research, public health and related lawful public purposes, to finance or refinance other capital assets or expenses, to finance or refinance non-capital expenses, or to finance or refinance general public corporation or other public purposes.

WHEREAS, pursuant to the Act, the University has previously issued its (i) Revenue Bonds, Series 2012A, originally issued in the aggregate principal amount of $145,255,000 (the "2012A Bonds"); (ii) Variable Rate Revenue Bonds, Series 2012B-3, originally issued in the aggregate principal amount of $28,520,000 (the "2012B-3 Bonds"); (iii) Variable Rate Revenue Bonds, Series 2012C, originally issued in the aggregate principal amount of $19,125,000 (the "2012C Bonds"); (iv) Revenue Bonds, Series 2012E, originally issued in the aggregate principal amount of $126,365,000 (the "2012E Bonds"); (v) Variable Rate Revenue Refunding Bonds, Series 2015A, originally issued in the aggregate principal amount of $57,050,000 (the "2015A Bonds"); and (vi) Variable Rate Revenue Refunding Bonds, Series 2015B, originally issued in the aggregate principal amount of $84,450,000 (the "2015B Bonds," and together with the 2012A Bonds, the 2012B-3 Bonds, the 2012C Bonds, the 2012E Bonds, the 2015A Bonds and any other outstanding revenue bonds issued by the University that, in the judgement of an Authorized Representative (as defined below) of the University, would provide significant debt service savings for the University if refunded or are otherwise advantageous to refund or restructure, the “Refunding Bond Candidates”).

WHEREAS, the University has entered into an Amended and Restated Master Trust Indenture dated as of May 1, 2012 between the University on behalf of itself and as a member of the Obligated Group, and as Obligated Group Representative, and The Bank of New York Mellon Trust Company, N.A., as Master Trustee, as currently amended and supplemented (collectively, the "Master Trust Indenture"), under which the University has issued Master Indenture Obligations (as defined in the Master Trust Indenture) to provide security for various University obligations.

WHEREAS, based upon existing market conditions, potential interest cost savings, the interest rates applicable to the Refunding Bond Candidates, and the interest rates and maturities applicable to all of the University's outstanding bonds, it may be advantageous to the University to issue, sell and deliver bonds or other debt obligations and/or enter into one or more bond tender offer and/or purchase or other debt transactions to refund or restructure some or all of the Refunding Bond Candidates in one or more transactions (collectively, the "Bond Refunding").

WHEREAS, the University is currently a party to certain interest rate swap agreements (the “Swap Agreements”) in connection with its outstanding variable rate indebtedness, and it has determined that it would be in the best interest of the University to relate, amend, novate or terminate such Swap Agreements and/or to enter into one or more new interest rate swap agreements in connection with the Bond Refunding.

WHEREAS, the University has determined it is in its best interest to purchase the Physician’s Pavilion to be used for or in furtherance of health care, research-related, non-research, higher education, administration or ancillary purposes (the "Physician’s Pavilion Project").

WHEREAS, under existing market conditions it may be advantageous for the University to issue, sell and deliver bonds or other debt obligations and/or enter into one or more bond purchase or other debt transactions, the net proceeds of which are expected to be used to finance the purchase of the Physician’s Pavilion Project and related capital expenses and/or non-capital expenses related to the Physician’s Pavilion Project and/or other capital and/or non-capital expenses (the "Project Financing").

WHEREAS, representatives of the University have conferred with Melio & Company (financial advisors), Orrick, Herrington & Sutcliffe LLP (in its capacity as bond counsel to the University) and others to discuss options for the Bond Refunding, the Swap Agreements and the financing of the Physician’s Pavilion Project.

WHEREAS, management of the University recommends that the University pursue one or more of the options to currently or advance refund, on a tax-exempt or federally taxable basis, any of the Refunding Bond Candidates (collectively, the Bond Refunding Options"), one or more options to relate, amend, novate, terminate or enter into new Swap Agreements (the “Swap Options”), and the Project Financing, materially consistent with the terms described to the Board of Directors in the description by the Chief Financial Officer attached as Exhibit A to this Resolution (the "Financing Summary").

WHEREAS, the Board of Directors expects that the University will incur expenditures on the Physician’s Pavilion Project and/or the Project Financing, including capital expenditures (collectively, the "Expenditures") prior to its receipt of the proceeds of the Bonds (as defined herein), and acknowledges the memorialization by the Chief Financial Officer of the University of a declaration of official intent to use the proceeds of the Bonds to reimburse the University for expenditures incurred prior to the issuance of the Bonds.

WHEREAS, the Board of Directors finds it benefits and is in the best interests of the University to pursue one or more of the Bond Refunding Options, the Swap Options and the Project Financing (collectively, the “Bond Financing”) and to authorize and direct that certain actions be taken to implement the Bond Financing.

NOW THEREFORE, be it resolved by the Board of Directors of the Oregon Health and Science University as follows:

Section 1. Implementation of Bond Refunding Options. The Board of Directors hereby authorizes and directs the President or the Chief Financial Officer (each an "Authorized Representative" and collectively, the "Authorized Representatives") to evaluate, negotiate the terms of, enter into, execute, deliver and otherwise implement one or more of the Bond Refunding Options, individually or in combination, at one or multiple points in time (the "Selected Bond Refunding Options"), as may in the judgment of such Authorized Representative be in the best interests of the University, in a manner materially consistent with the Financing Summary and in furtherance of the purposes of this Resolution.

Section 2. Implementation of Swap Options. The Board of Directors hereby authorizes and directs an Authorized Representative to evaluate, negotiate the terms of, enter into, relate, amend, novate, terminate or otherwise implement one or more of the Swap Options, individually or in combination (the "Selected Swap Options"), as may in the judgment of such Authorized Representative be in the best interests of the University, in a manner materially consistent with the Financing Summary and in furtherance of the purposes of this Resolution.

Section 3. Implementation of Project Financing. The Board of Directors hereby authorizes and directs an Authorized Representative to evaluate, negotiate the terms of, enter into, execute, deliver and otherwise implement the Project Financing, as may in the judgment of such Authorized Representative be in the best interests of the University, in a manner materially consistent with the Financing Summary and in furtherance of the purposes of this Resolution.

Section 4. Authorization of Bond Financing. The Board of Directors hereby authorizes and approves, if deemed in furtherance of the Selected Bond Refunding Options, the Selected Swap Options and/or the Project Financing by the Authorized Representative, the University's issuance, sale and delivery of any bonds, direct purchase bonds, notes, term loans and/or other obligations related to the Bond Financing (collectively, the "Bonds"), and/or the University's execution and delivery of one or more bond indentures, bond tender offer and/or purchase agreements, bond insurance, letters of credit, reimbursement agreements, interest rate swap agreements, continuing covenants agreements, bondholder agreements, supplements to the Master Trust Indenture and/or similar agreements related to the Bond Financing (collectively, the "Bond Obligations"), provided that the Bonds not exceed $415,000,000 in aggregate principal amount outstanding plus the notional amount of any Selected Swap Options, and subject to the following:

a. Any Bonds issued in the form of bonds shall be issued as fully registered bonds and dated as provided in the related bond indenture or similar instrument, and shall mature, bear interest at fixed, variable or adjustable rates, be subject to redemption, bear the terms, and be issued and sold by the University as determined by one or more of the Authorized Representatives.

b. The Bonds may be issued as taxable or tax-exempt obligations of the University, in one or more series.

c. The Bonds may be sold at a private negotiated sale, by public offering or by another competitive bidding process.

d. The execution and delivery of one or more Bond Purchase Agreements or Forward Delivery Bond Purchase Agreements by an Authorized Representative of the University shall constitute the University's approval of the purchase prices for the applicable Bonds.

e. The Board of Directors appoints Orrick, Herrington & Sutcliffe LLP as bond and disclosure counsel to the University in connection with any Bonds and as special counsel in connection with any other Bond Obligations.

f. The Board of Directors appoints Goldman Sachs & Co. LLC ("GSC") and J.P. Morgan Securities LLC ("JPM") (or such other underwriters as may be appointed in lieu of or in addition to GSC and/or JPM, as determined by an Authorized Representative), as underwriters in connection with any Bonds. The Authorized Representative is authorized to select additional underwriters to participate in the underwriting of the Bonds if deemed in the best interests of OHSU.

g. Any of the Bond Obligations (other than the Bonds) shall be entered into pursuant to bond purchase agreements, direct note purchase agreements, letter of credit reimbursement agreements, bondholder's agreements, continuing covenant agreements, loan agreements or other agreements with such parties and setting forth such terms and provisions as shall in the judgment of the Authorized Representative further the Bond Financing and the purposes of this Resolution.

Section 5. Preparation, Execution and Delivery of Documents. The Board of Directors hereby authorizes and directs each of the Authorized Representatives to negotiate the terms of, prepare, execute and deliver, on behalf of the University, the Bond Financing and all contracts, agreements, amendments, supplements, terminations, instruments, certificates, security agreements, financing statements and any other documents related thereto, including but not limited to grant agreements, bond indentures, bond tender offer and/or purchase agreements, standby bond purchase agreements, forward delivery bond purchase agreements, remarketing agreements, direct note purchase agreements, escrow agreements, bond insurance, letters of credit, other credit enhancement agreements, reimbursement agreements, bondholder's agreements, continuing covenant agreements, loan agreements, master trust indentures, supplemental master trust indentures, amended and restated master trust indentures, master trust indenture obligations, trust agreements, tax certificates and agreements, interest rate swap agreements, interest rate exchange agreements, amendments, supplements, bond indentures, trust agreements, continuing disclosure certificates, closing certificates, notices, disclosures, directions, termination documents, investment agreements, one or more Preliminary and Final Official Statements, amendments, wraps or supplements to prior Official Statements, other offering or disclosure documents, notices of redemption and/or conversion, directions, confirmations, terminations, security agreements, interim lines of credit, other credit facilities or other credit enhancement agreements, and any necessary amendments, supplements to, restatements or terminations of the University's existing bond indentures, Master Trust Indenture, interest rate exchange agreements, enhancement agreements, or similar agreements, as may be necessary, desirable or appropriate in the opinion of either of the Authorized Representatives to pursue the Bond Financing and to complete the transactions contemplated by this Resolution.

Section 6. Distribution of Disclosure Documentation. The Board of Directors hereby approves the use and distribution to the public of Preliminary and Final Official Statements, amendments or supplements to prior Official Statements for any of the Refunding Bond Candidates, wraps with respect to such prior Official Statements, or other applicable disclosure documents, if any, to be prepared and approved by the members of the University's financing team in connection with the Bonds or the other Bond Obligations, and authorizes each of the Authorized Representatives to deem any such disclosure document final as of its date pursuant to SEC Rule 15c2-12, if applicable. The Board of Directors also authorizes the University and its agents to make all disclosures that are advisable or otherwise required by law.

Section 7. Appointment of New Master Trustee. The Board of Directors hereby authorizes and directs each of the Authorized Representatives to take any action related to the appointment of a new Master Trustee under the Master Trust Indenture if either of the Authorized Representatives determines that such action is necessary, desirable or appropriate in the opinion of such Authorized Representative to complete the transactions contemplated by this Resolution.

Section 8. Reimbursement. For purposes of complying with the provisions of Treasury Regulations Section 1.150-2 with respect to qualification of reimbursement allocations as expenditures of bond proceeds, the Board of Directors hereby acknowledges that on January 2, 2019, the Chief Financial Officer of the University, as authorized by the Board of Directors in OHSU Board Resolution 2007-02-02, declared on behalf of the University the official intent to use the proceeds of the Bonds to reimburse the University for Expenditures incurred prior to the issuance of the Bonds.

Section 9. Further Actions. The Board of Directors hereby authorizes and directs each of the Authorized Representatives to take or direct to be taken all such further actions as may be necessary, desirable or appropriate in the opinion of either of the Authorized Representatives in connection with the Bonds or the Bond Financing or transactions contemplated by this Resolution, or to carry out the purposes of this Resolution, including, but not limited to, (i) filing any notices with or obtaining any consents, approvals or authorizations from, the State Treasurer or any other party, (ii) funding any debt service reserve fund, (iii) utilizing one or more interim lines of credit, other credit facilities or other sources of funds to temporarily refund some or all of the Refunding Bond Candidates, (iv) using University cash to fund in part the Bond Refunding in a manner materially consistent with the Financing Summary, and (v) paying any costs, fees and expenses.

Section 10. Ratification of Actions. All actions previously taken or that will be taken by any director, officer, official, employee or agent of the University in connection with or related to the Bonds, the Bond Financing or other matters set forth in or reasonably contemplated by this Resolution are, and each of them hereby is, adopted, ratified, confirmed and approved in all respects as the acts and deeds of the University.

Section 11. Liability for OHSU Bond Obligations. Neither the State of Oregon nor any agency thereof, or any political subdivision or body corporate and politic nor any municipality within the State of Oregon, other than the University, shall in any event be liable for the payment of the principal of, premium, if any, or interest on any Bonds or Bond Obligations or for the performance of any pledge, mortgage, obligation or agreement of any kind whatsoever undertaken by the University. No breach of any such pledge, mortgage, obligation or agreement shall impose any pecuniary liability upon the State of Oregon or any charge upon its general credit or against its taxing power. The issuance or entering into of any Bonds or Bond Obligations shall not, directly or indirectly or contingently, obligate the State of Oregon, or any other political subdivision of the State of Oregon, nor empower the University, to levy or collect any form of taxes therefor or to create any indebtedness out of taxes. Neither the Board of Directors of the University nor any person executing any Bonds or Bond Obligations shall be liable personally on any Bonds or Bond Obligations or be subject to personal liability or accountability by reason of the issue thereof or by the execution or delivery of any document authorized by this Resolution.

Section 12. Invalidity or Unenforceability. If any section, paragraph, clause or provision of this Resolution shall for any reason be held to be invalid or unenforceable, the invalidity or unenforceability of such section, paragraph, clause or provision shall not affect any of the remaining provisions of this Resolution.

This Resolution is adopted this 25th day of October, 2019, effective on _______________, 2019.

______ Yeas

______ Nays

______ Abstentions

Signed by the Secretary of the Board of Directors this ____ day of October, 2019.

Connie Seeley
Board Secretary

OHSU

20
25

IF YOU WANT TO GO FAST, GO ALONE.

IF YOU WANT TO GO FAR, GO TOGETHER.

— AFRICAN PROVERB

OUR PROCESS

STAGE 1: A FUTURE PICTURE

5300 OHSU members contributed to the OHSU 2025 Future Picture.

STAGE 2: GOALS AND OBJECTIVES

83 OHSU members developed high-level OHSU 2025 goals and objectives.

STAGE 3: IMPLEMENTATION NEEDS

853 OHSU members helped refine what would be required to implement these objectives.

STAGE 4: LISTENING TO INPUT

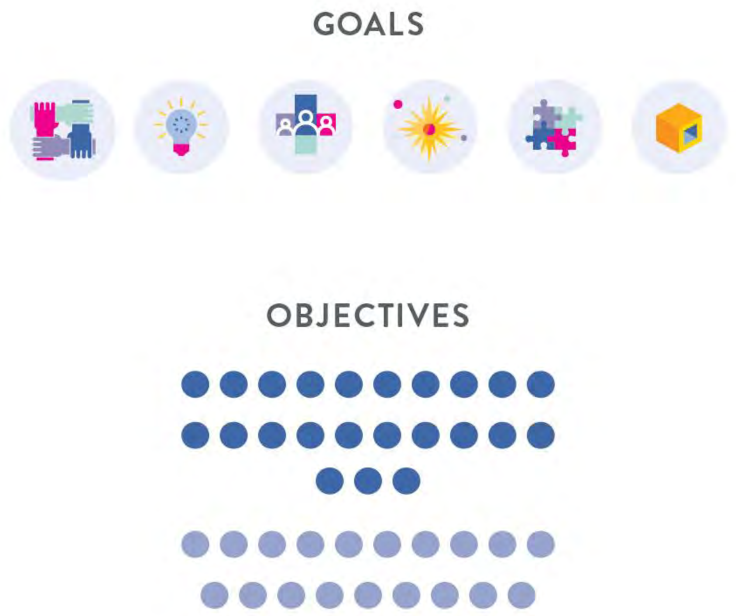
3500 OHSU members contributed to the crowdsourced review of these objectives.

STAGE 5: PRIORITIZING

20 OHSU 2025 Council members used this information to prioritize objectives.

STAGE 6: SETTING THE STAGE FOR ACTION

6 goals **23+19** objectives through 2025



WE DELIVER BREAKTHROUGHS FOR BETTER HEALTH BY:

Building a diverse, equitable environment where all can thrive and excel.

Being the destination for transformational learning.

Enhancing health and health care in every community.

Discovering and innovating to advance science and optimize health worldwide.

Partnering with communities for a better world.

Ensuring a sustainable foundational infrastructure.

WE DELIVER BREAKTHROUGHS FOR BETTER HEALTH BY:

- 23 FY 20–22 priority objectives $100m in funding
- 19 additional objectives

Building a diverse, equitable environment where all can thrive and excel.

- 1.1. People first.
- 1.2. Faculty/staff development.
- 1.3. Learner success.
- 1.4. Faculty support principles.
- 1.5. Aligned provider enterprise.
- 1.6. Clinician wellness.
- 1.7. Coordinated recruitment.
- 1.8. Junior faculty development.

Being the destination for transformational learning.

- 2.1. Learner placement.
- 2.2. Simulation.
- 2.3. Lifelong learning.
- 2.4. Competency-based education.
- 2.5. Assessment infrastructure.
- 2.6. Course fluidity.
- 2.7. Interprofessional education.

Enhancing health and health care in every community.

- 3.1. Ambulatory expansion.
- 3.2. Cancer service line.
- 3.3. Women's and children's service line.
- 3.4. Payor partnerships.
- 3.5. Cardiovascular service line.
- 3.6. Graduate medical education.
- 3.7. Global health.

Discovering and innovating to advance science and optimize health worldwide.

- 4.1. Increase research funding.
- 4.2. Research support services.
- 4.3. Research informatics.
- 4.4. Research investment.
- 4.5. Educational scholarship.
- 4.6. Clinical research.

Partnering with communities for a better world.

- 5.1. Population health and value-based care.
- 5.2. Rural and tribal health.

Ensuring a sustainable foundational infrastructure.

- 6.1. POWER/ data governance.
- 6.2. Enterprise project management office.
- 6.3. Transparent decision-making process.
- 6.4. Collaboration platform.
- 6.5. Classroom technology tools.
- 6.6. Optimize clinical operations.
- 6.7. Learner assessment.
- 6.8. Research cores.
- 6.9. Accessible services.
- 6.10. Active workplace.
- 6.11. Brand marketing.
- 6.12. Aligned communications.

OHSU 2025

Learn more at o2.ohsu.edu/ohsu-2025

19 ADDITIONAL OBJECTIVES, FOR NEXT AVAILABLE RESOURCES

- Coordinated recruitment
- Junior faculty development
- Lifelong learning
- Competency-based education
- Assessment infrastructure
- Course fluidity
- Interprofessional education
- Graduate medical education
- Global health
- Research reinvestment
- Educational scholarship
- Clinical research
- Rural and tribal health
- Learner assessment
- Research cores
- Accessible services
- Active workplace
- Brand marketing
- Align communications

GOAL 1: Build a diverse, equitable environment where all can thrive and excel.

HOW WE'LL GET THERE (PRIORITIES FOR FY20–22):

People first.

Includes safety, workload, well-being, diversity, equity and inclusion.

Faculty and staff development.

Includes career mentorship and development.

Learner success.

Includes efforts focused on basic learner needs and equitable access to all services.

Faculty support principles.

Includes standard definitions, transparency, equity and evaluation of faculty benchmarks.

Aligned provider enterprise.

Includes standard practices in operation, recruitment and compensation.

Clinician wellness.

Includes workload and workflow optimization.

GOAL 2: Be the destination for transformational learning.

HOW WE'LL GET THERE (PRIORITIES FOR FY20–22):

Learner placement.

Includes assessment and implementation of best practices for learner placement.

Simulation.

Includes optimization to support the broad use of simulation services.

GOAL 3: Goal 3: Enhance health and health care in every community.

HOW WE'LL GET THERE (PRIORITIES FOR FY20–22):

Ambulatory expansion.

Includes digital health; connected care; urgent, primary and other locations; and home services.

Cancer service line.

Includes signature services, metro partnerships, education and research, analytics, governance.

Women's and children's service line.

Includes signature services, fetal therapy, risk management, partnerships, and research.

Payor partnership.

Includes value-based contracting, Medicare Advantage, network development and operations.

Cardiovascular service line.

Includes oversight, collaboration, research alliances, transplant services, and system work.

GOAL 4: Discover and innovate to advance science and optimize health worldwide.

HOW WE'LL GET THERE (PRIORITIES FOR FY20–22):

Increase research funding.

Includes new mechanisms to reward success.

Research support services.

Includes re-engineering of existing support services.

Research informatics.

Transformation through research data network, high performance computing, and research data warehouse.

GOAL 5: Partner with communities for a better world.

HOW WE'LL GET THERE (PRIORITIES FOR FY20–22):

Population health and value-based care.

Includes analysis for risk-based contracts and transformational design.

GOAL 6: Ensure sustainable foundational infrastructure.

HOW WE'LL GET THERE (PRIORITIES FOR FY20–22):

POWER/data governance.	**Enterprise project management office.**	**Transparent decision-making process.**
Includes implementation of platform to provide standardized data on faculty effort.	Includes project management for OHSU 2025 and project management governance for OHSU.	Includes process standardization, governance structure, decision-making, policies and reporting.
Collaboration platform.	**Technology tools.**	**Optimize clinical operations.**
Includes policies and processes, and a suite of collaboration tools for remote work.	Includes oversight of classroom technology, updated infrastructure, common support for tools.	Includes integration and oversight across clinical operations.

THE PLAN IS NOT THE (ONLY) POINT.

WE MUST BE AS
COMMITTED TO EACH OTHER
AS WE ARE TO OUR VISION.

OHSU WILL PARTNER TO BE A LEADER IN HEALTH AND SCIENCE INNOVATION FOR THE PURPOSE OF IMPROVING THE HEALTH AND WELL-BEING OF PEOPLE IN OREGON AND BEYOND.

OHSU

20
25

Date: October 16, 2019

To: OHSU Board of Directors

From: Karen Eden, OHSU Faculty Senate President

RE: October 25, 2019 OHSU Board Meeting – Faculty Senate Presentation

Memo: Please find attached the Faculty Senate slide set and accomplishment addendum for your review.

Thank you,

Karen Eden, PhD
Professor, School of Medicine
Medical Informatics and Clinical Epidemiology

OHSU

Faculty Senate Report OHSU Board of Directors

October 25, 2019

Karen Eden, PhD, OHSU Faculty Senate President
Professor School of Medicine, Medical Informatics and Clinical Epidemiology

The mission of the OHSU Faculty Senate is to represent OHSU faculty by proposing, evaluating, and advising on actions and policies to create, maintain, and protect an academic environment conducive to the full and free development of scholarly learning, teaching, research, patient care, and community service.

OHSU

Senate Purpose

The Faculty Senate discusses, plans, advises, and where appropriate takes action within its mission on any matter of general interest or concern to the Faculty or pertaining to OHSU, including, but not limited to:

- academic policies
- educational standards, curricula, new programs, regulations
- research
- faculty status
- strategic planning
- budget
- aspects of student life that relate to the university environment

OHSU

Membership

- The Senate represents 2700+ OHSU faculty members
- Senators are uninstructed representatives elected by their School or Unit
- Term: 36 months, may serve 2nd term
- Apportionment: Currently 26 but will expanding to 31.

The Senate is the place where our diverse OHSU faculty come together

OHSU

Senate Members 2019-2020

Affiliated Units

Doris Kretzschmar
Jonah Sacha
Kristina DeShazo
Lawrence Williams
Lucia Carbone

College of Pharmacy

Harleen Singh

School of Dentistry

Juliana da Costa
Lisa Greene
Nasser Said-Al-Naief
Rose McPharlin

School of Medicine

Derick Du Vivier
Amy Miller Juve
Chidi Ani
Jackie Wirz
Targol Saedi
Karen Eden
Annette Totten
Marian McDonagh
Emily Jacobsen
Moira Ray
Amy Garcia
Martina Ralle

School of Nursing

Asma Taha
Amy Ross
Benjamin Schultze
Lissi Hansen
Nick Miehl

School of Public Health

Byung Park

OHSU

Senate Leadership

Executive Committee

President: Karen Eden, PhD

Past President: Derick Du Vivier, MD, MBA

Secretary: Amy Garcia, MD

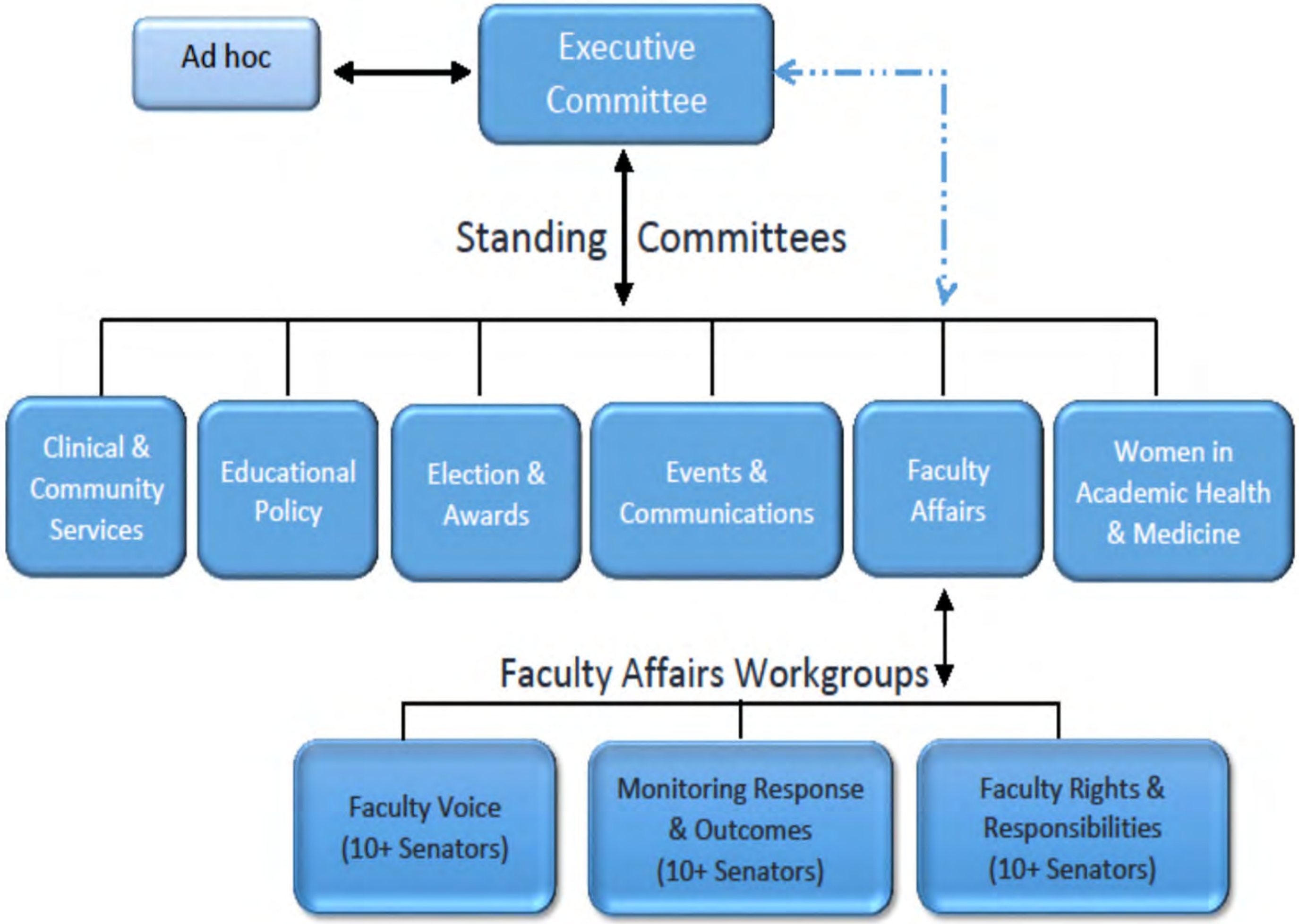
Senators-at-large: Kristina M. DeShazo, MLS; Nickolaus Miehl, PhD; Martina Ralle, PhD; Nasser Said-Al-Naief, DDS

Ex Officio Member: Elena Andresen, Provost

OHSU

OHSU Faculty Senate

Internal Committee Structure



2020 Faculty Retreat

- Discuss the 2025 Strategic plan
- Create plan to further improve communication with constituents and OHSU leadership

OHSU

Current Communication

- Faculty Senate executive committee now holds bi-annual meetings with board leadership
- Faculty Senate meets with CFO Lawrence Furnstahl and Provost Andresen to discuss OHSU 2020 budget
  - Present Senate Budget Statement to Board of Directors
- Yearly Presentations at OHSU
  - Senate Distinguished Faculty Awards Celebration
  - Senate President presents the *Faculty Welcome* at the OHSU convocation ceremony
  - Faculty Senate President and Past-President present to both clinical and basic science chairs in the School of Medicine

OHSU

Senate Representation

- Meetings with Faculty Senate Representation
  - Faculty Senate President, Provost, Executive Vice Chair & CEO, SOM Dean and University President have standing monthly meetings
  - Senate President represents Senate at President's Council meetings
  - Senate President represents Faculty on OHSU 2025 Council
  - Senators represents Faculty on key searches, e.g., OHSU Ombudsman Search Committee
  - New, Senate President will begin meeting monthly with the Vice-Chair of HR

OHSU

New Communication Strategies

- New this year, we created our first podcast through OHSU Now to present senate priorities.
- Faculty Senators presented Senate Priorities to faculty constituents at a Farmers Market Booth
- O2 Faculty Senate website is now updated regularly to inform constituents on latest Senate activities and faculty related opportunities

OHSU

Communication with OHSU Community

- Activated and empaneled the **Faculty Wellbeing Committee** charged with:
  – Advising the Administration and Faculty Senate on recommended wellness proposals
    - Explore Faculty wellbeing at OHSU
    - Analyze Engagement Survey
    - Reach out to various committees and peers across all missions who actively pursue implementation of wellness activities.
    - Determine through peer discussions desired wellness options for burnout avoidance and maintaining a high degree of job efficiency and satisfaction

OHSU

Senate Priorities for 2019-2020 and 2025 Priorities

	Description	Status	Update
Pay Equity	Design and implement transparent accounting system for faculty compensation (salary level)	Faculty will help identify variables for faculty compensation (e.g., rank, doctorate type & clinical specialty, gender, URM, salary level (X,Y,Z), FTE, school/department/institute, teaching load, etc.).	Current 2025 priorities include implementation of the POWER system to facilitate this objective.
Financial Security	Evaluate and implement proposal for rolling contracts with transparency about institutional FTE	Senate reviewed a draft of rolling faculty contracts by Provost office and have discussed this in 2025 planning.	2025 priorities include a planning team to address this priority for researchers.
Faculty Well-being	Low faculty morale and burnout are major issues (revealed in the Faculty Survey)	Shared the Senate's proposal with the 2025 Well-being Interdependency Task Force.	2025 priorities protect funds/resources for faculty well-being that is folded in to the larger "People First" objective.

OHSU

Senate Priorities for 2019-2020 (not explicitly funded via 2025 Planning)

	Description	Status	Update
Faculty Resources	Provide key information to faculty in one online repository	Several efforts across campus provide resources related to faculty expectations and development, promotion & tenure, inclusion and wellness; however, none are centrally located.	We are gathering handbooks and other resources.
Governance	Revise Faculty Senate Bylaws and Standard Operating Procedures (SOPs) to bring into alignment with best practices	Voted in October: Ratified SOPs; Send updated Bylaws and SOPs to the provost office for review.	Once the Faculty Senate Bylaws version is finalized, all OHSU faculty will vote on these.

OHSU

Summary of Accomplishments

- We re-organized the Faculty Affairs Committee to create senator-staffed workgroups that can respond quickly to charges from OHSU and Senate leadership.
- The Senate engaged with construction of OHSU Climate and Employee/Faculty Surveys.
- The Senate President served on the 2025 Council and with planning teams to insure that Faculty Wellbeing/Burnout and Pay Equity were prioritized.
- We ratified the Standard Operating Procedures and approved the updated Bylaws.
- We have improved communication by: updating the Faculty Senate Website, hosting a podcast, hosting a Farmer's Market booth where faculty came by to discuss current topics

OHSU

OHSU Faculty Senate Report – Board of Directors

Accomplishments addendum to presentation, *Faculty Senate Report to OHSU Board of Directors, October 25, 2019*

Governance

- Annual Senator Elections:
  The 2019 Senator Elections was completed end of May 2019. Eight senator seats were open, three senators appointed to second terms and five senators appointed to first terms. Terms are 3-years.

- Senate Bylaws and Standard Operating Procedures:
  On October 10, 2019, the Senate ratified their Standard Operating Procedures and approved the updated Bylaws for presentation to the OHSU President and Provost. Documents were brought in alignment with best practices and include new priorities for the Senate.

Academic Affairs

- Approved the Academic Program Review (APR) Committee's recommendations for four programs:
  - Health Science Technology & Entrepreneurship, School of Medicine
  - Bioinformatics & Computational Biomedicine, School of Medicine
  - Neuroscience Graduate Program, School of Medicine
  - Radiation Therapy, School of Medicine
- APR Committee and Faculty Senate appointed three new members to fill vacancies from the School of Public Health, School of Nursing, and School of Medicine
- Confirmed Dr. Luiz Bertassoni as Vice Chair and Dr. Lisa Hatfield as Chair of the APR Committee for the 2019-20 academic year
- Approved three Category 1 new program proposals
  - Doctor of Physical Therapy (DPT), Joint OIT/OHSU
  - PSU Certificate in Human Lactation, OHSU-PSU Joint School of Public Health
  - Masters in Food Systems & Society

Faculty Affairs

- Responding to Faculty
  - Created and empaneled *Grievance Committee*, report and recommendations provided to Office of the Provost and Integrity Department. Dr. Robinson presented the updated Grievance policy to the Executive committee in September 2019.
  - Created and empaneled *Faculty Wellness Committee*, report and recommendations provided to 2025 Well-being Interdependency Task Force
- Worked with university leadership to address faculty concerns regarding "survey fatigue" and appointed Senator to serve on *Survey Coordination Committee* to address this concern.

- Worked with university leadership to respond to NWCCU revisions of the Standards for Accreditation and Eligibility Requirements with additional language to elucidate faculty's role in academic freedom and governance
- Inclusion of *Women in Academic Health and Medicine Committee* as a Senate standing committee empaneled with representatives from all schools and College of Pharmacy
- Faculty Senate Retreat fleshed out 2018 Strategic Plan and incorporated components of plan in revised Senate Bylaws and Standard Operating Procedures

Senate Standing Committees

- Clinical and Community Service Committee – Derick Du Vivier
- Educational Policy Committee – Amy Ross
- Election and Awards Committee – Rose McPharlin and Lisa Greene
- New Events and Communications Committee
- Faculty Affairs Committee – Annette Totten
- New Women in Academic Health and Medicine Committee – Vaishali Phalke and Marissa Maier

Oregon Inter-institutional Faculty Senate

Representatives: Amy Miller Juve, Amy Garcia, and Nasser Said-Al-Naief

University Committees and Councils

- Academic Program Review – Deb Finn
- Committee on Academic Policy – Kristin Lutz
- Employee Benefits Council – Emily Jacobsen
- Diversity Advisory Council – Rose McPharlin
- Information Security & Privacy Advisory Committee – Kevin Piro
- OHSU Assessment Council – Robin Champieux
- OHSU Curriculum Committee – Joanna da Costa
- Policy Advisory Council – Benjamin Schultze
- President's Council – Karen Eden
- Research Oversight Committee – Lucia Carbone
- Retirement Plan Advisory Committee – Dean Lao
- Survey Coordination Committee – Karen Eden

Senate Guest Speakers

- Welcome OHSU New President
    - Danny Jacobs, OHSU President

- Faculty Benefits
    - Joni Elsenpeter, Associate Vice President, Human Resources; and
    - Abby Clifton, Benefits Manager
- Faculty Development Initiatives
    - Constance Tucker, Vice Provost, Educational Improvements & Innovation
- OHSU President Discussion and Q&A
    - Danny Jacobs, OHSU President
- OHSU Health Systems Update
    - John Hunter, Chief Executive Officer, OHSU Health Systems
- Federal and State Legislative Update
    - Abby Tibbs, Vice President Public Affairs, Government Relations; and
    - Julie Hanna, Director of State Relations, Government Relations
- Budget Discussion
    - Lawrence Furnstahl, Executive VP & Chief Financial Officer
- Communications Update
    - Patrick Holmes, Associate Director, Internal Communications
- SPARK Wellness Program Update
    - Anna Bohnengel, Wellness Program Manager, Human Resources; and Joni Elsenpeter, Associate Vice President, Human Resources
- Library Update
    - Kristine Alpi, University Librarian
- Equity in Compensation
    - Elizabeth Choo, MD MPH, Center for Policy Research in Emergency Medicine
- Faculty Contracts
    - David Robinson, Executive Vice Provost, Office of the Provost
- Community Committee Proposal
    - Matt Hilton, President, AFSME

OHSU

Date: October 25, 2019

To: OHSU Board of Directors

From: Greg Moawad

RE: FY20 Performance Indicators

Memo:

In FY18, OHSU developed and started reporting on 5 key components of OHSU's mission: People, Healthcare, Research, Education, and Finance. Each of these key components have objectives assigned which help bring focus to our efforts.

This report summarizes our FY20 objectives and year-to-date results.

Based on the lag associated with how some of these numbers are measured, this report will only be a partial report-out. We will add and supplement these results as we progress through the fiscal year.

PERFORMANCE INDICATORS

Fiscal Year 2020, Quarter 1

OHSU

PEOPLE

FLEXIBLE WORK AND TELECOMMUTE	TIME AWAY FROM WORK	UNCONSCIOUS BIAS	PAY EQUITY PROGRAM
2,553 telecommutes, 167 daily Scoop rides	4% >120 hrs; 17.8% >80 hrs; 56.8% >40 hrs	TBD	TBD
30,000 telecommute days; 225 daily Scoop rides	75% of employees take 120+ hours of PTO	300 hiring managers and 500 students trained	75% of workforce reviewed

HEALTHCARE

ACCESS	OBSERVED MORTALITY	ADULT PATIENT EXPERIENCE	PEDIATRIC PATIENT EXPERIENCE	AMBULATORY EXPERIENCE	TRANSFERS
TBD	TBD	TBD	TBD	TBD	98.7
128,000 virtual visits	2.23%	75.8	80	80	98

RESEARCH

GRANTS AWARDED	AWARD $	PUBLICATIONS	TURNAROUND TIME
407	$158,523,407	2,813	52
1,550	$469,803,708	3,505	52 days

EDUCATION

URM STUDENT RECRUITMENT AND RETENTION	DEGREES AND CERTIFICATES AWARDED	FIRST TIME PASS RATES	LIMIT AVERAGE INDEBTEDNESS
Data to come	Data to come	Data to come	Varies (2.08%)
602	1,244	Varies by degree	Varies by degree

FY20 achieved

Target

a On or above target
a Improved, not at target
a Below target
a Below FY19 and target
a Data to come

Fiscal Year 2020 Performance Indicators

People: Being a great organization, diverse in people and ideas, plus developing and retaining a faculty that will collaborate to drive excellence and innovation across OHSU.

Performance Indicator
Promote and improve flexible work environment and commute programs
Increase the number of telecommute days to a total of 30,000
Increase Scoop ridesharing by 20%

Performance Indicator
Promote and encourage time away from work
75% of employees working full time will have taken 120 hours or more of PTO/Vacation by June 30, 2020

Performance Indicator
Increase number of members trained in unconscious bias
FY20 will have a focus on students, hiring managers and building more capacity in the system to ensure the efforts are sustained

Performance Indicator
Establish pay equity program
OHSU will implement a robust pay equity plan with systemic review of 100% of its workforce members. In FY20, a comprehensive review will be completed and recommendations implemented for 75% of all workforce members.

OHSU

Fiscal Year 2020 Performance Indicators

Health care: Joining others in developing policy and care delivery solutions that improve access to high-quality health care for all, especially Oregonians.

Performance Indicator
Improve access to OHSU clinics
Improve clinic access from FY19

Performance Indicator
Improve observed to expected mortality rate
Improve observed to expected mortality rate from FY19

Performance Indicator
Improve patient experience
Improve net promotor score from FY19

Performance Indicator
Improve appropriate transfer acceptance rate
Increase the number and the percentage accepted transfers from FY19

OHSU

Fiscal Year 2020 Performance Indicators

Research: OHSU strives to remain one of the top research institutions in the world. Increasing grant submission, grants awarded and the number of publications authored are a few key indicators of an institution's research prowess. Each of these help align OHSU enterprises to support robust and sustainable innovation and research.

Performance Indicator
Increase the number of grants awarded
Increase the number of grants awarded from FY19

Performance Indicator
Increase in award dollars
Increase total award dollars from FY19

Performance Indicator
Increase in publications
Increase publications from FY19

Performance Indicator
Improve turnaround time for industry sponsored clinical trials
Reduce turnaround time from FY19

OHSU

Fiscal Year 2020 Performance Indicators

Education: Helping meet Oregon's health and science workforce needs through innovative education strategies. As the state's only academic health center, OHSU's educational efforts are critical to fulfilling our mission. Recruiting a large number of applicants who will reflect the future health care needs while providing cost-effective education remains an imperative.

FY20

Performance Indicator
Increase success of URM learner and pathway participant recruitment and retention
Number of enrolled URM students
Number of URM GME residents
Number of URM OnTrack participants
Number of URM pathway program participants

Performance Indicator
Maintain or increase degrees and certificates awarded
Degrees and certificates awarded through the University Registrar's Office
Certificates awarded through GME

Performance Indicator
Maintain or increase first time pass rates for credentialing exams in targeted publicly supported degrees programs and board exams for GME residency programs
Dentistry programs (DMD)
Medicine (MD)
Nursing undergrad
Physician assistant
GME residency award

Performance Indicator
Limit the average indebtedness of graduates in targeted publicly supported degree programs
Dentistry programs (DMD)
Medicine (MD)
Nursing OCNE

OHSU

Date: October 25, 2019

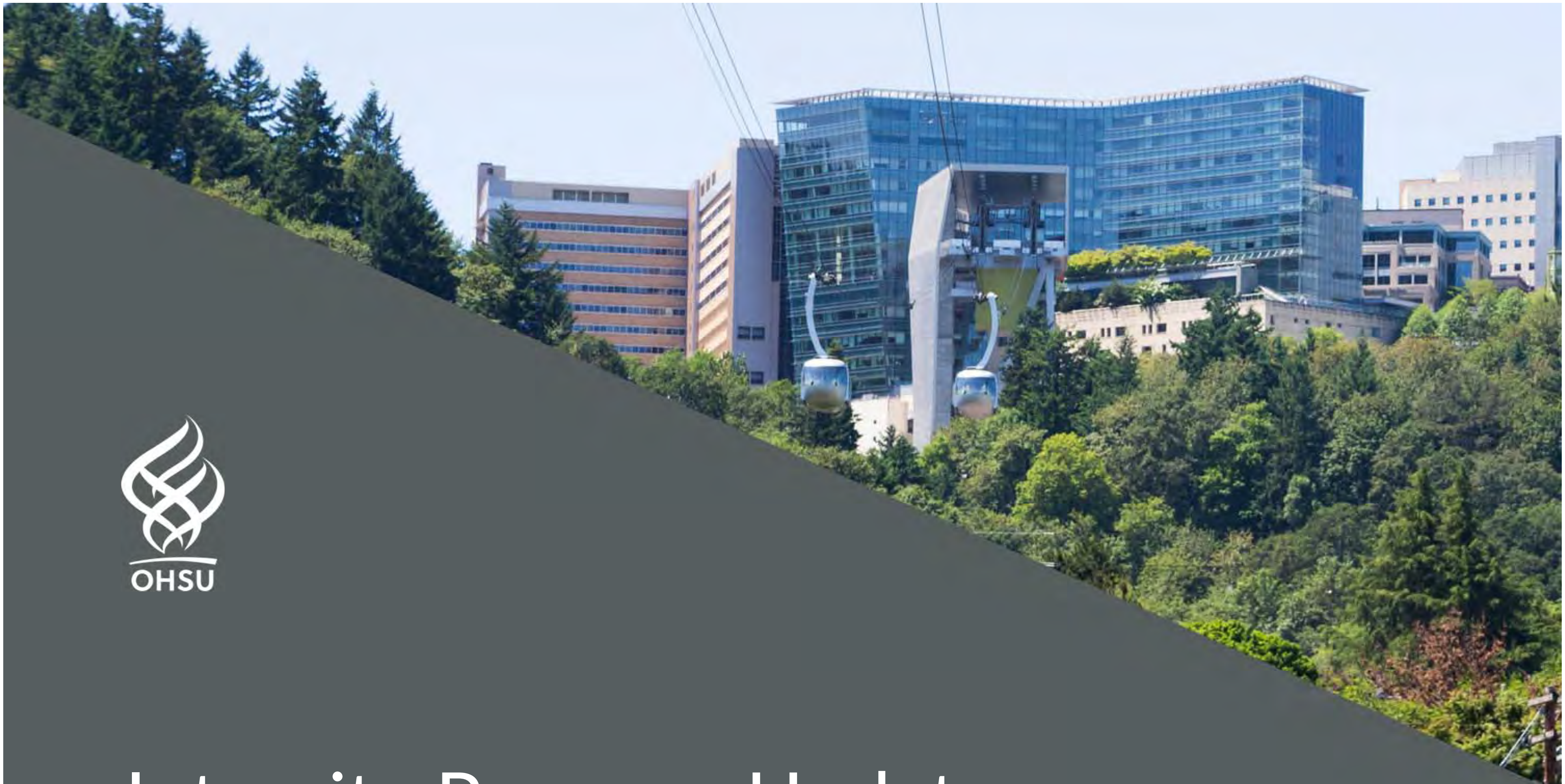
To: OHSU Board

From: Tim Marshall, Interim Chief Integrity Officer

RE: Annual Integrity Office presentation

As part of the Office of Inspector General (OIG) federal guidelines, oversight and governance is one of seven elements of an effective compliance program. Based on this guidance, it is expected that the OHSU Board and executive management provide oversight and governance for the Integrity programs at OHSU.

This presentation will provide the foundation of Integrity at OHSU, a description of the seven elements of an effective compliance program, and expectations for the Board. In addition, the Board will learn about the daily operations of the Integrity Office and will be provided an update on current initiatives for FY20.



OHSU

Integrity Program Update

Annual Report to the OHSU Board of Directors

DATE: October 25, 2019 **PRESENTED BY:** TIM MARSHALL, Interim Chief Integrity Officer

Integrity at OHSU

Integrity: *To commit to and remain true to a set of values and principles through our actions, with unwavering dedication to being upright and honest.*

- OHSU Code of Conduct (Section 1.1)

Every OHSU Member, including the OHSU Board of Directors, is responsible for adhering to the highest ethical, organizational, and operational standards in the performance of duties and responsibilities at OHSU.

- OHSU Roles and Responsibilities guidelines

Roles and Responsibilities

The Chief Integrity Officer is responsible for the development, coordination, and oversight of the Integrity program at OHSU. The Chief Integrity Officer serves as a knowledgeable resource for organizational and operational matters related to integrity issues and evaluates and elevates issues to appropriate personnel for review and resolution.

The members of the Board of Directors, President and Executive Vice Presidents are responsible for articulating the values, mission and vision of the institution; fostering high ethical, organizational and operational integrity; and ensuring compliance with policies, laws, regulations and other appropriate standards. Executive leadership is ultimately responsible for integrity at OHSU.

- OHSU Roles and Responsibilities guidelines

Program Effectiveness

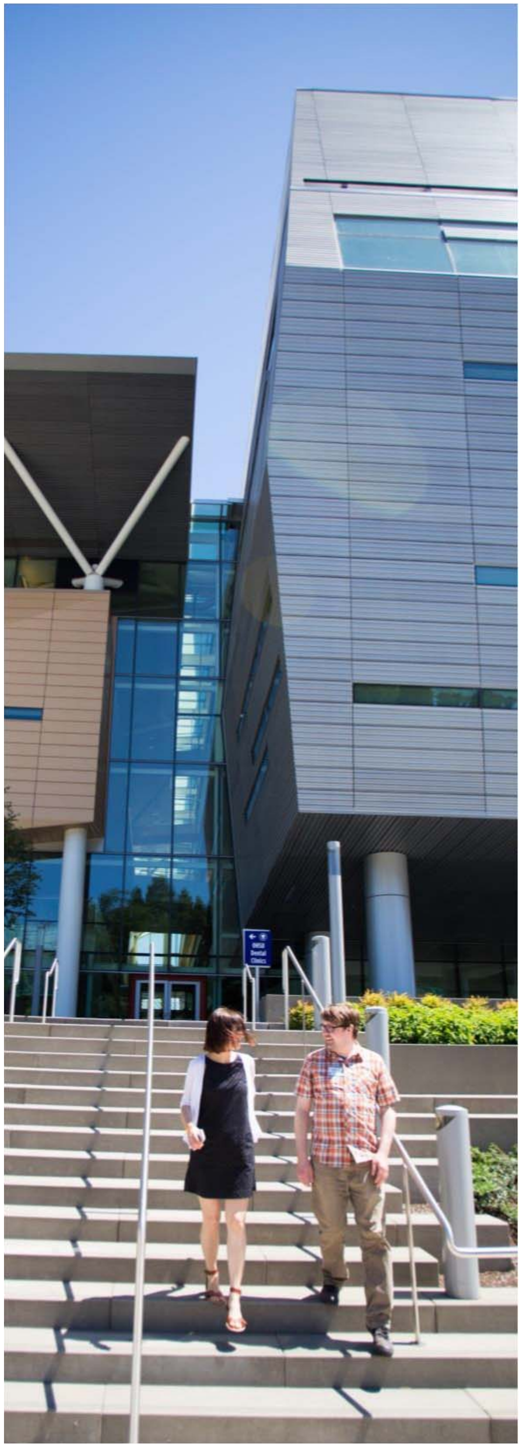
To have an effective compliance and ethics program, an organization shall:

(1) exercise due diligence to prevent and detect criminal conduct; and

(2) otherwise promote an organizational culture that encourages ethical conduct and a commitment to compliance with the law.

Such compliance and ethics program shall be reasonably designed, implemented, and enforced so that the program is generally effective in preventing and detecting criminal conduct. The failure to prevent or detect the instance offense does not necessarily mean that the program is not generally effective in preventing and detecting criminal conduct.

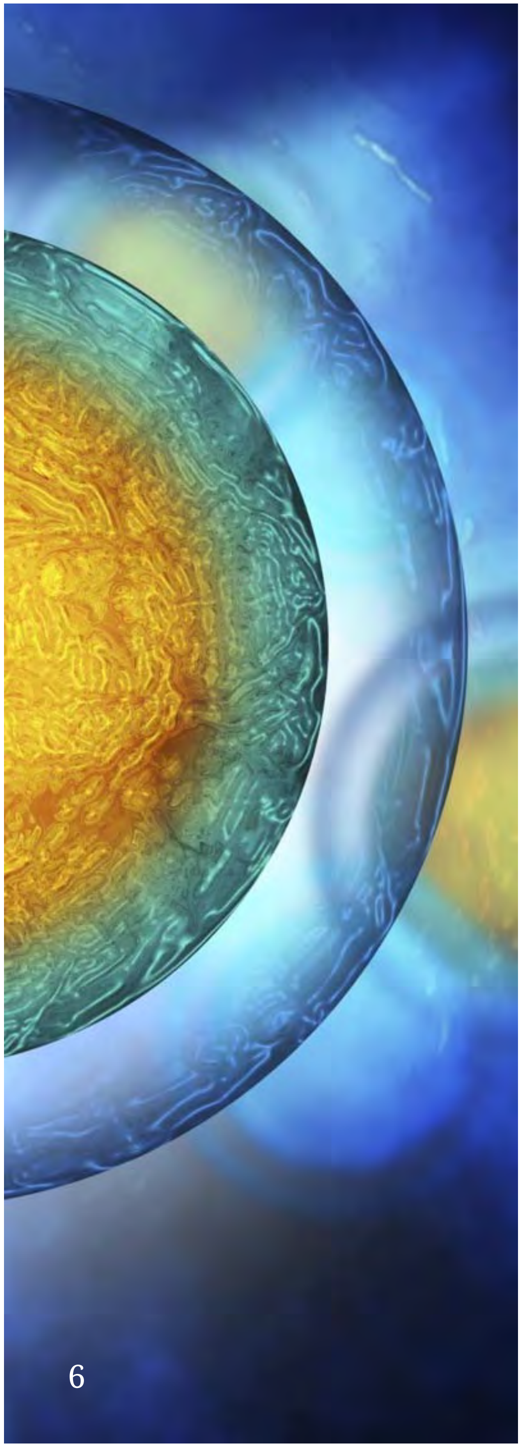
-US Sentencing Commission Guidelines Manual (§8B2.1)



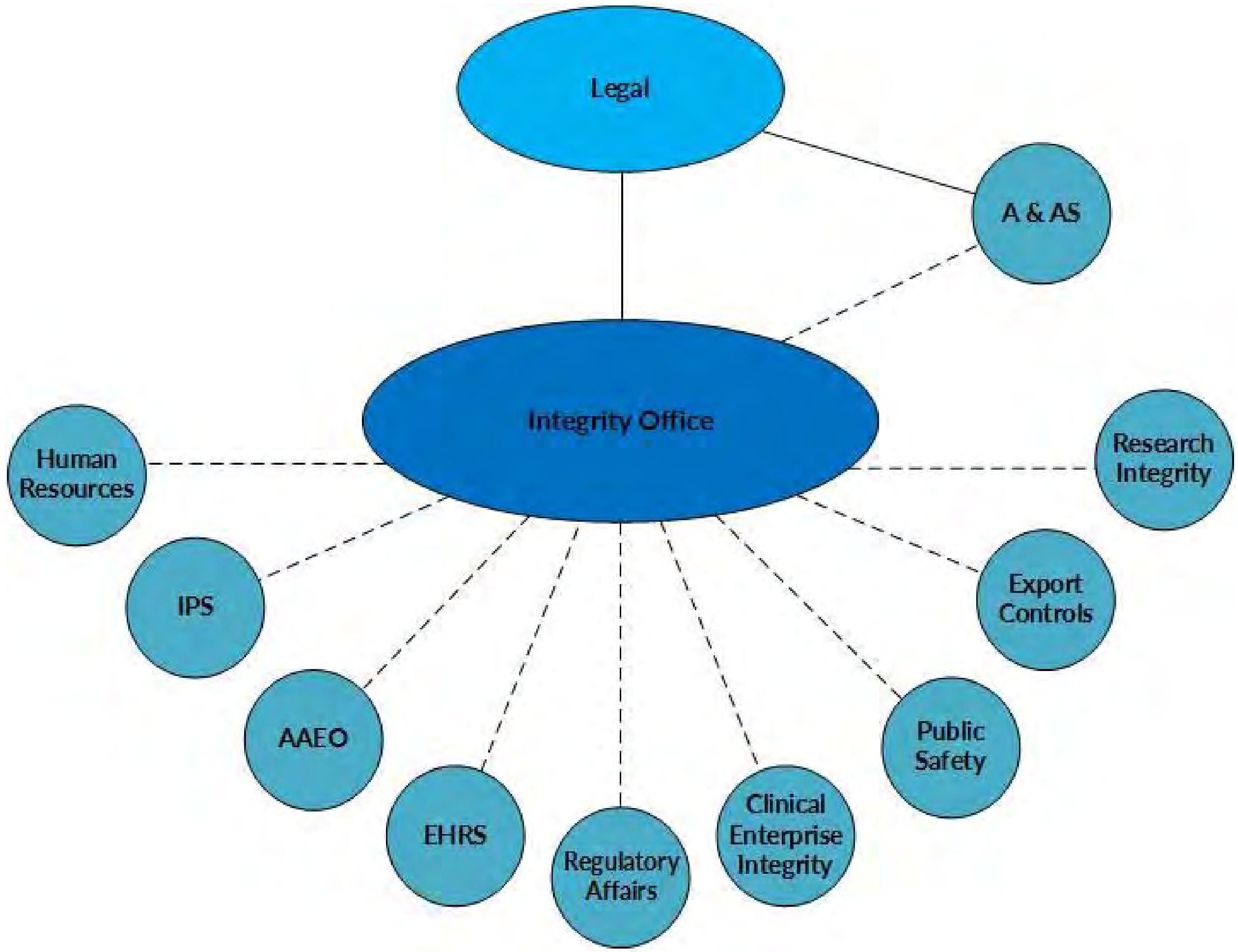
Program Effectiveness

The Office of Inspector General (OIG) defines effectiveness by these "Seven Elements of an Effective Compliance Program"

1. Written policies & procedures
2. Program oversight & governance, including:
    a. Oversight by a governing authority
    b. Assignment of overall responsibility to high-level personnel
    c. Delegation of operational responsibility to specific individuals
3. Training and communication
4. Monitoring and auditing
5. Hotline or other effective reporting mechanism
6. Disciplinary measures; appropriate corrective action
7. Prevention: Periodic risk assessment and modification of program to reduce risks



How do we accomplish this?



*This is not an all-inclusive list.

Compliance is an enterprise-wide responsibility

OHSU

Integrity Office operations

- Receive, review and recommend action on compliance matters to leadership, in collaboration with other compliance areas and Integrity programs
- Manage shared services
  - Support and enforce Code of Conduct and institutional policies
  - Provide education and awareness (through Integrity Booster and Integrity Foundations) and support other integrity program needs
  - Monitor and triage Integrity hotline cases
- Educate and inform Integrity Program Oversight Council (IPOC)
- Risk assessment and process improvement initiatives
- Participate in various compliance related committees
- Reporting and metrics

Integrity Office initiatives in FY20

- Code of Conduct review and update
- Integrity/Compliance collaboration through Compliance Partnership Network
- Education and training program review and support
- Monitoring and Auditing activities

Questions

Glossary of Terms

A3 – Single page strategy
AAEO – Affirmative Action and Equal Opportunity
ACA - Affordable Care Act. The Patient Protection and Affordable Care Act, often shortened to the Affordable Care Act (ACA) or nicknamed Obamacare, is a United States federal statute enacted by the 111th United States Congress and signed into law by President Barack Obama on March 23, 2010
AFSCME - American Federation of State, County and Municipal Employees. A union that represents OHSU classified employees.
AH - Adventist Health.
AHC - Academic Health Center. A partnership between healthcare providers and universities focusing on research, clinical services, education and training. They are intended to ensure that medical research breakthroughs lead to direct clinical benefits for patients.
AHRQ – Agency for Healthcare Research and Quality
AI/AN - American Indian/Alaska Native
AMD - Age-Related Muscular Degeneration is a common eye condition and a leading cause of vision loss among people age 50 and older.
APP – advanced practice providers
APR - Academic Program Review: The process by which all academic programs are evaluated for quality and effectiveness by a faculty committee at least once every five years.
ARRA - American Recovery and Reinvestment Act of 2009.
A/R - Accounts Receivable. Money owed to a company by its debtors
ASF - Assignable Square Feet. The sum of all areas on all floors of a building assigned to, or available for assignment to, an occupant or specific use.
AVS – After visit summary
A&AS – Audit and Advisory Services

BRB - Biomedical Research Building. A building at OHSU.

CAGR - Compound Annual Growth Rate measures the annual growth rate of an investment for a time period greater than a year.
CAO - Chief Administrative Officer.
Capex - Capital expense
CAUTI – catheter associated urinary tract infections
C Diff – Clostridium Difficile
CEI - Casey Eye Institute. An institute with OHSU.
CFO - Chief Financial Officer.
CHH - Center for Health & Healing Building. A building at OHSU.
CHH-2 - Center for Health & Healing Building 2. A building at OHSU.
CHIO – Chief Health Information Officer
CLABSI – Central line associated bloodstream infections
CLSB - Collaborative Life Sciences Building. A building at OHSU.
CMH - Columbia Memorial Hospital. A hospital in Astoria, Oregon.
CMI - Case Mix Index. Relative value assigned to a diagnosis-related group of patients in a medical care environment.
CMS - Centers for Medicare & Medicaid Services. A federal agency within the United States Department of Health and Human Services (HHS) that administers the Medicare program and works in partnership with state governments to administer Medicaid, the Children's Health Insurance Program (CHIP), and health insurance portability standards. In addition to these programs, CMS has other responsibilities, including the administrative simplification standards from the Health Insurance Portability and Accountability Act of 1996 (HIPAA), quality standards in long-term care facilities (more commonly referred to as nursing homes) through its survey and certification process, clinical laboratory quality standards under the Clinical Laboratory Improvement Amendments, and oversight of HealthCare.gov.
CPI - Consumer Price Index measures the average prices of goods & services in the United States.
CY - Current Year.

Downstream referral activity - specialty referrals that generate a higher margin and result from the primary care activity.
Days Cash on Hand - The number of days that OHSU can continue to pay its operating expenses with the unrestricted operating cash and investments.
DCH - Doernbecher Children's Hospital. A building at OHSU.
DMD - Doctor of Dental Medicine.
DNP - Doctor of Nursing.
DNV – Det Norske Veritas

E&M – Evaluation and management
EBIT - Earnings before Interest and Taxes. A financial measure measuring a firms profit that includes all expenses except interest and income tax.
EBITDA - Earnings before Interest, Taxes, Depreciation and Amortization.
ED - Emergency Department. A department in OHSU specializing in the acute care of patients who present without prior appointment.
EHR - Electronic Health Record. A digital version of a patient's medical history.
EHRS – Environmental Health and Safety

EMR – Electronic medical record
ENT - Ear, Nose, and Throat. A surgical subspecialty known as Otorhinolaryngology.
EPIC - Epic Systems. An electronic medical records system.
ER - Emergency Room.
ERG – Electroretinography is an eye test used to detect abnormal function of the retina.
ERM - Enterprise Risk Management. Enterprise risk management in business includes the methods and processes used by organizations to manage risks and seize opportunities related to the achievement of their objectives.

FTE - Full-time equivalent is the hours worked by an employee on a full-time basis.
FY - Fiscal Year. OHSU's fiscal year is July1 – June30.

GAAP - Generally Accepted Accounting Principles. Is a collection of commonly-followed accounting rules and standards for financial reporting.
GASB - Governmental Accounting Standards Board. Is the source of generally accepted accounting principles used by state and local governments in the United States.
GDP - Gross Domestic Product is the total value of goods and services produced within a country's borders for a specified time period.
GIP - General in-patient
GME - Graduate Medical Education. Any type of formal medical education, usually hospital-sponsored or hospital-based training, pursued after receipt of the M.D. or D.O. degree in the United States This education includes internship, residency, subspecialty and fellowship programs, and leads to state licensure.
GPO –group purchasing organization

H1 – first half of fiscal year
H2 – second half of fiscal year
HCAHPS – Hospital Consumer Assessment of Healthcare Providers and Systems
HR - Human Resources.
HRBP – Human resources business partner
HSE – Harvard School of Education
HSPH – Harvard School of Public Health

IA - Internal Arrangements. The funds flow between different units or schools within OHSU.
ICU - Intensive Care Unit. A designated area of a hospital facility that is dedicated to the care of patients who are seriously ill
IGT - Intergovernmental Transfers. Are a transfer of funds from another government entity (e.g., county, city or another state agency) to the state Medicaid agency
IHI – Institute for Health Care Improvement
IP – In Patient
IPS – Information Privacy and Security
ISO – International Organization for Standardization

KCC - Knight Cancer Center. A building at OHSU.
KCRB – Knight Cancer Research Building
KPV - Kohler Pavilion. A building at OHSU.

L – Floor Level
L&D - Labor and Delivery.
LGBTQ – Lesbian, Gay, Bisexual, Transgender, Queer
LOI - Letter of Intent. Generally used before a definitive agreement to start a period of due diligence before an enduring contract is created.
LOS – Length of stay

M - Million
MA – Medicare Advantage
M and A - Merger and acquisition.
MBU - Mother-Baby Unit. A unit in a hospital for postpartum women and their newborn.
MCMC - Mid-Columbia Medical Center. A medical center in The Dalles, OR.
MD - Doctor of Medicine.
MOU—Memorandum of Understanding
MPH - Master of Public Health.

NFP - Not For Profit.
NICU - Neonatal Intensive Care Unit specializes in the care of ill or premature newborn infants.
NIH - National Institutes of Health. A part of the U.S. Department of Health and Human Services, NIH is the largest biomedical research agency in the world.
NOL - Net Operating Loss. A loss taken in a period where a company's allowable tax deductions are greater than its taxable income. When more expenses than revenues are incurred during the period, the net operating loss for the company can generally be used to recover past tax payments.

NPS: Net Promotor Score.
NWCCU - Northwest Commission on Colleges and Universities: OHSU's regional accrediting body which is recognized by the U.S. Department of Education as the authority on the educational quality of institutions in the Northwest region and which qualifies OHSU and our students with access to federal Title IV student financial aid funds.

O2 – OHSU's Intranet
OCA - Overhead Cost Allocation. Internal OHSU mechanism for allocating overhead expenses out to departments.
OCNE - Oregon Consortium for Nursing Education. A partnership of Oregon nursing programs.
OCT - Optical Coherence Tomography is a non-invasive imaging test.
OCTRI - Oregon Clinical & Translational Research Institute. An institute within OHSU.
OHA - Oregon Health Authority. A government agency in the state of Oregon.
O/E – observed/expected ratio
OHSU—Oregon Health & Science University
OHSUF - Oregon Health & Science University Foundation.
ONA - Oregon Nurses Association. Professional association for nurses in Oregon.
ONPRC - Oregon National Primate Research Center. One of seven federally funded National Primate Research Centers in the United States and a part of OHSU.
OP – Outpatient. If your doctor sends you to the hospital for x-rays or other diagnostic tests, or if you have same-day surgery or visit the emergency department, you are considered an outpatient, even if you spend the night in the course of getting those services. You only become an inpatient if your doctor writes orders to have you formally admitted.
OPP – OHSU Practice Plan
OPAM - Office of Proposal and Award Management is an OHSU department that supports the research community by providing pre-award and post-award services of sponsored projects and awards.
OPE - Other Payroll Expense. Employment-related expenses for benefits which the university incurs in addition to an employee's actual salary.
Opex: Operating expense
OR- Oregon
OR - Operating Room. A room in a hospital specially equipped for surgical operations.
OSU - Oregon State University.

P – Parking Floor Level
PAMC - Portland Adventist Medical Center.
PaWS – Parking and Workplace Strategy
PDT - Photodynamic Therapy is a treatment that uses special drugs and light to kill cancer cells.
PERI-OP – Perioperative. The time period describing the duration of a patient's surgical procedure; this commonly includes ward admission, anesthesia, surgery, and recovery
PERS - Public Employees Retirement System. The State of Oregon's defined benefit plan.
PET/MRI - Positron Emission Tomography and Magnetic Resonance Imaging. A hybrid imaging technology that incorporates MRI soft tissue morphological imaging and positron emission tomography PET functional imaging.
PHB – Portland Housing Bureau
PPI – physician preference items
PPO - Preferred Provider Organization. A type of health plan that contracts with medical providers, such as hospitals and doctors, to create a network of participating providers. You pay less if you use providers that belong to the plan's network.
Prgogrm – Program
PSI – patient safety intelligence
PSU - Portland State University.
PTO - Personal Time Off. For example sick and vacation time.
PV - Present Value. The current value of a future sum of money or stream of cash flows given a specified rate of return.
PY - Previous Year.

Quaternary - Extension of Tertiary care involving even more highly specialized medical procedures and treatments.

R&E - Research and Education.
RFP – Request for Proposal
RLSB: Robertson Life Sciences Building
RN - Registered Nurse.
ROI – return on investment
RPA - Robotic Process Automation. Refers to software that can be easily programmed to do basic tasks across applications just as human workers do
RPV – revenue per visit

SCB – Schnitzer Campus Block
SG&A - Selling, General and Administrative expenses. A major non-production cost presented in an income statement
SLM – Senior Leadership Meeting
SLO - Student Learning Outcomes Assessment: The process of establishing learning goals, providing learning opportunities, measuring student learning and using the results to inform curricular change. The assessment process examines whether students achieved the learning goals established for them.
SoM - School of Medicine. A school within OHSU.
SoN – School of Nursing

SOPs – Standard Operating Procedures
SPH - School of Public Health. A school within OHSU.
SPD - Sterile Processing Department. An integrated place in hospitals and other health care facilities that performs sterilization and other actions on medical devices, equipment and consumables.
SSI – surgical site infection

TBD – to be decided
Tertiary - Highly specialized medical care over extended period of time involving advanced and complex procedures and treatments.
THK – Total hip and knees
TTBD - Technology Transfer & Business Development supports advancement of OHSU research, innovation, commercialization and entrepreneurship for the benefit of society.

UBCI – Unconscious Bias Campus – wide initiative
Unfunded Actuarial Liability - Difference between actuarial values of assets and actuarial accrued liabilities of a pension plan. Represents amount owed to an employee in future years that exceed current assets and projected growth.
UO—University of Oregon
UPP - University Pension Plan. OHSU's defined benefit plan.
URM – underrepresented minority

VGTI - Vaccine and Gene Therapy Institute. An institute within OHSU.
VTE – venous thromboembolism

WACC - Weighted Average Cost of Capital is the calculation of a firm's cost of capital in which each capital category is proportionately weighted.
WMG – Wednesday Morning Group
wRVU - Work Relative Value Unit. A measure of value used in the United States Medicare reimbursement formula for physician services

YoY - Year over year.
YTD - Year to date.