



OHSU Public Meeting of Finance & Audit

**Robertson Life Sciences Building (RLSB) Room 3A001
2730 S. Moody Ave., Portland, OR 97201
YouTube
<https://youtube.com/live/IHaCntMxia0?feature=share>**

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**Friday, January 30, 2026
9:00-10:00am**



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Agenda

1. FY26 Half Year Financial Results
2. Audit & Advisory Services Update



January 30, 2026

To: Members, OHSU Board of Directors
From: Jeffrey Jones, Interim Chief Financial Officer
Re: Materials for January 30th Meeting

Enclosed are two attachments for next Friday's public meeting of the Finance & Audit Committee.

The first attachment provides an update on FY 26 financial results through the first six months. OHSU's year-to-date operating income is \$122 million, which is \$145 million above the budgeted loss of \$23 million. However, this does not yet include the full impact of wage increases tied to tentative labor agreements we've reached. We've estimated these commitments as roughly \$50 million in "missing expense" for the six-month period. After adjusting for that, our normalized operating income is \$72 million, still solidly above the budgeted loss, and \$105 million above prior year's loss of \$33 million.

The key drivers of this performance are very encouraging. On the revenue side, operating revenues are up 16.3% year-over-year, driven by increased patient acuity of 5.5%, surgical volumes of 1.7% and ED visits of 4.1%. Also, work Relative Value Units (wRVUs), our key physician productivity measure, is 7.9% above budget.

The second document is an internal Audit & Advisory Services update. The team will review the FY 26 Audit Project Plan progress, review their risk assessment and project plan development process and their updated project watch list.



FY26 Half Year Financial Results

FY26 Financial Imperatives

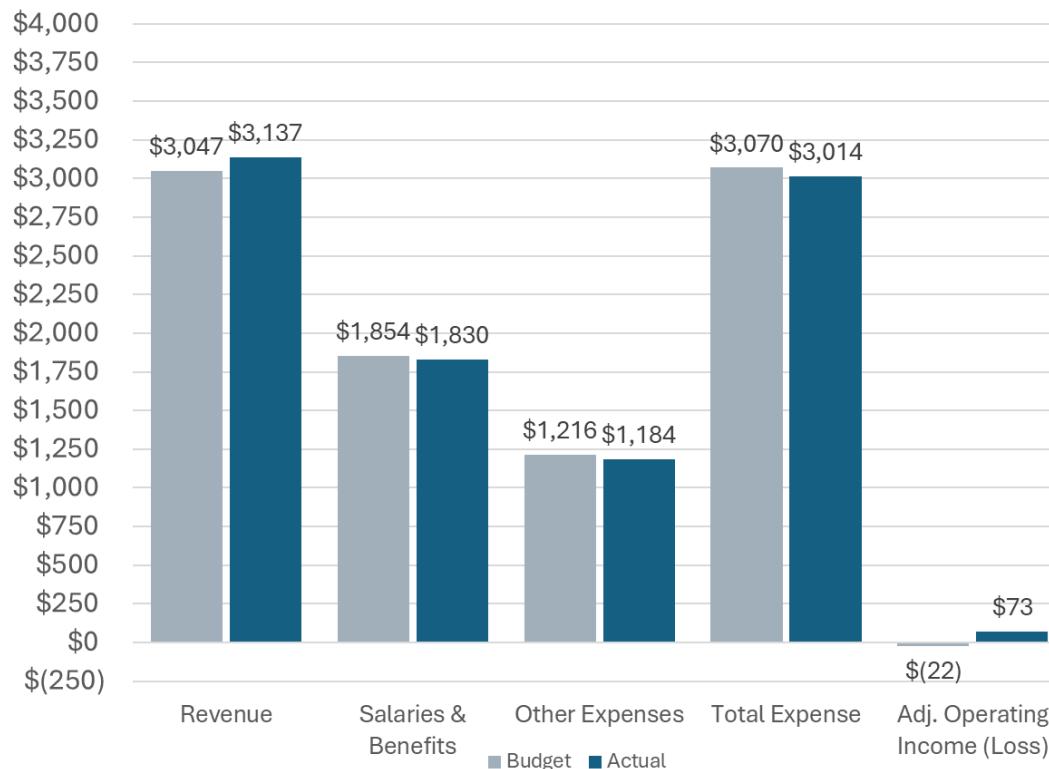
- December results continue to reflect the positive trend for the year ending the first half of the fiscal year well above budget and showing progress toward each of our five financial imperatives:
 - Achieving strategic growth in complex, higher margin services
 - Increasing productivity to meet our missions within cost growth parameters
 - Keeping FTE growth below 2% year over year
 - Disciplined targeting of benchmarked salaries and benefits recognizing the productivity of OHSU's represented & unrepresented workforce
 - Securing payment rates that reflect the unique role as Oregon's only Academic Health Center

Overview of FY26 December YTD Results

- Operating income for the first 6 months is \$122m and \$145m above our budget. However, this does not include wage increases on contracts that we have tentative agreements with. We estimate that these would roughly be \$50m of "missing expense" for 6 months which would lower our operating income to an adjusted \$73m.
- Operating revenues are up 16.3% year over year driven by strong clinical revenues. This is driven largely by significant patient revenue drivers including CMI at 2.70, strong surgical volume at 1.0% and wRVUs at 7.9% above budget.
- Operating expenses, adjusting for the "missing expense" are up 12.6%, still lower than our budget driven by stronger expense management.

FY26 Half Year Financial Results

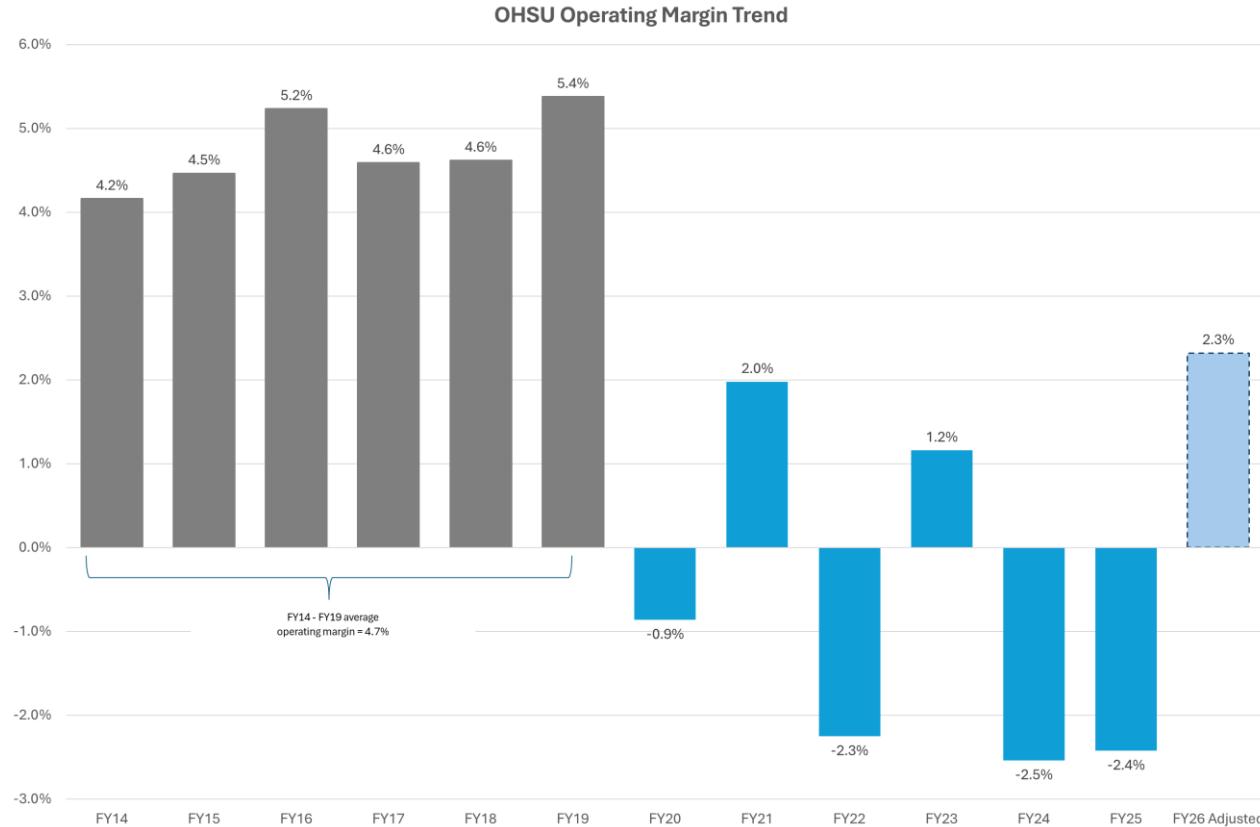
(millions)



FY26 Half Year Operating Income Positive vs Last Year & Budget

December YTD (6 Months) (millions)	FY25 Last Year	FY26 Budget	FY26 Actual	Actual - Budget	Actual / Last Year
Net patient revenue	\$1,829	\$2,163	\$2,258	\$95	23.5%
Medical contracts	97	110	108	(2)	12.2%
Grants & contracts	294	286	285	(1)	-3.1%
Gifts applied	66	61	55	(6)	-17.0%
Tuition & fees	42	44	44	(0)	5.0%
Sales, services & other	180	178	180	2	0.3%
State support*	190	205	207	1	8.7%
Operating revenues	2,696	3,047	3,137	90	16.3%
Salaries & benefits	1,679	1,854	1,830	(24)	9.0%
Rx & medical supplies	560	704	664	(40)	18.6%
Other services & supplies	361	379	383	4	6.1%
Depreciation	109	111	115	4	6.0%
Interest	22	22	22	(0)	-0.8%
Operating expenses	2,730	3,070	3,014	(56)	10.4%
Operating income (loss)	\$(33)	\$(23)	\$123	\$145	
<i>Operating margin</i>	-1.2%	-0.7%	3.9%	4.6%	
<i>EBITDA margin</i>	3.6%	3.6%	8.3%	4.6%	
Adjusted Operating income (loss)	\$(33)	\$(23)	\$73	\$95	
<i>Adj. Operating margin</i>	-1.2%	-0.7%	2.3%	3.1%	
<i>Adj. EBITDA margin</i>	3.6%	3.6%	6.7%	3.0%	

Operating Margin Trend Improving from Prior Year & Budget



Broad-Based Gains Across Patient Volume Metrics

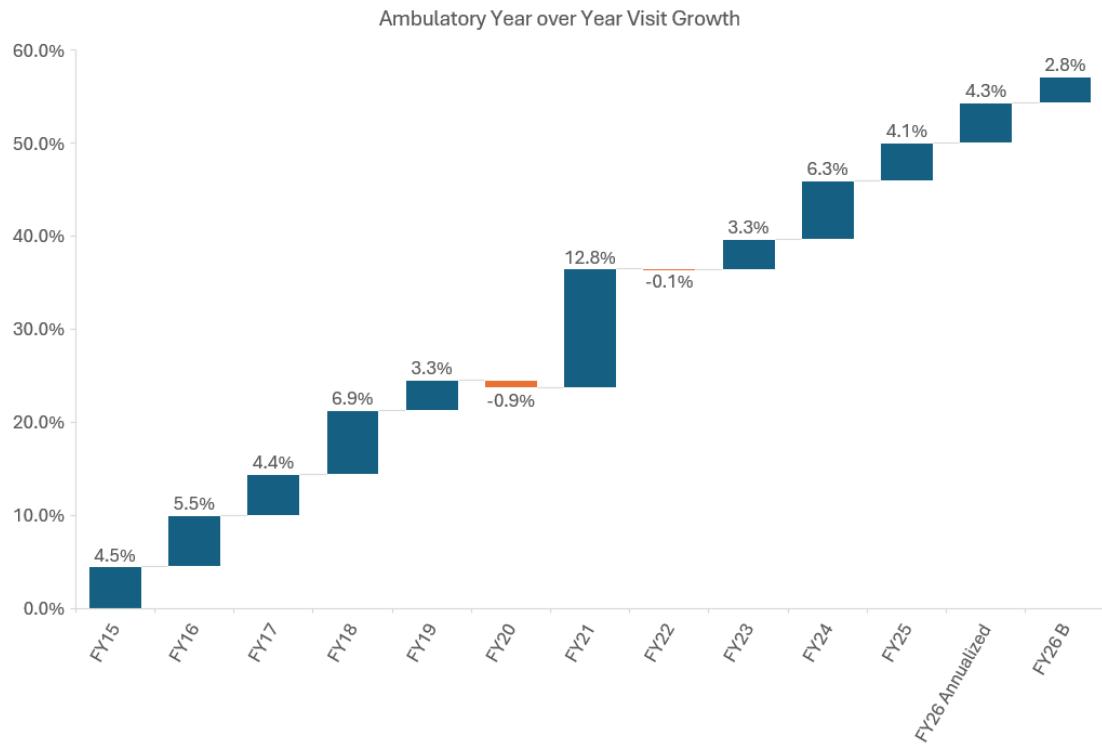
Patient Activity	FY25	FY26	FY26	Actual	Actual
December YTD (6 Months)	Last Year	Budget	Actual	/ Budget	/ Last Year
Inpatient admissions	14,234	14,534	14,258	-1.9%	0.2%
Average length of stay	6.94	6.80	6.91	1.6%	-0.4%
Average daily census	495.2	498.0	496.4	-0.3%	0.2%
Day / observation patients	25,792	26,241	26,062	-0.7%	1.0%
Surgical cases	19,183	19,312	19,502	1.0%	1.7%
Emergency visits	28,988	29,610	30,181	1.9%	4.1%
Ambulatory visits	618,536	649,370	657,044	1.2%	6.2%
Casemix index (CMI)	2.56	2.60	2.70	3.8%	5.5%
Outpatient share of activity	59.4%	61.4%	61.4%	0.0%	3.4%
CMI/OP adjusted admissions	89,794	97,926	99,575	1.7%	10.9%
Rate-adjusted gross charges	4,627	5,233	5,224	-0.2%	12.9%

Clinical Growth Against Budget Shows Results of Complex Care Focus

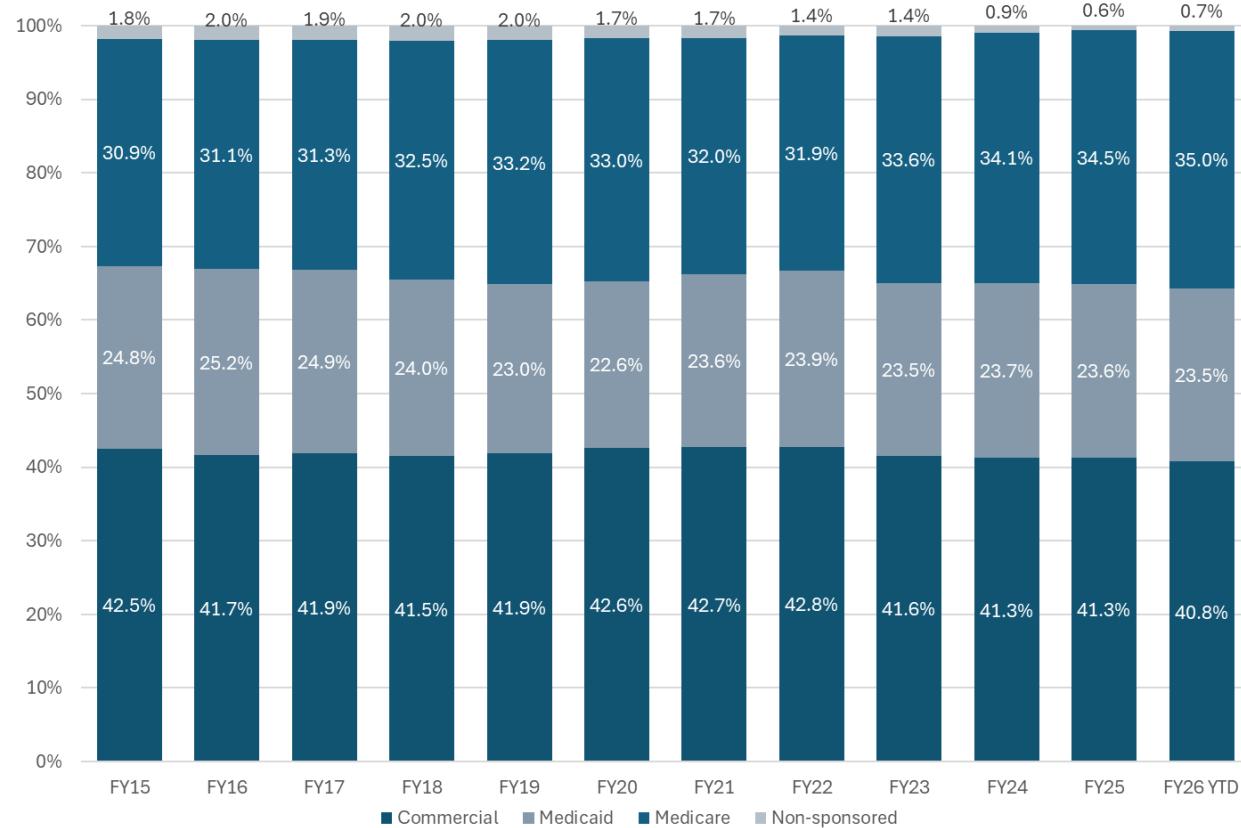
- Overall activity is growing strongly at +13% year-over-year across all services to meet rising demand.
- AHC-level demand is accelerating even faster, with +21% activity growth in cancer care and other complex subspecialty programs—unique to Oregon's only academic medical center.
- Imaging, lab, professional services, surgery, and procedural areas are up +13%; improving capacity, access, and throughput in these high-volume services remains a major strategic focus.

December YTD Volume Growth by Service Area (FY26 / FY25)	% of Hosp. Charges	Budgeted Growth	Actual Growth	Actual vs Budget
Non-hospital pharmacy	29%	28.4%	21.9%	-5.0%
Professional (imaging, lab, etc.)	16%	6.6%	12.6%	5.6%
Oncology services	7%	22.4%	40.5%	14.8%
Subtotal - higher growth areas	52%	20.6%	20.9%	0.3%
Surgery & procedural	20%	8.7%	16.7%	7.4%
All other hospital services	28%	14.4%	7.7%	-5.9%
Subtotal - lower growth areas	48%	12.1%	11.3%	-0.7%
Rate-adjusted gross charges	100%	13.1%	12.9%	-0.2%

Ambulatory Visits Steadily Increasing for last 10 years Showing Strong Demand

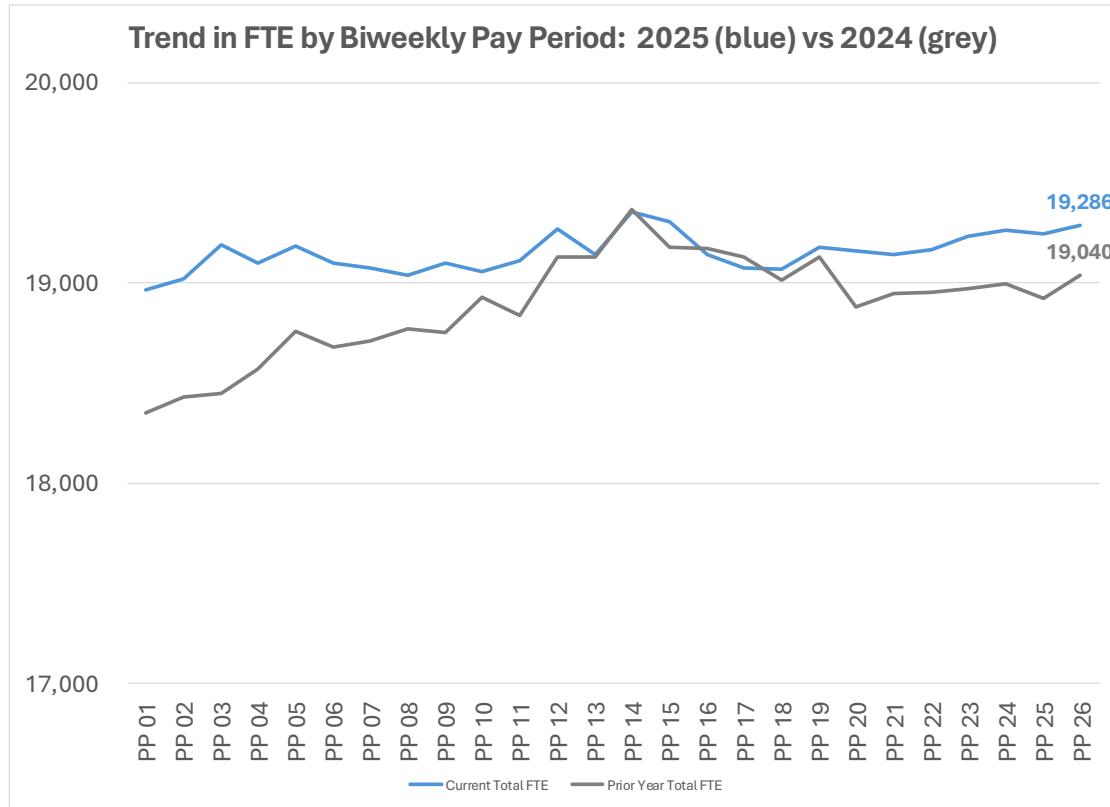


Payor Mix Holding Steady



Strong Expense Management – Position Management

- Resource management has remained strong with FTE growth holding at less than 2% for the last 9 months.



FY26 Results: OHSU Cash & Investments

- In FY25, OHSU's non foundation cash and investments dropped by \$252 million.
- For the current fiscal cash and investments are up \$303 million through December driven by:
 - Strong Investment returns
 - Catch up of federal approval for QDP payments in the IGT mechanism
 - Positive operating performance
- As a result, days cash on hand increased from 137 to 151 which is still only 60% of the median for comparable A-rated organizations.

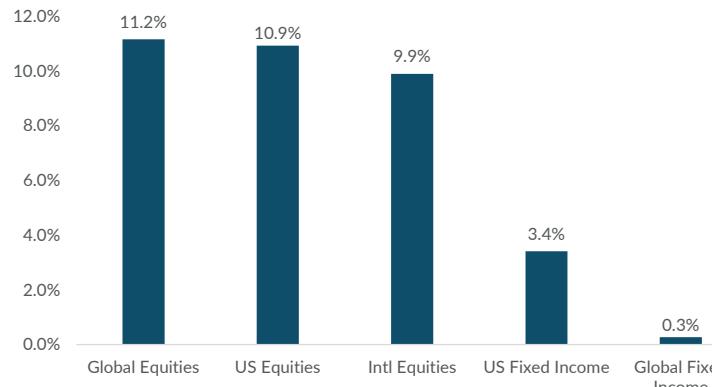
FY26 December YTD Cash Flow	(millions)
Operating income	\$123
Depreciation	115
Investment return	94
Construction funds applied	0
Grant & gift funded capital	0
Sources of cash	333
Long-term debt repaid	(26)
Capital spending	(149)
Patient A/R & other, net	145
Uses of cash	(30)
Net cash flow	\$303
<i>6/30/25 Days cash on hand</i>	<i>137</i>
<i>12/31/2025 Days cash on hand</i>	<i>151</i>
<i>Moody's 2023 Aa median</i>	<i>261</i>
<i>S&P 2023 AA median</i>	<i>254</i>

Net Worth Up \$280 million Prior to Contract Increases

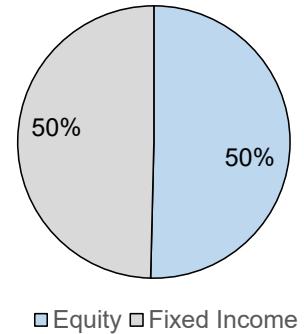
Balance Sheet (millions)	6/30/25	12/31/2025	6 - Month Change
OHSU-held cash & investments	\$1,210	\$1,513	\$303
OHEP construction fund	0	0	0
Net property, plant & equipment	2,627	2,661	34
Interest in OHSU Foundation	1,576	1,656	80
Long-term debt	(1,313)	(1,287)	26
PERS pension liability	(574)	(574)	0
Working capital (A/R) & other, net	555	411	(144)
Consolidated net worth	\$4,081	\$4,379	\$298
Operating income (loss)		123	
OHSU investment return		94	
Grant & gift funded capital		0	
Foundation gain (loss)		80	
Other non-operating items		(0)	
YTD change in net worth		\$297.6	

FY26 December YTD Investment Returns Up 6.2%

Major Index Returns (YTD)

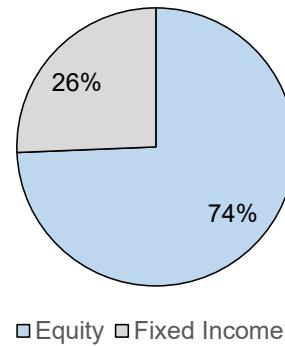


Asset Allocation – OHSU-Held Funds

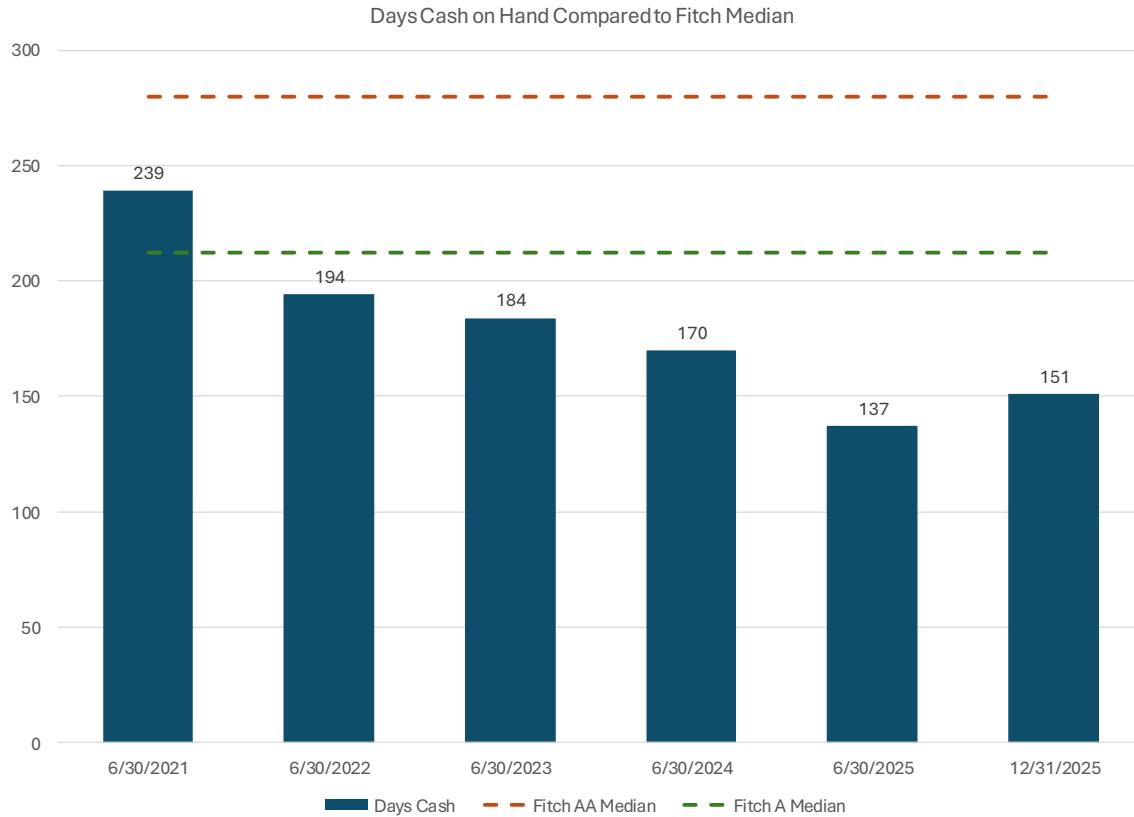


Asset Pool	6/30/2025	12/31/2025	FY26 YTD	Benchmark
	Balance	Balance	TR (%)	YTD TR (%)
OHSU-Held Funds				
Short-Term Asset Pools	266,535	596,619	2.2%	2.1%
Long-Term Asset Pools	971,943	935,075	8.5%	8.7%
Mission Related Investments	124,212	133,820	7.4%	7.4%
Total OHSU Assets	\$1,362,690	\$1,665,514	6.5%	6.6%
Foundation-Held Funds				
Non-Endowment Asset Pools	250,707	317,340	3.5%	3.3%
Endowment Assets	1,396,540	1,614,999	6.5%	9.0%
Total Foundation Assets	\$1,647,247	\$1,932,339	6.0%	8.2%
Total OHSU Investable Assets	\$3,009,937	\$3,597,853	6.2%	7.4%

Asset Allocation – Foundation-Held Funds



Days Cash on Hand Rebounding



Headwinds Facing OHSU the Rest of FY26, FY27 & Beyond

- Persistent expense growth continues to challenge revenue increases, which is pressuring cash flow and the ability to fund essential capital expenditures
- A highly competitive and challenging recruitment and labor environment nationally is creating ongoing operational and cost pressures
- Significant uncertainty surrounding direct federal and state funding levels and policy directions
- Increased volatility from other regulatory changes, insurance market shifts, and policy developments

On Track to Close FY26 Strong & Building Momentum for FY27

- First-half results are trending favorably, even after adjusting for the unrecorded cost impacts from collective bargaining agreement settlements.
- Performance for the second half of the year will become clearer in the coming months as we develop next year's budget; however, year-to-date gains have already offset 30% of the losses incurred over the prior two years.
- FY27 budget planning has commenced, and we will continue to be guided by these core imperatives:
 - Achieving strategic growth in complex, higher margin services
 - Increasing productivity to meet our missions within cost growth parameters
 - Keeping FTE growth below 2% year over year
 - Disciplined targeting of benchmarked salaries and benefits recognizing the productivity of OHSU's represented & unrepresented workforce
 - Securing payment rates that reflect the unique role as Oregon's only Academic Health Center

Audit & Advisory Services Update

OHSU Finance & Audit Committee

Joe Holmes, CPA
Director, Audit & Advisory Services

January 30, 2026



Agenda Items

1. FY26 Audit Project Plan progress update
2. Recommended Project Plan updates for Q3Q4
3. Risk assessment & project plan development process overview
4. Updated risk assessment themes
5. Miscellaneous A&AS activities
6. Open discussion and wrap up



FY26 Audit Project Plan Progress Update



Phases of an A&AS Project

PLANNING

- Obtain process documentation and gain understanding
- Fraud considerations
- IT risk considerations
- Diversity, equity, and inclusion assessment
- Risk and control matrix and analysis
- Project fieldwork kickoff meeting
- Scope, timing, and project objective(s) finalization
- Development of testing procedures

FIELDWORK

- Documentation requests and review
- Control testing and substantive procedures
- Data analysis and analytic procedures
- Development of initial conclusions and findings

REPORTING

- Draft report issued to process level owners
- Conclusions and findings validated, and management responses requested
- Exit meetings with stakeholders
- Final report issuance

FY26 Project Plan Progress

As of January 14, 2026

Project	Status	Project Summary & Objectives	% Complete
Advisory Service HB3320 Financial assistance screening process	COMPLETE	Assessed Oregon HB 3320-related processes, focusing on internal control recommendations and enhancements to monitoring and reporting practices.	100%
Advisory Service 2025 Sunshine Data Analysis	COMPLETE	Provided oversight and support to the Conflict of Interest (COI) program in its analysis of CMS data, as led by Research Integrity.	100%
Audit Clinical Variable Pay	FIELDWORK	To evaluate the administration of variable pay, ensuring compliance with established compensation plans and related policies. The project will compare scheduling processes with time recording systems to identify discrepancies, assess alignment with compensation practices, and recommend improvements to enhance accuracy, consistency, and transparency in pay administration.	85%
Audit Vendor & Contract Management: GE Healthcare	FIELDWORK	To assess the efficiency and effectiveness of the vendor and contract management processes, including purchase order creation, requisition handling, and invoice approval, on a sample basis, ensuring compliance with organizational policies, and mitigation of risks. The project will aim to optimize value for both OHSU and GE.	70%
Advisory Service Pcard Expense Oversight and Policy Adherence	FIELDWORK	To assess the design and operating effectiveness of internal controls over the purchasing card and employee expense reimbursement programs, including oversight, program structure, and adherence to policies.	70%
Audit Vendor & Contract Management: Datavant	FIELDWORK	The audit will evaluate OHSU's oversight of its vendor for fulfilling nonpatient initiated medical records requests, focusing on contractual provisions and performance monitoring. The objective is to determine whether vendor management practices, contract terms, and security obligations ensure HIPAA compliance and prevent recurrence of prior issues.	55%
Advisory Service Patient Medical Records Request: OCR Response & Internal Process Review	PLANNING	The project will assess the design of controls and quality assurance practices for processing medical records requests. The objective is to identify opportunities for efficiency and process optimization while ensuring ongoing compliance with HIPAA's Right of Access requirements and addressing prior OCR findings.	10%
Quarterly Follow Up Report: Prior Project Findings	ONGOING	To monitor and report the status of open action plans from prior projects to assess progress toward resolution on a quarterly basis. Additionally, A&AS may re-evaluate previously closed recommendations in selected areas from prior projects, based on requests from management.	50%



Q3Q4 Proposed Project Plan additions and changes

Project	Status	Project summary & objectives	Status update, proposed approach and adjustments
Investigation Investigative Assistance Project [Added in Q2 per management request] ATTORNEY CLIENT PRIVILEGED	IN PROGRESS ADDITION	Investigative services include examining suspected irregularities reported by stakeholders to verify facts, conduct an objective and confidential review, and recommend corrective actions to prevent recurrence. This investigation is under privilege at the direction of the Legal department.	This project is a follow up to investigative work completed in May 2025. Work is nearing completion as of January 2026.
Advisory Service Business Process Control Review ATTORNEY CLIENT PRIVILEGED	PROPOSED ADDITION	As requested by management, this project aims to deliver advisory guidance on internal controls and process-level risk mitigation strategies associated.	The project is planned to begin in Q3. A&AS will gain an understanding of the subject matter and provide advisory, process-level feedback focused on internal control enhancements.
Advisory Service Budget Process: Process Walkthrough & Control Design Review	PROPOSED ADDITION	To execute a control design review, including process walkthroughs, supporting the annual budget process.	The project is scheduled to begin in Q3 and will be performed concurrently with the FY27 budget process. A&AS will gain an understanding of the process through walkthroughs and provide process-level feedback as observations are identified.
Misc Advisory Support AI Governance and Risks	IN PROGRESS	The assessment will evaluate artificial intelligence governance and risk management frameworks, focusing on regulatory compliance, oversight mechanisms, and key operational risks.	Discovery and information-gathering activities are underway. In addition to assessing current processes, A&AS has begun piloting administrative tools developed by OHSU to identify efficiency opportunities and is developing use cases for the appropriate application of AI in departmental work.
Misc Advisory Support Employee Engagement Risk Monitoring and Integration	IN PROGRESS	Objective is to integrate employee-engagement risks into the ongoing risk assessment by identifying emerging trends and engaging stakeholders to align audit activities.	Work to incorporate engagement risks into the risk assessment process is in early stages and will continue through Q3Q4, with a summary of activities and learnings planned for completion prior to year end.
Misc Advisory Support Research Restructuring Committee Support and Risk Evaluation	IN PROGRESS	Assessment of opportunities to provide financial analysis, risk assessment, and advisory support in response to research funding reductions, including impacts, key risks, and alignment with OHSU's research mission.	Work has begun on information gathering. Progress has been limited due to the complexity and volatility of the funding environment. A&AS will continue to monitor developments and offer support where feasible.

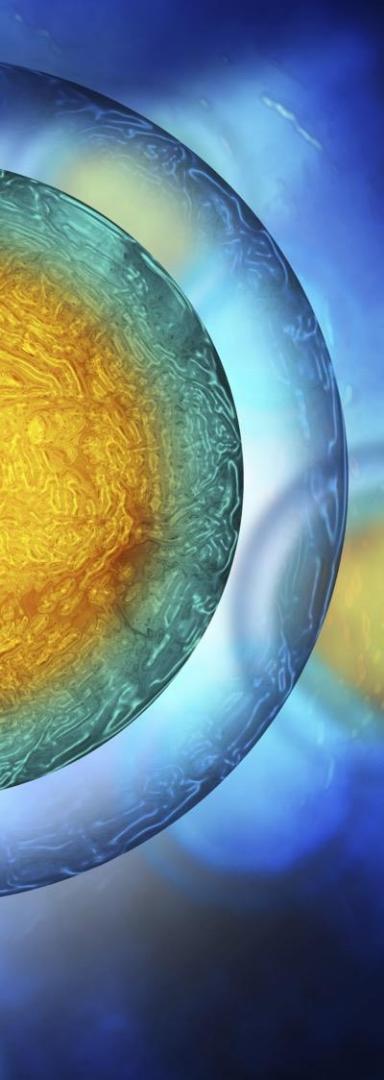


Q3Q4 Proposed Project Plan additions and changes (continued)

Project	Status	Project summary & objectives	Status update, proposed approach and adjustments
Audit Managed Care Contract Management and Oversight	PAUSED (resume date TBD)	The project will assess managed care contract governance, monitoring, and financial optimization processes to strengthen payer relationships and enhance contract performance oversight.	Project activities have been suspended pending evaluation of scope alignment with the Premier engagement to ensure efficient resource utilization and avoid duplication of efforts.
Advisory Service Vista Pavilion Closeout Assessment	PAUSED (resume late Q3)	The project will evaluate Vista Pavilion closeout activities, including financial reconciliation, contract closure, and documentation archiving, to ensure completeness, accuracy, and policy compliance.	Fieldwork will resume late Q3, focusing on year-end capitalization readiness, establishing reliable go-forward depreciation and cost allocation processes, and ensuring proper treatment of Knight Cancer Gift implications.



Risk Assessment and Project Plan Development Process



Risk Assessment and Project Plan Development Process

A&AS employs a standards-aligned risk assessment process in the development of the semi-annual audit plan. This process is grounded in two globally recognized frameworks:

- **COSO's Internal Control–Integrated Framework**, which defines how organizations identify and assess risks to achieving their objectives.
- **The IIA's Global Internal Audit Standards (GIAS)**, which require internal audit functions to maintain a **risk-based audit plan** aligned with the organization's strategy, governance expectations, and risk profile.

The rolling A&AS project plan is driven by ongoing risk assessment, allowing adjustments to be made as risks evolve. The goal of the process is to drive project prioritization and deploy A&AS resources in an effective and efficient manner.

The A&AS team does not serve as the OHSU's enterprise risk management function. Identified risk themes are not ranked or exhaustive and do not reflect all risks facing OHSU.

A&AS identifies internal and external risks through interviews, document reviews, and consultation with outside colleagues, aligning with COSO's definition of risk as the possibility that an event could hinder achieving business objectives. The assessment also draws on insights from prior A&AS projects and investigations.

The risk assessment process will continue throughout the course of FY26, with a focus on identification of potential risk areas to incorporate into the potential project watch list.



Risk Assessment and Project Plan Development Process

Understanding Objectives and Context: COSO emphasizes that **clear objectives are a precondition to effective risk assessment**. While OHSU's updated strategic plan is still in development, A&AS works with management and stakeholders to understand:

- Current operational priorities
- Regulatory and compliance obligations
- Financial reporting requirements
- Known strategic themes and emerging initiatives

GIAS reinforces this approach by requiring A&AS to align its planning with the OHSU's governance structures, mission, and evolving strategic direction, even when formal strategic planning is in progress.

- A&AS maintains a register of risk-assessment participants across all missions, currently numbered at 98, which is updated on an ongoing basis.
- Engagement spans routine monthly meetings to less frequent annual interviews, with fifteen sessions held over the past two quarters.
- This ongoing process has accumulated over 700 risk-register entries over the years.
- The updated project watch list and risk assessment themes represent priority areas for near-term focus.



Risk Assessment and Project Plan Development Process

Potential projects and their associated risks are evaluated using a set of criteria aligned with COSO and GIAS expectations. To ensure efficient use of resources, A&AS also considers the practicality of auditing each area, including:

- Process maturity and complexity (documented vs. ad hoc)
- History of errors and experience from prior internal audits
- Availability of data and evidence
- Whether the area has been reviewed by other OHSU assurance partners

These considerations assist in ensuring the project plan factors the practicality of the proposed audit, especially in areas that are new, subjective, or undergoing rapid change.

A photograph of a medical professional, likely a doctor, wearing glasses and a white coat, using a stethoscope to listen to a young child's chest. The child is wearing a light-colored shirt. The background is slightly blurred, showing what appears to be a hospital or clinic setting.

Updated Risk Assessment Themes



Updated Risk Assessment Themes & Observations

- **Strategic Alignment & Long-Term Planning:** The lack of a formal long-term strategy limits strategic risk assessment and makes prioritizing initiatives and aligning resources challenging. A strategy is currently under development, which is expected to provide a framework for risk assessment, decision-making, and long-term performance monitoring.
- **Financial Alignment:** Improved reconciliation and alignment between operational performance and financial reporting are needed to more effectively manage the bottom line.
- **Decentralized Oversight & Governance:** Fragmented accountability and lack of coordination may lead to duplicative efforts, unmanaged risks, and reduced strategic alignment.
- **Executive Turnover & Leadership Transitions:** Ongoing changes in executive leadership can disrupt continuity, delay strategic decision-making, and hinder consistent oversight. Transitions may also challenge organizational alignment, risk management, and the timely implementation of key initiatives.
- **Resource Constraints:** Limited capacity and competing priorities were observed to delay resolution of known issues. Decreased or eliminated funding and economic volatility may constrain operations, limit growth, and jeopardize long-term financial sustainability.
- **Vendor Oversight:** Opportunities to strengthen due diligence and ongoing monitoring related to security, continuity of operations, and performance management.



Miscellaneous A&AS Activities

- Over the past two quarters, A&AS provided internal control and best practice guidance to process owners on petty cash, segregation of duties, and check signature processes.
- Ongoing development of an AI Large Language Model (LLM) prompt library and collaboration with the AI Governance Committee to identify opportunities for productivity gains, while using AI responsibly.
 - A&AS is one of the first OHSU administrative functions to pilot the oChat tool, aiming to explore opportunities to enhance efficiency in audit and advisory activities.
- Ongoing board representation and volunteer work with the Institute of Internal Auditors - Portland Chapter, the Association of College and University Auditors, and the Oregon Higher Education Coordinating Commission.
- Volunteer engagement supporting academic outreach with local universities.



**AUDIT & ADVISORY
SERVICES**
Integrity Office

Thank you

Appendix

A: A&AS Organization Chart

B: Internal Audit Plan Summary for FY26 Q3-Q4

A&AS Org Chart

