

**77<sup>th</sup> OREGON LEGISLATIVE ASSEMBLY – 2013 Session  
BUDGET REPORT AND MEASURE SUMMARY**

**JOINT COMMITTEE ON WAYS AND MEANS**

**MEASURE: HB 5029-A**

**Carrier – House: Rep. Frederick**

**Carrier – Senate: Sen. Girod**

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**Action:** Do Pass as Amended and be Printed A-Engrossed

**Vote:** 21 – 0 – 1

House

**Yeas:** Barker, Buckley, Frederick, Freeman, Hanna, Huffman, Jenson, Komp, McLane, Nathanson, Read, Richardson, Smith, Williamson

**Nays:**

**Exc:** Tomei

Senate

**Yeas:** Bates, Devlin, Edwards, Girod, Hansell, Johnson, Monroe, Steiner Hayward, Thomsen, Whitsett, Winters

**Nays:**

**Exc:**

**Prepared By:** Bill McGee, Department of Administrative Services

**Reviewed By:** Doug Wilson, Legislative Fiscal Office

**Meeting Date:** June 12, 2013

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Agency

Oregon Health and Science University

Biennium

2013-15

## **Budget Summary\***

|                                     | 2011-13 Legislatively<br>Approved Budget <sup>(1)</sup> | 2013-15 Current Service<br>Level | 2013-15 Committee<br>Recommendation | Committee Change from 2011-13<br>Leg. Approved |               |
|-------------------------------------|---|----------------------------------|-------------------------------------|--|---------------|
|                                     |   |                                  |                                     | \$ Change                                      | % Change      |
| General Fund                        | \$ 66,041,261   | \$ 69,794,258                    | \$ 68,862,387                       | \$ 2,821,126                                   | 4.3%          |
| Other Funds                         | \$ 66,472   | \$ 67,038                        | \$ 67,038                           | \$ 566   | 0.9%          |
| Other Funds Debt Service            | \$ 31,568,288   | \$ 31,572,788                    | \$ 31,572,788                       | \$ 4,500                                       | 0.0%          |
| Other Funds Nonlimited              | \$ 583,451  | \$ 0                             | \$ 0                                | \$ (583,451)                                   | -100.0%       |
| Other Funds Debt Service Nonlimited | \$ 68,723,571   | \$ 0                             | \$ 0                                | \$ (68,723,571)                                | -100.0%       |
| <b>Total</b>                        | <b>\$ 166,983,043</b>                                   | <b>\$ 101,434,084</b>            | <b>\$ 100,502,213</b>               | <b>\$ (66,480,830)</b>                         | <b>-39.8%</b> |

## **Position Summary**

|                                      |      |      |      |      |
|--------------------------------------|------|------|------|------|
| Authorized Positions                 | 0    | 0    | 0    | 0    |
| Full-time Equivalent (FTE) positions | 0.00 | 0.00 | 0.00 | 0.00 |

<sup>(1)</sup> Includes adjustments through December 2012

\* Excludes Capital Construction expenditures

## **Summary of Revenue Changes**

The Oregon Health Sciences University (OHSU) has been a public corporation since 1995 and is no longer subject to the budgetary and other controls under which state agencies operate. OHSU receives General Fund for specific purposes including the Schools of Medicine, Nursing and Dentistry. Funding is also provided for the Child Development and Rehabilitation Center, Oregon Poison Center, Area Health Education Centers and the Office of Rural Health. The state also provides approximately \$31.6 million for debt service payments for bonds sold to enhance OHSU's research programs in genetics and biotechnology. Revenues from the Master Tobacco Settlement Agreement are used to make these payments, scheduled to be completed in 2024.

Direct state appropriations only make up roughly 2 percent of OHSU's total revenues - by far the largest revenue source are patient service revenues which includes indirect state resources through the Oregon Health Plan and state employee health services

## **Summary of Education Subcommittee Action**

The Oregon Health and Science University (OHSU) is the only public academic medical center in the state. OHSU's mission includes education, research, clinical care, and public service. In addition to three main sites (Marquam Hill, the Oregon Primate Research Center and the Oregon Graduate Institute, and the South Waterfront Campus), OHSU also has clinical facilities throughout the Portland metropolitan area, and teaching

programs in various locations throughout the state. Although operating as a public corporation since 1995, the university is governed by a Board of Directors that is appointed by the Governor and confirmed by the Senate. The Legislature no longer approves the university budget (or limits its expenditures from tuition and other sources), but the state continues to support OHSU through grants for academic programs (schools of Medicine, Dentistry, and Nursing), Area Health Education Centers (AHEC), Child Development and Rehabilitation Center (CDRC), the Oregon Poison Center, and debt service for the Oregon Opportunity Program.

The Subcommittee approved a budget of \$68,862,387 General Fund and \$31,639,826 Other Funds. General Fund resources are increased by 4.3 percent from the 2011-13 Legislatively Approved Budget (LAB). Other Funds are increased slightly from the LAB. There is no Other Funds Non-limited expenditure authority in the 2013-15 budget; the 2011-13 LAB included \$68.7 million Other Funds Non-limited on a one-time basis for refinancing Article XI-L bonds sold to support the Oregon Opportunity program. The recommended budget provides \$2.2 million General Fund to partially offset tuition increases and maintain education and rural programs. Funding for the CDRC and Oregon Poison Center are maintained at the 2013-15 Current Service Level.

Education & General/Hospitals & Clinics/CDRC

The program units in the table below include all state direct General Fund support for OHSU programs. The \$68.9 million budget approved by the Subcommittee is distributed as follows:

|  |  | 2013-15 Biennium<br>LAB |
|--|--|-------------------------|
| <b>Education and General Services</b>              |  |                         |
|  | School of Medicine                                     | \$23,979,517            |
|  | School of Nursing                                      | \$20,738,121            |
|  | School of Dentistry                                    | \$9,718,762             |
|  | Area Health Education Centers & Office of Rural Health | \$4,248,786             |
| <b>EG&amp;S Total</b>                              |  | <b>\$58,685,186</b>     |
| <b>Child Development and Rehabilitation Center</b> |  | <b>\$7,710,000</b>      |
| <b>Oregon Poison Center</b>                        |  | <b>\$2,467,201</b>      |
| <b>OHSU Total</b>                                  |  | <b>\$68,862,387</b>     |

The Subcommittee approved the base budget and Essential Packages.

The Subcommittee increased funding in Package 090 for education and rural services program by \$1,066,209 General Fund. With the additional funds included in this package, funding for these programs is \$3.1 million below the 2013-15 Current Service Level (CSL).

An additional \$2,200,000 General Fund was added in Package 812 to offset a portion of expected tuition increases in 2013-15 for the schools of Medicine, Nursing, and Dentistry. After the adjustments in packages 090 and 812, funding for the schools, AHECs, and the Office of Rural Health is less than \$1 million below 2013-15 CSL.

The Subcommittee expressed the following expectations for 2013-15 program levels:

- Students enrolled in state supported programs for Fall 2013 will have their tuition frozen for the following school year.
- The proportion of Oregon residents in the schools for 2013-14 should be able to be maintained at the same level for 2014-15.
- Rural rotations for medical students should be continued.
- The School of Nursing Bachelor of Nursing program will continue on the Portland campus.
- Office of Rural Health programs will be maintained at 2012-13 levels.
- Funding for rural K-12 pipeline programs will be maintained.

#### Bond Related Costs

The Subcommittee approved an expenditure limitation of \$31,639,826 Other Funds to pay debt service and other costs due in 2013-15 on \$200 million in Article XI-L general obligation bonds. This is an increase of \$5,066 from the 2011-13 LAB. The bonds were sold to enhance OHSU's research programs in health sciences and biotechnology as part of the Oregon Opportunity Program. Master Tobacco Settlement funds are used to pay these costs. The bonds will be fully repaid in 2024.

#### Summary of Performance Measure Action

The Subcommittee reviewed agency performance measures and targets indicated in the attached Legislatively Adopted 2011-13 Key Performance Measures (KPM) form. OHSU was directed to four review KPMs that have little or no direct relation to programs that are directly supported with state funds.

**DETAIL OF JOINT COMMITTEE ON WAYS AND MEANS ACTION**

**HB 5029-A**

**Oregon Health and Science University  
Bill McGee 503-378-2078**

| DESCRIPTION   | GENERAL FUND         | LOTTERY FUNDS | OTHER FUNDS          |               | FEDERAL FUNDS |             | TOTAL ALL FUNDS       | POS      | FTE         |
|---|----------------------|---------------|----------------------|---------------|---------------|-------------|-----------------------|----------|-------------|
|   |                      |               | LIMITED              | NONLIMITED    | LIMITED       | NONLIMITED  |                       |          |             |
| 2011-13 Legislatively Approved Budget at Dec 2012 *                 | \$ 66,041,261        | \$ 0          | \$ 31,634,760        | \$ 69,307,022 | \$ 0          | \$ 0        | \$ 166,983,043        | 0        | 0.00        |
| 2013-15 ORBITS printed Current Service Level (CSL)*                 | \$ 69,794,258        | \$ 0          | \$ 31,639,826        | \$ 0          | \$ 0          | \$ 0        | \$ 101,434,084        | 0        | 0.00        |
| <u>SUBCOMMITTEE ADJUSTMENTS (from CSL)</u>                          |                      |               |                      |               |               |             |                       |          |             |
| <b>SCR 002 Education &amp; General/Hospitals &amp; Clinics/CDRC</b> |                      |               |                      |               |               |             |                       |          |             |
| Package 090: Analyst Adjustments                                    |                      |               |                      |               |               |             |                       |          |             |
| Special Payments  |                      |               |                      |               |               |             |                       |          |             |
| 6085 Other Special Payments   | \$ (3,131,871)       | \$ 0          | \$ 0                 | \$ 0          | \$ 0          | \$ 0        | \$ (3,131,871)        |          |             |
| Package 812: Increased Education Resoruces                          |                      |               |                      |               |               |             |                       |          |             |
| Special Payments  |                      |               |                      |               |               |             |                       |          |             |
| 6085 Other Special Payments   | \$ 2,200,000         | \$ 0          | \$ 0                 | \$ 0          | \$ 0          | \$ 0        | \$ 2,200,000          |          |             |
| <b>TOTAL ADJUSTMENTS</b>  | <b>\$ (931,871)</b>  | <b>\$ 0</b>   | <b>\$ 0</b>          | <b>\$ 0</b>   | <b>\$ 0</b>   | <b>\$ 0</b> | <b>\$ (931,871)</b>   | <b>0</b> | <b>0.00</b> |
| <b>SUBCOMMITTEE RECOMMENDATION *</b>                                | <b>\$ 68,862,387</b> | <b>\$ 0</b>   | <b>\$ 31,639,826</b> | <b>\$ 0</b>   | <b>\$ 0</b>   | <b>\$ 0</b> | <b>\$ 100,502,213</b> | <b>0</b> | <b>0.00</b> |
| <br>  |                      |               |                      |               |               |             |                       |          |             |
| % Change from 2011-13 Leg Approved Budget                           | 4.3%                 | 0.0%          | 0.0%                 | -100.0%       | 0.0%          | 0.0%        | -39.8%                | 0.0%     | 0.0%        |
| % Change from 2013-15 Current Service Level                         | -1.3%                | 0.0%          | 0.0%                 | 0.0%          | 0.0%          | 0.0%        | -0.9%                 | 0.0%     | 0.0%        |

\*Excludes Capital Construction Expenditures

## Legislatively Approved 2013-2015 Key Performance Measures

**Agency: OREGON HEALTH & SCIENCE UNIVERSITY**

OHSU ORS 353.030 (1) It shall be the public policy of Oregon Health and Science University in carrying out its missions as a public corporation ... (2) The university will strive for excellence in education, research, clinical practice, scholarship and community service.... (3) The university is designated to carry out the following public purposes and missions on behalf of the State of Oregon... (4) The university shall carry out the public purposes and missions of this section in the manner that, in the determination of OHSU Board of Directors, best promotes the public welfare of the people of the State of Oregon. [1995 c. 162 § 3; 2001 c. 123 § 3].

| Legislatively Proposed KPMs  | Customer Service Category | Agency Request | Most Current Result | Target 2014 | Target 2015 |
|--|---------------------------|----------------|---------------------|-------------|-------------|
| 1 - <b>DMD ACCESS</b> – Percent of entering cohort who are in-state DMD students 25.00   |                           | Approved KPM   | 51%                 | 50%         | 50%         |
| 2 - <b>MD ACCESS</b> – Percent of entering cohort who are in-state MD students   |                           | Approved KPM   | 63%                 | 70%         | 70%         |
| 3 - <b>NURSING ACCESS</b> – Percent of entering nursing cohort who are in-state students   |                           | Approved KPM   | 86%                 | 93%         | 93%         |
| 4 - <b>NURSING COMPLETION</b> – Percent of nursing student cohorts completing bachelor’s degrees                                     |                           | Approved KPM   | 92%                 | 92%         | 92%         |
| 5 - <b>DEGREES</b> – Total number of degrees and certificates awarded  |                           | Approved KPM   | 1,100               | 1000        | 1000        |
| 6 - <b>DENTAL WORKFORCE</b> – Total number of DMD degrees awarded  |                           | Approved KPM   | 68                  | 73          | 73          |
| 7 - <b>PHYSICIAN WORKFORCE</b> – Total number of MD degrees awarded  |                           | Approved KPM   | 123                 | 118         | 120         |
| 8 - <b>NURSING WORKFORCE</b> – Total bachelor’s degrees awarded in nursing.  |                           | Approved KPM   | 296                 | 300         | 300         |
| 9 - <b>NURSING FACULTY</b> – Total graduate degrees and certificates awarded in nursing.   |                           | Approved KPM   | 89                  | 85          | 85          |
| 10 - <b>PROFESSIONAL COMPETENCE</b> – Percent of DMD students passing senior-level credentialing examinations on their first attempt |                           | Approved KPM   | 91%                 | 95%         | 95%         |

**Agency: OREGON HEALTH & SCIENCE UNIVERSITY**

Mission: ORS 353.030 (1) It shall be the public policy of Oregon Health and Science University in carrying out its missions as a public corporation ... (2) The university will strive for excellence in education, research, clinical practice, scholarship and community service.... (3) The university is designated to carry out the following public purposes and missions on behalf of the State of Oregon... (4) The university shall carry out the public purposes and missions of this section in the manner that, in the determination of OHSU Board of Directors, best promotes the public welfare of the people of the State of Oregon. [1995 c. 162 § 3; 2001 c. 123 § 3].

| Legislatively Proposed KPMs   | Customer Service Category | Agency Request | Most Current Result | Target 2014 | Target 2015 |
|---|---------------------------|----------------|---------------------|-------------|-------------|
| 11 - <b>PROFESSIONAL COMPETENCE</b> – Percent of MD students passing senior-level credentialing examinations on their first attempt         |                           | Approved KPM   | 98%                 | 95%         | 95%         |
| 12 - <b>PROFESSIONAL COMPETENCE</b> – Percent of bachelor’s level nursing students passing senior-level credentialing examinations on their |                           | Approved KPM   | 95%                 | 92%         | 92%         |
| 13 - <b>RESEARCH PRODUCTIVITY</b> – Research dollars per faculty  |                           | Approved KPM   | \$205               | \$180       | \$180       |
| 14 - <b>ADULT INPATIENT EXPERIENCE</b> – Overall Rating of Experience with OHSU Hospital  |                           | Approved KPM   | 72                  | 75          | 75          |
| 15 - <b>PEDIATRIC INPATIENT EXPERIENCE</b> – Overall Rating of Experience with OHSU Doernbecher Children’s Hospital                         |                           | Approved KPM   | 86.1                | 89.0        | 89.0        |
| 16 - <b>OREGON POISON CENTER</b> – Percent of calls to the Oregon Poison Center managed without requiring referrals to community            |                           | Approved KPM   | 91%                 | 90%         | 90%         |
| 17 - <b>CDRC SERVICES</b> – Total clinical, surgical and/or diagnostic services provided to patients  |                           | Approved KPM   | 49,556              | 50,000      | 50,000      |
| 18 - <b>HOSPITAL MORTALITY</b> – Ratio of observed mortality over expected mortality for OHSU inpatients                                    |                           | Approved KPM   | 0.82                | 0.89        | 0.89        |
| 19 - <b>BOTTOM LINE</b> – Consolidated unrestricted net income from total operations (in thousands)   |                           | Approved KPM   | 113,476             | 85,000      | 85,000      |
| 20 - <b>MD CLINICAL ROTATIONS</b> – Total number of medical student weeks served in rural and urban, underserved communities                |                           | Approved KPM   | 645                 | 650         | 650         |
| 21 - <b>RURAL PRECEPTORS</b> – Total number of physicians supervising medical students in rural communities                                 |                           | Approved KPM   | 50                  | 84          | 84          |
| 22 - <b>RURAL PIPELINE</b> – Total number of rural K-12 students enrolled in science and healthcare education pipeline programs             |                           | Approved KPM   | 1,328               | 1,300       | 1,300       |

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| <b>Legislatively Proposed KPMs</b>  | <b>Customer Service Category</b> | <b>Agency Request</b> | <b>Most Current Result</b> | <b>Target 2014</b> | <b>Target 2015</b> |
|---|----------------------------------|-----------------------|----------------------------|--------------------|--------------------|
| 23 - <b>RURAL HEALTH</b> –Federal funds generated per state dollar invested in the Office of Rural Health |                                  | Approved KPM          | 4.23                       | 3.5                | 3.5                |

**LFO Recommendation:**

Approve the 2014 and 2015 targets for Oregon Health and Science University (OHSU) listed above. Note that the target for #KPM 13 – Research Productivity – is lower than the most recent year reported in large part from the loss of federal funding or expected loss of federal research funding due to sequestration.

LFO also recommends that OHSU review the need for KPMs 14, 15, 18, and 19 prior to the next budget cycle. These four measures have little or no direct relation to the OHSU programs that state funds directly support. While they are important measures for the institution overall, these KPMs should be connected with the programs the state directly funds.

**Sub-Committee Action:**

Accept the LFO recommendation.