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OHSU confronts its own financial perils as it prepares merger with Legacy Health

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Oregon Health & Science University leadership said a reduction in force is among the options as it launches an ambitious effort to strengthen its financial position. Currently, it is the largest employer in Portland with 12,600 staffers. Beth Nakamura



By **Jeff Manning | The Oregonian/OregonLive**

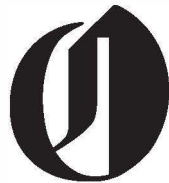
Since the news first leaked last August that Oregon Health & Science University and Legacy Health intended to merge, the dominant narrative portrayed OHSU as the larger, stronger suitor buying out its undercapitalized rival.

But suddenly, it's OHSU showing significant financial weakness. OHSU is losing considerable sums of money – \$44 million in the last nine months alone - the health system divulged last week.

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Instead of mergers, synergies and growth, OHSU is suddenly talking “strategic alignments,” restructurings, possible layoffs and other cost-cutting steps.

OHSU leaders barely mentioned the merger at last Friday’s meeting of its board of directors. In a session that stretched two hours, board Chair Wayne Monfries spent about 20 seconds on the topic.



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OHSU continues to “work towards a definitive agreement with Legacy,” Monfries said. “It’s taking a little bit longer than we expected, but we want to assure you the process is still going forward.”

OHSU officials initially said they hoped to have a definitive merger agreement complete and submitted to regulators by December. Nearly five months since that self-imposed deadline, the definitive merger plan has yet to appear.

OHSU declined requests for interviews with President Danny Jacobs and CFO Lawrence Furnstahl. But internal communications and discussion among OHSU’s board indicate a sweeping evaluation of current operations is underway.

“As a first step, in April and May, select senior leaders across our missions will complete a comprehensive audit of all current expenses, projects and roles,” Jacobs wrote in an April 4 letter to employees. “Although reductions in force may be necessary, the intent of this work is to shift our overall strategy to ensure the highest and best use of the services that distinguish OHSU from others and on which Oregon depends.”

Jacobs added that “working groups” would identify opportunities to cut costs and raise revenue across the organization while ensuring the changes align with our strategic priorities and advance our core missions.”

Much is at stake, OHSU Chief People Officer Qiana Williams told the institution’s board last week.

“We clearly stand at a pivotal moment,” she said. “The decisions that we are making today will shape the future of healthcare and education and research for generations to come.”

Many factors have contributed to OHSU’s financial weakness. Furnstahl said a “labor-demic,” referring to the post-pandemic labor shortage and higher wages paid to hospital workers, is one of them.

More significant, he said, is a dramatic reduction in the number of complex cases, which demand the most sophisticated — and, for the hospital, lucrative— sort of treatment.

These so-called “tertiary and quaternary” cases are normally OHSU’s bread and butter. It’s got the specially trained personnel and advanced technology that the vast majority of Oregon hospitals do not.

But there have been decidedly fewer of these cases so far this fiscal year.

Virtually all Oregon hospitals – OHSU included – have struggled with discharge delays. Patients who are well enough to leave the hospital often have nowhere to go.

The patients can’t get into skilled nursing facilities due to their staffing issues, and the patients don’t have family to assist them in recovery or they have no home.

So they languish in the hospital, taking up a bed and generating little revenue.

OHSU’s average patient stay was 7.1 days as of the end of last year, a 12% hike from pre-pandemic levels.

By March, OHSU’s days of cash on hand — a key measure of a hospital’s liquidity and financial strength — hit 171. That’s down from 184 at the start of the year and slightly worse than Legacy’s back at that health system’s financial low point in March 2023.

Legacy officials also declined to comment.

-- [Jeff Manning](#) covers business news. Reach him at jmanning@oregonian.com.

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