

Pausing OHSU Hospital Expansion Project

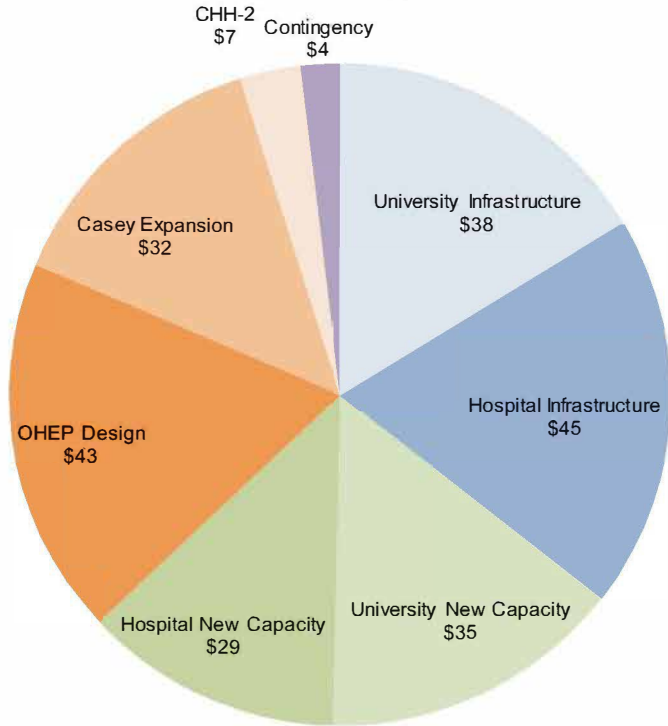
- After careful consideration, OHSU has decided to pause the hospital expansion project (OHEP) for the upcoming fiscal year and to consider restarting in July 2021.
- With \$3 million of spending this summer, we will complete design through core & shell.
- The decision was made within the context of OHSU's financial response to COVID-19, which also includes a 20% or \$30 million reduction in annual capital spending.
- It is part of OHSU's collective effort to sustain the organization until we reach a more stable financial position.
- OHSU leaders remain committed to the project. It will stay a priority as we continuously work to ensure access for every Oregonian who requires specialized care from the state's academic health center.
- We planned to finance OHEP with \$250 million of new debt, \$30 million in gifts, and \$180 million in cash, of which approximately \$50 million has been spent on design.
- However, due to the pandemic and recession, OHSU's budget performance next fiscal year—a -3% operating loss compared to an average +4.5% operating margin over the past decade—could impact both debt and cash financing when we return to the project.

FY21 Proposed Capital Budget of \$129M

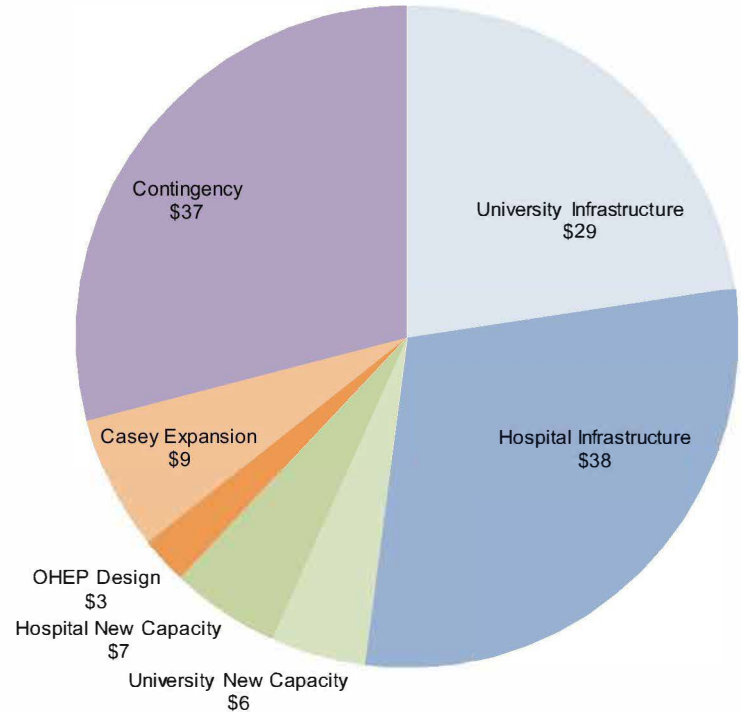
- Capital expenditures are funded by operating income, grants & gifts, and for large facility projects, new debt to be repaid from future earnings.
- With next year's deficit, the completion of the CHH-2 / Rood Pavilion, and the pause of OHEP, the total capital budget will decrease by \$104 million from FY20 to FY21.
- Within the \$129 million of capital spending proposed for FY21, \$67 million is allocated to pools that replace worn-out equipment, advance life safety projects and maintain infrastructure across facilities, information technology and library materials.
- \$13 million in strategic capital includes new research equipment bought from grants and gifts, expansion of diagnostic imaging in CHH-1, and the last year of capital commitments above depreciation at Hillsboro Medical Center.
- Major building projects total \$12 million to complete the Casey Eye Institute expansion in the second quarter and bring OHEP design through the core & shell phase.
- An OHSU-wide contingency of \$37 million will allow additional strategic investments to be made throughout the fiscal year provided financial results stay on plan.
- Current priorities for the contingency include further expansion of cancer, surgical and imaging programs, better access to OHSU for our patients, research & education investment at the West Campus and the Sky Lakes rural campus in Klamath Falls, and information technology to support our faculty and staff.

FY21 Proposed Capital Budget \$104M Below FY20

FY20 Approved Capital Budget (total = \$233m)



FY21 Proposed Capital Budget (total = \$129m)



Allocations with \$129M Proposed Capital Budget

FY21 Proposed Capital Budget Allocations (000)	OHSU Health	Other University	Total OHSU
Infrastructure			
Facilities pool	\$11,009	\$8,600	\$19,609
Information technology pool	9,661	7,856	17,517
Clinical equipment replacement	15,119	-	15,119
Library materials / academic areas	667	5,500	6,167
Research equipment replacement	-	2,800	2,800
Space Committee (relocation & repurposing)	-	2,400	2,400
School of Medicine replacement	-	2,000	2,000
Healthcare contingency / discretionary pools	1,544	-	1,544
<i>Subtotal Infrastructure / Replacement</i>	<u>38,000</u>	<u>29,156</u>	<u>67,156</u>
Strategic			
Research equipment from grants & gifts	-	5,000	5,000
CHH-1 3rd Floor Diagnostic Imaging	4,216	-	4,216
Hillsboro Medical Center capital commitment	2,352	-	2,352
Knight Cancer Institute - capital gift match	-	1,000	1,000
Endoscopic spine program (completion)	250	-	250
<i>Subtotal Strategic / New Capacity</i>	<u>6,818</u>	<u>6,000</u>	<u>12,818</u>
Major Building Projects			
Casey Eye Institute expansion (completion)	8,514	-	8,514
OHEP design (through core & shell)	3,000	-	3,000
<i>Subtotal Major Building Projects</i>	<u>11,514</u>	<u>-</u>	<u>11,514</u>
Proposed Capital Allocations	56,333	35,156	91,489
OHSU-Wide Contingency			37,512
Total FY21 Capital Spending			\$129,000



Current Priorities for FY21 Capital Contingency

FY21 Capital Contingency Priorities (000)	OHSU Health	Other University	Total OHSU
Online patient access	\$1,052	-	\$1,052
CHH-1 diagnostic imaging	8,389	-	8,389
CHO Tualatin infusion clinic expansion	4,020	-	4,020
CHO Adventist infusion clinic expansion	2,100	-	2,100
West Campus surge facility	-	2,000	2,000
Faculty effort / compensation data system	-	3,356	3,356
Sky Lakes rural campus building	-	1,100	1,100
Brachytherapy program	550	-	550
Clackamas pediatric specialties clinic	777	-	777
CHH-2 Operating rooms 6 & 7	4,413	-	4,413
Care Team Wellness Sprint	674	-	674
Bethany Clinic	533	-	533
Other healthcare projects	1,146	-	1,146
<i>Subtotal current contingency priorities</i>	<u>23,654</u>	<u>6,456</u>	<u>30,110</u>
<i>Remaining contingency</i>			<u>7,402</u>
Total OHSU Contingency			<u>\$37,512</u>

Proposed Budget Revision: Capital Spending

- The FY21 budget approved in June included \$129m in capital spending, about \$40m less than depreciation. Major components include:
 - \$67m to replace worn-out equipment, advance life safety projects and maintain infrastructure across facilities, information technology and library materials.
 - \$13m in strategic capital such as new research equipment bought from grants and gifts, expansion of diagnostic imaging in CHH-1, and the last year of capital commitments above depreciation at Hillsboro Medical center.
 - \$12m to complete the Case Eye Institute expansion and bring OHEP design through the core & shell phase, before pausing that project.
 - \$37m in OHSU-wide contingency to allow additional priority investments to be made throughout the year provided financial results stay on plan.
- Based on positive trends to date, we propose releasing the contingency allocations to the projects listed on the next page and restoring normal capital contingencies to bring total capital spending to \$135m, for a net increase of \$6m.
- *With a \$40m lower deficit partially offset by \$6m more capital going forward and \$16m less CARES Act support, the proposed budget revision reduces the FY21 draw on cash by \$18m.*

Proposed Revision to Capital Budget at \$135M

FY21 Capital Budget Allocations	OHSU	Other	Total		OHSU	Other	Total
(000)	Health	University	OHSU		Health	University	OHSU
Infrastructure				Proposed Allocations from Contingency			
Facilities pool	\$11,009	\$8,600	\$19,609	Brachytherapy program	\$545		\$545
Information technology pool	9,661	7,856	17,517	Community oncology infusion clinic expansion	2,499		2,499
Clinical equipment replacement	15,119		15,119	CHH-1 diagnostic imaging	7,861		7,861
Library materials / academic areas	667	5,500	6,167	PET MRI	3,582	4,763	8,345
Research equipment replacement		2,800	2,800	Online patient access	565		565
Space Committee (relocation & repurposing)		2,400	2,400	CHH-2 operating rooms 6 & 7	4,412		4,412
School of Medicine replacement		2,000	2,000	Care Team Wellness Sprint	241		241
Healthcare contingency / discretionary pools	1,544		1,544	Faculty effort / compensation data system		3,356	3,356
<i>Subtotal Infrastructure / Replacement</i>	<i>38,000</i>	<i>29,156</i>	<i>67,156</i>	Recruitment / program support (R&E)		3,000	3,000
Strategic				West Campus surge facility (start of project)		2,300	2,300
Research equipment from grants & gifts		5,000	5,000	Compliance & life safety projects		772	772
CHH-1 3rd Floor diagnostic imaging	4,216		4,216	Sky Lakes rural campus building		1,100	1,100
Hillsboro Medical Center capital commitment	2,352		2,352	Smaller healthcare projects	1,694		1,694
Knight Cancer Institute - capital gift match		1,000	1,000	Increase to capital contingencies	3,494	3,326	6,820
Endoscopic spine program (completion)	250		250	<i>Subtotal - Contingency Allocations</i>	<i>24,894</i>	<i>18,617</i>	<i>43,511</i>
<i>Subtotal Strategic / New Capacity</i>	<i>6,818</i>	<i>6,000</i>	<i>12,818</i>	Total Proposed Revision to Capital Budget	\$81,227	\$53,773	\$135,000
Major Building Projects							
Casey Eye Institute expansion (completion)	8,514		8,514				
OHEP design (through core & shell)	3,000		3,000				
<i>Subtotal Major Building Projects</i>	<i>11,514</i>		<i>11,514</i>				
<i>Subtotal - Approved Capital Allocations</i>	<i>56,333</i>	<i>35,156</i>	<i>91,489</i>				

