



# OHSU Onward: FY22 Q1 Results & FY21 External Audit Report

OHSU Board of Directors / October 29, 2021

## FY22 1<sup>st</sup> Quarter Results Impacted by Delta Surge

- FY22 Q1 results are significantly impacted by the current Delta surge of COVID cases.
- Unlike FY20 Q4, when deferral of non-urgent cases resulted in plunging revenues, this quarter's loss is driven by increased labor and medical supply costs required to meet higher demand, at a time when we also want front-line staff to attend to their own well-being after 18 months of pandemic stress.
- Operating revenues are up 11.3% from the first quarter last year, led by a 12.8% increase in net patient revenues with a 10.4% increase in patient activity measured by CMI/OP adjusted admissions. Notably, CMI is 2.56, up from 2.47 one year ago.
- The number of employees on the payroll in September is 5.3% higher than last September, but salary & benefit costs are up 20.7% due to several temporary factors that total \$28 million:
  - \$12.3 million for \$1k one-time payments to front-line staff (part of a state-wide initiative that also includes tighter vaccine mandates)
  - \$7.6 million for an attendance incentive provided to OHSU's nurses
  - An increase of \$8.0 million year-over-year in hospital contract labor (e.g. travelers).
- By contrast, salaries & benefits in FY21 Q1 were low by ~\$22 million due to salary reductions taken by 4,500 faculty and managers that were restored later in FY21.
- *We continue to pursue federal support for Delta surge and other COVID costs.*

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## FY22 1<sup>st</sup> Quarter Results (continued)

Adjusting for the \$28 million in labor cost factors would swing FY22 Q1 operating income from a loss of \$(24) million to a gain of \$4 million. We expect earnings to rebound in the second half of FY22 as the Delta surge abates and strong demand for OHSU's cancer and complex surgery programs can be better met.

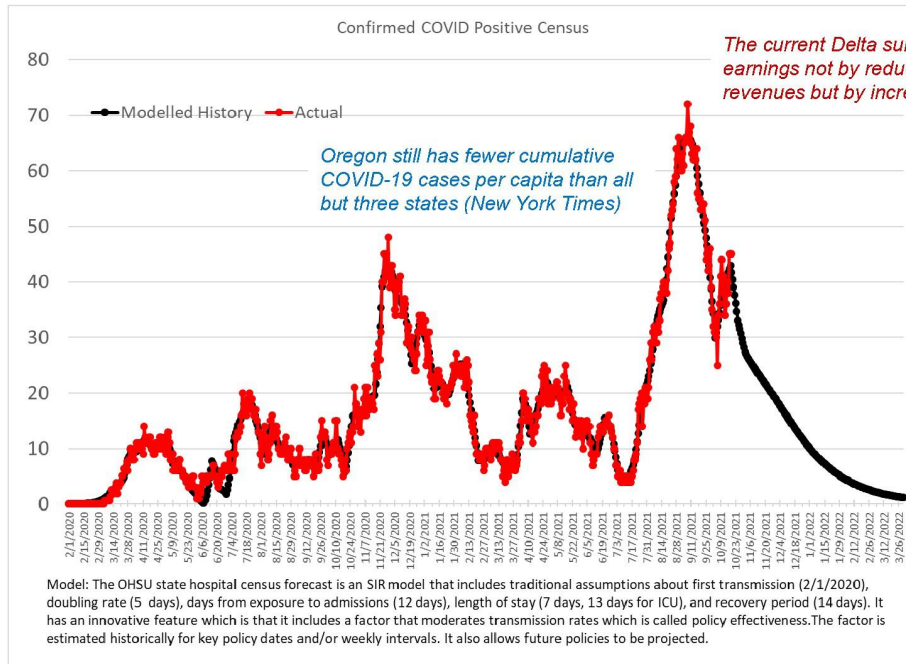
OHSU September YTD (millions)	FY21 Last Year	FY22 Budget	FY22 Actual	Prelim - Budget
Net patient revenue	\$581	\$645	\$656	\$11
Medical contracts	27	41	38	(4)
Grants & contracts	112	124	118	(6)
Gifts applied	18	23	19	(4)
Tuition & fees	19	19	18	(0)
State appropriations	10	10	10	0
IGT funding	32	34	39	5
Other revenue	56	55	53	(1)
<b>Operating revenues</b>	<b>855</b>	<b>950</b>	<b>952</b>	<b>1</b>
<i>Year-over-year growth</i>	<i>-0.8%</i>		<i>11.3%</i>	
Salaries & benefits	503	588	607	19
Rx & medical supplies	151	162	175	13
Other services & supplies	124	149	136	(13)
Depreciation	44	49	49	0
Interest	9	9	9	0
<b>Total expenses</b>	<b>831</b>	<b>957</b>	<b>975</b>	<b>19</b>
<i>Year-over-year growth</i>	<i>-0.3%</i>		<i>17.4%</i>	
<b>Operating income</b>	<b>\$25</b>	<b>\$(6)</b>	<b>\$(24)</b>	<b>\$(17)</b>
<i>Operating margin</i>	<i>2.9%</i>	<i>-0.7%</i>	<i>-2.5%</i>	
<i>EBITDA margin</i>	<i>9.0%</i>	<i>5.4%</i>	<i>3.6%</i>	

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# OHSU COVID Census with Vaccination + Delta



Source: OHSU COVID Forecast Model, 10-21-21



## Adjusted Admits Up 10% with Shift to COVID Cases

The Delta surge has temporarily shifted the mix of OHSU Hospital cases from surgical to medical as staff have been redeployed: Q1 / Q1, census is up 2.9% but surgical cases are down -4.0%. This is not a lack of demand but of supply due to redeployment of staff from the ORs that we expect to even out later in FY22.

September YTD Patient Activity	FY20	FY21	% Change
Inpatient admissions	6,530	6,493	-0.6%
Average length of stay	6.55	6.67	1.8%
Average daily census	446	458	2.9%
Day/observation patients	9,895	10,070	1.8%
Emergency visits	10,267	12,643	23.1%
Ambulatory visits	260,232	275,287	5.8%
Surgical cases	8,117	7,791	-4.0%
Casemix index	2.47	2.56	3.6%
Outpatient share of activity	53.4%	56.5%	5.8%
CMI/OP adjusted admissions	34,611	38,203	10.4%
Gross charges (5% rate adj.)	1,302	1,418	8.9%



## Overview of FY21 Audit

- The audit went well, with financial results unchanged from the unaudited report provided in September: consolidated net worth rose by \$493 million during FY21 to \$4.1 billion on June 30, 2021.
- The audited financial statements themselves now run to 111 pages.
- The first 28 pages include the Management Discussion & Analysis as required by GASB accounting rules—probably the most helpful section of the audited statements.
- Pages 3 – 4 provide a reconciliation between the management basis of reporting we use internally and with the Board, and the full GAAP basis used in the audited statements.
- The audited statements consolidate the Foundation on a line-item basis and reclassify several revenue and expenses items between operating and nonoperating categories, all reaching the same \$493 million total change in net worth.
- *Drew Corrigan, lead audit partner for OHSU, will present KPMG's report on the FY21 audit.*