



March 31, 2009

John C. Britton
Senior Legislative Analyst
Legislative Fiscal Office
900 Court Street NE, Room H-178
Salem, OR 97301

Office of the Provost

Mail code L101
3181 S.W. Sam Jackson
Park Road
Portland, OR 97239-3098
tel 503 494-4460
fax 503 494-8935
www.ohsu.edu

Lesley M. Hallick, Ph.D.
Provost
hallick@ohsu.edu

Dear John,

The impact of reductions in OHSU's General Fund appropriation must be set in the context of the university's existing fiscal challenges.

Like many institutions, the university has been significantly impacted by the global economic downturn. Hospital volumes are down from levels anticipated in the current year's budget and the university's investment income has dropped precipitously. With less money to put on the bottom line, the hospital can no longer afford to subsidize the School of Medicine, which has relied heavily on the clinical enterprise to offset chronic underfunding from other sources.

Faced with these financial realities, the university must cut approximately **\$25 to \$30 million** from its budget over the next year, even if it is funded at the Governor's Recommended Budget (GRB) level.

The impact of those cuts on students, faculty and staff and Oregonians will be significant, with between 500 to 1000 layoffs, freezes and reductions in salary and employee benefits, and increases in tuition across all schools. While not across the board, layoffs will affect all mission areas – education, research, patient care and community outreach.

In addition to the layoffs, a freeze has been placed on hiring and capital projects are being deferred. Deferred capital includes much-needed information technology investments and upkeep of older buildings on our academic campus.

The implications of these cuts are especially serious for the educational programs, particularly the School of Medicine. Although it was growing these programs on the margin – and with the help of the hospital – the school has worked hard over the past decade to expand programs to meet a variety of state needs, particularly physician shortages. While it is a top priority to protect the school's ability to train the providers and scientists Oregon needs, it will be extremely difficult to do so given the scheduled \$25M to \$30M in internal university cuts. Further cuts in state funding beyond the GRB will further exacerbate this problem.



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The final recommendations to resolve these challenges over the next two years, combined with the impact of potential reductions from the Governor's Recommended Budget for the 2009-2011 biennium, will be determined over the next two to four weeks as a result of leadership discussions with OHSU Board members. They will be focused on the best way to preserve the unique OHSU missions that serve the state, while assuring a stable financial base on which the institution can build as it looks to the future. Such recommendations will ultimately require OHSU Board approval.

The accompanying spreadsheet and the following narrative outline the current thinking of the OHSU leadership team of what reductions and adjustments would have to be implemented at various levels of general fund reduction from the Governor's Recommended Budget for the 2009-2011 biennium. Once a certain level of reduction is reached, there are qualitative changes that must take place in order to prevent a significant erosion of quality. At these levels, increasing tuition or patient fees is simply an insufficient mechanism and programs must be eliminated to reduce the overall program load. Although the exact line where this occurs varies by School or program, once the reduction exceeds 15% virtually all programs face fundamental reorganization and program elimination. The term "incremental" is used to indicate a scalable change in relation to the level of reduced funding; implementation at a specific 5% increment is indicated in parentheses at the end of the item.

Governor's Recommended Budget – 5, 10 & 15% reductions (in addition to the impacts from the university's existing fiscal challenges described above)

School of Medicine (SOM)

- Tuition increase of approximately 6% (tuition was increased 17% in FY09; existing average debt upon graduation is \$170,000; may lose some of best Oregonians because resident tuition is already higher than tuition at Harvard, Stanford, etc.; risk erosion of quality of national pool) (at 5%)
- Reduction of Ph.D. and MD/PhD graduate slots and stipends, negatively impacting biomedical research program and faculty retention (at 5% and increasing at 10%))
- Elimination of clinical training sites in Bend and Eugene unless external funding obtained; corresponding reduction in the first year medical student class size from 115 to 108 unless additional clinical sites and corresponding funding can be obtained (at 10 and 15%);

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potential “add-back” of 3-4 students to 112 with metro-area clinical placements if agreement reached with other health systems

- Reduction of faculty FTE in education resulting in higher ratios of students to faculty in critical didactic and clinical classes (at 15%)
- Potential conversion of medical student rural rotation from mandatory to elective, negatively impacting the focus and reputation for primary care and rural health (at 15% unless grant funding obtained)

School of Nursing (SON)

- Tuition increases of approximately 10-15% over inflation resulting in an overall increase of more than 100% over a five year period (5, 10 & 15%, incremental)
- Reduction of advanced practice master’s and doctoral graduate programs which produce mid-level providers needed to meet primary care shortage (15%)

School of Dentistry (SOD)

- Increase overall tuition rates by ~10-15% (incremental; existing average debt upon graduation is \$166,000)
- Reduce resident tuition subsidy in Dentistry to level in Medicine (from ~\$16,000/student/year to ~\$10,000/student/year) (10 & 15%)
- Implement fee for clinic screening visits (preliminary dental examination & radiographs), reducing access to diagnosis and care planning for low income families (10 & 15%)
- Increase patient fees by an additional 5% (on top of those in base reductions) further reducing access to dental care for low income families; potential reduction in patient volume, reducing student learning experience (15%)

Rural Health Programs (Office of Rural Health and Area Health Education Centers)

- Reduced ability to support rural hospitals and clinics resulting in possible closures (incremental)
- Significant reduction of interdisciplinary learners outside of medicine unless grant supported (10 & 15%)
- Reduction in number of reimbursed rural clinical preceptors, requiring a potential reduction in the number of medical student rural rotations (15%)

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Child Development & Rehabilitation Center (CDRC)

- Significant reduction of statewide services for children with special health care needs; most services would still be available at least in Portland (incremental)
- Further reduction in public health support statewide 5, 10 & 15%)
- Reduction in behavioral & psychological support (10 & 15%)
- Reduction of physical therapy, occupational therapy & speech therapy treatment services (10 & 15%)
- Reduction of feeding services (15%)
- Reduction of program director in several grant funded areas unless 100% supported by extramural funds; likely result will be reduced federal grant funding for disability services which highly leverage state funds, especially for adults (incremental)

Oregon Poison Center

- Current funding is at the limit of requirements for national accreditation which requires 24/7 staffing with toxicology expertise, thus any reduction threatens that accreditation. The result is twofold: 1) Slowed ability to respond to calls when the required expertise is not available, and 2) Inability to obtain federal grant funding for training and outreach and subcontracts from other states (which reduce the overall cost per call). Further analysis needed, but center leadership questions the wisdom and sustainability of continuing a non-accredited center. Nonetheless, up to a 15% reduction, every effort will be made to retain program.

Academic, Administrative and Facilities Program Support

- Allocated overhead is built into program budgets and will be reduced proportionately to the size of the reduction; the extent of the service reduction will be incremental; student services and library staffing and library collections are already well below peers
- Virtual elimination of all but extramurally funded health and science pipeline programs
- Elimination of hundreds of library titles, reduction of library hours, fees charged for on-line course delivery (ultimately becoming an increased education cost to students), further increased cost for instruction material and support (same outcome)
- Virtual elimination of capital for instructional support, equipment and repair

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Governor's Recommended Budget – 20, 25 & 30% (in addition to above impacts from the university's existing fiscal challenges described above)

SOM

- No additional program reductions at 20% because the SOM was held harmless between 15 & 20%
- Decrease ratio of resident students from 70% to 50% (25 & 30%)
- Decrease the differential tuition subsidy for resident students to \$5,000/yr (25 & 30%)
- First year medical student class size reduced to 108, absent external funding (25 & 30%)
- Eliminate required rural rotation for medical students, severely impacting primary care provider production (30%)
- Reduce overall graduate program by 10-20% (varies by program across doctoral programs in biomedical sciences and professional masters programs in public health, clinical research, and health informatics) (30%)

SON

- No additional program reductions at 20% because the SON was held harmless between 15 & 20%
- Tuition increases of approximately 15-25% (incremental); already past point where graduate education is attractive for practicing nurses because of the salary differential between basic practice and teaching; undergraduate tuition is approaching private levels and higher rates will significantly inhibit baccalaureate production; undergraduate pool significantly impacted; debt burden a significant applicant barrier (25 & 30%)
- Virtual elimination of advanced practice graduate programs, unique in state and particularly critical with health reform (25 & 30%)
- Consolidation of OCNE campuses to hub sites (OUS regional campuses) for degree completion, unwinding some of progress made in the last six years with statewide articulation; some sites may not be sustainable (25 & 30%)

SOD

- Increase overall tuition rates by 20-30% (incremental: existing average debt upon graduation is \$166,000; anticipated reduction in quality of applicant pool and ability to recruit top national students, many of whom remain to practice in Oregon)

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- Decrease ratio of resident students from 70% to 50% (incremental)
- Further decrease the differential tuition subsidy for resident students to \$5,000/yr (25 & 30%)
- Increase patient fees by an additional 5-10% (on top of those in base reductions) further reducing access to dental care for low income families; potential reduction in patient volume, reducing student learning experience (incremental)
- Reduction of faculty to student ratio to level that may threaten accreditation

Rural Health Programs (Office of Rural Health and Area Health Education Centers)

- Overall impact: significant reduction of rural provider recruitment (20, 25 & 30%)
- Severely reduced ability to provide technical support to rural hospitals and clinics, probably resulting in some closures (incremental; grant match requirement at risk)
- Virtual elimination of the support of rural rotations across all disciplines and at all levels of training (incremental)
- Virtual elimination of education director and rural pipeline programs unless funded by grants (25 & 30%)
- Reduction of director and deputy director FTE; probable consolidation or closure of one or more AHEC sites (25 & 30%)

Child Development & Rehabilitation Center (CDRC)

- Elimination of several unique, critical but highly subsidized services and support to families statewide (incremental)
- Research support positions eliminated; essential functions absorbed by other administrative staff, reducing ability to obtain grants (incremental)
- Virtual elimination of unreimbursed outreach, public health and health policy faculty time; in addition to the direct statewide impact, this is likely to decrease faculty retention (25 & 30%)
- Title V match (federal funds for children with special health care needs received through a block grant to the Health Division) may not be entirely met, magnifying the loss of services more than two-fold (incremental)



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Oregon Poison Center

- Closure; leaves the state without a critical service; risks increasing morbidity and mortality from toxic exposures and ingestions (20% or greater)

Obviously, we hope that many of these highly undesirable impacts do not have to occur. We do not envy you the difficult decisions that must be made this legislative session and wish you the best in your deliberations.

Respectfully submitted,

A handwritten signature in black ink that reads "Lesley M. Hallick".

Lesley M. Hallick, Ph.D.
Provost

Oregon Health & Science University

State Appropriations

30% reduction to GRB for 09-11 biennium

| | | | Proposed Reductions | | | | | | 09-11 General Fund Appropriations | | | | | |
|-----------------------------------|-------------------|-------------------|---------------------|------------------|-------------------|-------------------|-------------------|-------------------|-----------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| | 07-09 LAB | 09-11 GRB | 5% Rdctn | 10% Rdctn | 15% Rdctn | 20% Rdctn | 25% Rdctn | 30% Rdctn | 5% Rdctn | 10% Rdctn | 15% Rdctn | 20% Rdctn | 25% Rdctn | 30% Rdctn |
| Summary | | | | | | | | | | | | | | |
| Education & General | 73,643,190 | 74,921,639 | 3,749,509 | 7,492,724 | 11,129,358 | 12,377,705 | 16,500,311 | 20,442,389 | 71,172,131 | 67,428,916 | 63,792,281 | 62,543,935 | 58,421,329 | 54,479,251 |
| CDRC | 10,091,717 | 10,374,285 | 518,713 | 1,037,427 | 1,665,073 | 2,357,195 | 2,644,404 | 3,112,286 | 9,855,571 | 9,336,857 | 8,709,212 | 8,017,089 | 7,729,880 | 7,261,999 |
| Hospital | 2,826,713 | 2,905,861 | 142,387 | 290,586 | 435,879 | 2,905,861 | 2,905,861 | 2,905,861 | 2,763,474 | 2,615,275 | 2,469,982 | (0) | (0) | (0) |
| Total State Appropriations | 86,561,620 | 88,201,785 | 4,410,609 | 8,820,737 | 13,230,310 | 17,640,761 | 22,050,576 | 26,460,536 | 83,791,176 | 79,381,048 | 74,971,475 | 70,561,024 | 66,151,209 | 61,741,249 |
| Program Detail | | | | | | | | | | | | | | |
| School of Medicine | 33,682,763 | 30,390,521 | 1,306,791 | 2,613,583 | 4,133,110 | 4,133,110 | 5,895,759 | 7,518,269 | 29,083,730 | 27,776,938 | 26,257,411 | 26,257,411 | 24,494,762 | 22,872,251 |
| School of Nursing | 21,364,156 | 25,805,353 | 1,127,693 | 2,273,451 | 3,690,165 | 3,690,165 | 5,548,150 | 6,838,419 | 24,677,660 | 23,531,902 | 22,115,188 | 22,115,188 | 20,257,203 | 18,966,934 |
| School of Dentistry | 13,006,432 | 13,370,613 | 1,052,267 | 2,076,455 | 2,464,203 | 3,382,109 | 3,698,311 | 4,479,155 | 12,318,345 | 11,294,157 | 10,906,409 | 9,988,503 | 9,672,302 | 8,891,457 |
| Rural Health | 5,589,838 | 5,355,153 | 262,758 | 529,234 | 841,880 | 1,172,321 | 1,358,092 | 1,606,546 | 5,092,395 | 4,825,919 | 4,513,273 | 4,182,833 | 3,997,062 | 3,748,608 |
| CDRC | 10,091,717 | 10,374,285 | 518,713 | 1,037,427 | 1,665,073 | 2,357,195 | 2,644,404 | 3,112,286 | 9,855,571 | 9,336,857 | 8,709,212 | 8,017,089 | 7,729,880 | 7,261,999 |
| Hospital | 2,826,713 | 2,905,861 | 142,387 | 290,586 | 435,879 | 2,905,861 | 2,905,861 | 2,905,861 | 2,763,474 | 2,615,275 | 2,469,982 | (0) | (0) | (0) |
| Total State Appropriations | 86,561,620 | 88,201,785 | 4,410,609 | 8,820,737 | 13,230,310 | 17,640,761 | 22,050,576 | 26,460,536 | 83,791,176 | 79,381,048 | 74,971,475 | 70,561,024 | 66,151,209 | 61,741,249 |