

# OHSU + LEGACY

Expanding care, accelerating impact

## HCMO filing fact sheet

### Creating a comprehensive, integrated health system to serve Oregon and beyond

In August 2023, OHSU and Legacy Health announced their intent to combine, creating a comprehensive, integrated public university health system offering high-quality, essential health care services to people in Oregon and beyond.

In September 2024, OHSU submitted a detailed description of this transaction, called a [Health Care Market Oversight](#), or HCMO, Notice of Material Change Transaction to the Oregon Health Authority. The notice is part of OHA's process for approval of the transaction.

The notice describes the nature of the transaction, its objectives, why it is needed, the benefits to people in Oregon, important financial considerations and other important details. This document summarizes the facts of the notice.

### Overview

- OHSU has a statewide public mission that prioritizes maintaining and expanding access to health care for people across the entire state. As Oregon's only public academic health care system, OHSU provides unique, specialized care unavailable anywhere else in Oregon or the Pacific Northwest.
- OHSU and Legacy have a long history of local, clinical program partnerships and values-driven service.
- Legacy Health determined it could best achieve its long-term goals, including improving access to health care services, through a strategic partnership. At about the same time, OHSU's publicly appointed board of directors began examining

options to strengthen and increase the beneficial impact of OHSU for people in the region.

- OHSU's board considered the acquisition of Legacy Health with a clear focus on the immediate, mid- and long-range stability of both institutions and their abilities to fulfill their missions on behalf of Oregonians. The board recognized the critical need to maintain the Legacy Health system as an essential component of the health care landscape in Oregon.
- Ultimately, the OHSU board determined that combining would maximize the strengths of each organization and best position us to expand community health offerings. The board also concluded that a combined entity would propel Oregon forward as a local and national leader in health, education and science.
- Legacy Health's board of directors and executive team unanimously concluded that OHSU is the best partner to improve health care access and quality for people in Oregon and Southwest Washington.
- The combination of OHSU and Legacy Health will result in an integrated public university health system that is able to improve access to the full spectrum of health care, increase accountability, maintain local control, and make ongoing investments in our workforce and our communities.
- The integrated public university health system will have concrete benefits for health care access, equity and quality for people in Oregon, especially for people who are medically or historically underserved.
- The proposed effective date of the transaction is March 30, 2025.

## Goals and objectives

The objective of this transaction is to fully integrate Legacy Health into OHSU's public university health system to improve health outcomes and access to care, and address health inequities.

Specific objectives are to:

- A. Create a combined organization that is better able to achieve the missions of OHSU and Legacy Health.
- B. Strengthen the long-term financial health of the combined enterprise.
- C. Benefit from economies of scale.
- D. Combine and coordinate care and complementary services across OHSU and Legacy Health.
- E. Build upon the complementary abilities of the two organizations, leading to improvements in access, cost, equity and quality.
- F. Maintain and improve health care access to underserved, vulnerable populations in urban, suburban and rural locations.
- G. Expand access to clinical trials, other research and innovation.
- H. Expand relationships among physicians and other health care practitioners.

- I. Expand the education and training opportunities of future health care practitioners and enhance research activities across more diverse populations.
- J. Accelerate OHSU's ability to continue to transition to value-based care models.

## Timeline

- *May 2022*: Legacy Health's board determined that the health system could best achieve its long-term goals through a strategic partnership.
- *December 2022*: After learning that Legacy Health was seeking a strategic partnership, OHSU made an initial presentation to the Legacy Health board proposing that the two entities consider combining to better serve people in Oregon.
- *March/April 2023*: The Legacy Health Strategic Collaboration Committee was authorized and began to evaluate potential partners.
- *August 2023*: OHSU and Legacy Health signed a nonbinding letter of intent to combine and create a comprehensive, integrated health system to offer high-quality, essential health care services to people in Oregon and beyond.
- *May 2024*: OHSU and Legacy Health signed a binding definitive agreement to unite as one health system under OHSU Health.
- *September 2024*: OHSU submitted an HCMO Notice of Material Change Transaction to seek OHA approval for the transaction.
- The proposed effective date of the transaction is March 30, 2025.

## Why this change is needed

Today's health care environment presents different but compelling challenges for both organizations.

## Legacy Health must find a strategic partner

- Legacy Health must find a strategic partner, and OHSU is the best possible partner for Legacy Health.
- Over the last five years, Legacy Health has absorbed significant and unsustainable operational losses, driven by COVID-related disruptions, declining volumes and rapidly increasing costs. Further, the Legacy Health board estimates that the system will require between \$300 million and \$750 million in *additional* investment (beyond routine capital outlays needed to maintain existing facilities and infrastructure) over the next five years to meet community needs with respect to service offerings, quality, access and cost. The system cannot fund such capital investments without a strategic partner.

- There are numerous and significant benefits to Oregon if that strategic partner is OHSU rather than an out-of-state organization, for-profit entity, multinational conglomerate or private equity.
- OHSU's mission and governance are focused on and accountable to the people of Oregon. Any out-of-state organization acquiring Legacy Health would operate with its own mission and much less accountability to Oregon.

## **OHSU also faces headwinds**

- While Legacy Health has capacity, OHSU is capacity-constrained. OHSU patients across the state face long wait times for specialty care, a shortage of acute care beds and a lack of primary care providers.
- OHSU could better achieve its educational and clinical missions with a broader network of community-based providers and facilities, which would:
  - Improve education and training opportunities for its students.
  - Expand research activities across more diverse populations and a broader range of services.
  - Improve OHSU's ability to retain talent through additional practice settings within the system.

## **Why this transaction and why now**

This combination gives OHSU, Legacy Health and the people of Oregon what they urgently need:

- For Legacy Health, it facilitates the capital infusion needed to achieve financial sustainability, and meet the needs of its workforce and the communities it serves, preserving existing services for people in the region.
- For OHSU, it opens up additional capacity so that it can rapidly improve access to the unique specialized care provided only at OHSU and relied on by people across the region. The combination also improves educational opportunities for OHSU's students, supporting health care workforce development for Oregon.
- For the people of Oregon, this transaction will create an accountable, public university health system with a network of health care access points to help ensure people can get the right care at the right place and at the right time.

## **Financial components**

This transaction has two important financial components:

- Funding a transformative investment in a foundation independent from Legacy Health and OHSU focused on health equity in Oregon and Southwest Washington.
- A capital commitment of \$1 billion to maintain and expand critical health care facilities and essential health care services.

## **Funding of an independent health equity foundation**

- At or immediately prior to closing, the Legacy Health Foundation will change its governance structure, board of directors and name to become an independent philanthropic foundation.
- The new foundation will pursue strategies to create pathways and remove barriers to health equity and realize its vision for every member of our community to achieve their highest possible quality of health.
- New funding for the foundation will come from Legacy Health's net cash at closing. This amount is estimated to be \$350 million based on Legacy Health's finances as of December 2023. The final amount of funding will depend on Legacy Health's financial standing at closing and could vary from the estimate.
- Currently, Legacy Health holds a 50% member interest in PacificSource. At or prior to closing, Legacy Health's member interest in PacificSource will be transferred to the foundation, subject to prior approval by OHA and the Department of Consumer and Business Services.
- The new funding will be restricted in purpose and geography to activities that further health equity and access in Oregon and Southwest Washington.
- The foundation will fill a critical role in the health ecosystem – currently, there is no other nonprofit organization of this size and nature that is focused primarily on health equity and access in Oregon and Southwest Washington.

## **Capital commitment**

- OHSU will commit to expenditures on capital projects of approximately \$1 billion. This commitment will be used to further expand and develop the integrated public university health system and improve the health and well-being of people, patients and the broader community served.
- This capital commitment is an investment in buildings, equipment, technology and other infrastructure. The commitment is essential for the integrated public university health system to improve access to high-quality health care for patients.
- Expenditures from the capital commitment will be subject to approval by the OHSU board of directors.
- As a result of this transaction, OHSU will assume (a) \$875 million of net property, plant and equipment, (b) \$160 million cash and investments net of debt, and (c) \$175 million of working capital and other assets and liabilities. It will also take on

\$1 billion in debt to finance capital expenditures across the integrated public university health system.

- Although the integrated public university health system projects short-term operational losses through 2028 (most of which are driven by factors other than the combination), these losses are more than offset by an increase in the integrated public university health system's net worth.
- This increase is driven by the capital commitment, economic efficiencies and improved financial performance associated with this combination.

## Financial constraints

The expanded system will continue to be financially constrained for a while.

- The system will evaluate redundancies and duplications.
- Targets include a 3% reduction in expenses.
- Balancing costs and revenue will be paired with investments to improve services and access, and benefit underserved people.
- The goal is to be financially sustainable and locally accountable, while prioritizing the right care at the right time at the right place.

## Outcomes of the transaction

- *The transaction will accelerate access to capital:* The \$1 billion capital commitment will ensure that existing Legacy Health facilities receive the investment they need to thrive over the next decade and beyond.
- *The transaction will promote excellence in safety, quality and patient satisfaction:* The community will benefit from Legacy Health and OHSU sharing expertise in clinical excellence and learning from systemwide clinical and quality improvement efforts. The integrated public university health system will be better positioned to help ensure people in Oregon and Southwest Washington can get the right care in the right place and at the right time.
- *The transaction will improve access to health care services:* The integration will improve access to care, allowing more care to be delivered to patients in their existing communities. It also will give Legacy Health patients access to OHSU's unique services and to clinical research and educational opportunities.
- *The transaction will support Legacy Health's workforce:* People who work at Legacy Health will benefit from OHSU's excellence in workforce retention. OHSU is also committed to honoring all of Legacy Health's existing collective bargaining agreements.
- *The transaction will greatly expand the entities' focus on equity:* The integrated university health system will be able to expand current health equity efforts and make new investments. Additionally, the new foundation will be the largest philanthropic organization primarily focused on improving health equity and addressing social determinants of health in Oregon and Southwest Washington.

- *The transaction will increase access to health care across Oregon and Southwest Washington:* Access to care is a growing issue across Oregon and the nation. The integrated public university health system will help increase access in myriad ways, from implementing a central mission control, or command center, that efficiently allocates clinical resources, to using an aligned medical record system, to making facility upgrades to maximize space, to reducing wait times for primary care and continuing to refer patients to specialty treatment.
- *The transaction will not increase the growth of health care costs.* Combining OHSU and Legacy Health maintains roughly the same cost growth as if the two entities remained separate, given inflation and wage cost drivers. In addition, the combination is not expected to increase the rate of health care cost growth for the state.
- *The transaction will help improve health care quality and outcomes around the state:* The expanded system will be able to improve health outcomes and quality across a spectrum of care areas, including preventive, pediatric, chronic disease management and cancer care. The two entities will merge their existing quality programs into one stronger and more effective program that leverages the strengths of each system.

## Governance and operational structure

Legacy Health will be integrated into OHSU and its existing governance structure.

- OHSU is governed by a board of directors appointed by the Oregon governor and confirmed by the State Senate. The same transparent and accountable governing structure will apply to the expanded OHSU health system, ensuring public accountability.
- The publicly appointed OHSU board of directors will become the sole fiduciary board for the entire integrated public university health system.

Legacy Health will become a subsidiary of the OHSU public health system and university. It is expected that the new health services structure will include two equal divisions, each with a CEO appointed by the OHSU president, reporting to a system CEO and operated with a single bottom line.

- **Portland Division:** Doernbecher Children’s Hospital, Emanuel Medical Center, Good Samaritan Medical Center, OHSU Hospital, Randall Children’s Hospital at Emanuel, and Unity Center for Behavioral Health.
- **Regional and Ambulatory Division:** Adventist Health (affiliated with OHSU), Tuality Hillsboro Medical Center (affiliated with OHSU), Meridian Park Medical Center, Mount Hood Medical Center, Salmon Creek Medical Center, Silverton Medical Center and all ambulatory services.

## **Workforce impacts**

OHSU will center shared efforts to drive economic prosperity by creating high-quality jobs, building a workforce for today and tomorrow, and advancing racial justice and culturally competent care. Clinicians, staff and students will be essential for the integrated public university health system to deliver the benefits of the combination for people in Oregon. The public university health system will make all staffing decisions as transparently and with as much notice as possible, aligning with patient care needs and collective bargaining agreements.

Initial commitments include:

- No reductions in workforce for the integrated public university health system for the first six months after closing.
- All current collective bargaining agreements will be honored.
- All employees will retain their benefits, including health insurance, retirement benefits and seniority at closing.
- Retention of all physician and advanced practice provider structures, privileges, relationships and arrangements.
- The public university health system will make all staffing decisions as transparently and with as much notice as possible, aligning with patient care needs and collective bargaining agreements.
- Current vacant positions may be eliminated or held open.

To further OHSU's goals for this transaction – including supporting superior health outcomes and competitive performance, and establishing OHSU as a preferred employer – OHSU worked with labor partners and has made additional commitments to provide clarity and certainty at the time of closing to frontline employees who are bargaining unit members of AFSCME, ONA, OFNHP, PNWHMA and SEIU. This includes enhanced job security, pay parity for Legacy employees and improved Diversity, Equity, Inclusion and Belonging programs.

In addition, the integrated public university health system will partner with labor organizations to invest new resources in workforce training and development that considers the entire continuum of care, becoming a hub for quality, culturally competent workforce expansion and quality jobs for staff who are already in the care industry or who are interested in joining it.

## **Area and type of services provided**

A critically important goal of the combination is to improve health services provided to people in Oregon by maintaining – and in some cases, expanding – services.



- The combination will strengthen OHSU's ability to provide statewide services.
- There are no plans to close or reduce service locations.
- There are no initial plans to open major new health care facilities.
- The integrated public university health system will prioritize the continued delivery of services and access for Oregon's Medicaid-eligible population and people who are uninsured.
- The combined system will also maintain its focus on improving access, cost, equity and quality.

## **About the entities**

### **OHSU**

OHSU is a public corporation and Oregon's only comprehensive academic health center that provides education and direct health care to Oregonians, and that conducts medical research. By statute, OHSU is required to exercise its corporate power in a way that "best promotes the public welfare of the people and the state of Oregon."

- 22,000 employees.
- 576 licensed beds.
- Subject to state oversight, transparency and mandatory annual reporting.
- 348,166 unique patients served in 2023; 1.8 million patient services provided.
- 50% of patients are from outside of the Portland metro area.

### **Legacy Health**

Legacy Health is a local nonprofit health system with a mission of "good health for our people, our patients, our communities and our world."

- 14,000 employees.
- 1,626 licensed beds.
- Six hospitals, 70 outpatient clinics across Portland, Vancouver and the mid-Willamette Valley.