HCMO-1: Notice of Material Change Transaction

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Exhibits

Supplemental Materials

Supplemental Materials A: HCMO-1a: NPI Form

Health Care Market Oversight (HCMO) Program
HCMO-1a: National Provider Identifiers

You can get this document in other languages, large print, braille or a format you prefer free of charge. Contact us by email at hcmo.info@oha.oregon.gov or by phone at 503-945-6161. We accept all relay calls.

Complete this form if the proposed material change transaction involves entities that are associated with National Provider Identifiers (NPIs). Submit the completed form in a portable document form (pdf) to hcmo.info@oha.oregon.gov. Information provided in this form will not be posted publicly.

List all organization NPIs associated with each entity in the table format below (similar to the data structure of the National Plan and Provider Enumeration System NPI Registry). Include organization NPIs for any clinics, facilities, service locations, operating companies, or subsidiaries involved in providing services to people in Oregon. Do not provide individual provider NPIs. Please add tables, as needed, for other parties to the material change transaction that have associated NPIs.

NPIs associated with Party A

Entity Name: Oregon Health & Science University ("OHSU")

NPI	Name	Primary Practice Address	Primary Taxonomy
Please see Section 1 below for NPI information for OHSU			

NPIs associated with Party B

Entity Name: Legacy Heath

NPI	Name	Primary Practice Address	Primary Taxonomy
Please see Section 2 below for NPI information for Legacy Health			

Please add additional tables for other parties to the proposed material change transaction that have associated NPIs.

Section 1: OHSU

Business NPI #	Billing Group Name	Practice Name (on NPPES)	Practice Address	Primary Taxonomy
1477675148	OHSU Decentralized Billing	Oregon Health & Science University	3930 SE Division St., Portland, OR 97202-1643	261QF0400X - Clinic/Center - Federally Qualified Health Center (FQHC)
1801254644	OHSU Decentralized Billing	Oregon Health & Science University	546 NE 12th Ave, Rm 126, Portland, OR 97232-2719	261QF0400X
1083870224	OHSU Hospital Outpatient Services		3181 SW Sam Jackson Park Rd., Portland, OR 97239-	261Q00000X - Clinic/Center
1336824440	OHSU Outpatient Clinical Services LLC		11200 SW Murray Scholls Pl., Suite 100, Beaverton, OR 97007-9816	193200000X - Multi-Specialty Group 208D00000X - General Practice
1013406131	Oregon Health & Science University	OHSU Pharmacy at Tuality Medicine Shoppe Pharmacy	333 SE 7th Ave, Suite 1500, Hillsboro, OR 97123-4171	3336C0003X - Pharmacy - Community/Retail Pharmacy
1033650353	Oregon Health & Science University		3181 SW Sam Jackson Park Rd., Portland, OR 97239-	261QE0700X - Clinic/Center- ESRD
1164590287	Oregon Health & Science University		1 University Blvd., La Grande, OR 97850-2807	193200000X - Multi-Specialty Group 363L00000X - Nurse Practitioner
1346263340	Oregon Health & Science University	OHSU Outpatient Pharmacy	3270 SW Pavilion Loop, Suite PPV110, Portland, OR 97239-	3336C0003X - Pharmacy - Community/Retail Pharmacy
1396800330	Oregon Health & Science University		214 N Russell St., Portland, OR 97227-1620	193400000X - Single Specialty Group 122300000X - Dentist
1417969304	Oregon Health & Science University	OHSU Scappoose Rural Health Clinic	51377 SW Old Portland Rd. Crossroads Plaza, Suite C, Scappoose, OR 97056-4018	261QR1300X - Clinic/Center - Rural Health
1508337577	Oregon Health & Science University	OHSU Pharmacy at CHH Building 2	3303 SW Bond Ave., Rm 1090, Portland, OR 97239-	3336C0003X - Pharmacy - Community/Retail Pharmacy
1518253996 [1]	Oregon Health & Science University	University Professional Services	2525 SW 3rd Ave, Suite 350, Portland, OR 97201-4901	291U00000X - Clinical Medical Laboratory
1609824010	Oregon Health & Science University		3181 SW Sam Jackson Park Rd., Portland, OR 97239-	282N00000X - General Acute Care Hospital
1609837574	Oregon Health & Science University		2730 SW Moody Ave., SD-PATH Portland, OR 97201-5042	193200000X - Multi-Specialty Group 1223P0106X - Dentist - Oral and Maxillofacial Pathology
1649623406 [2]	Oregon Health & Science University		3181 SW Sam Jackson Park Rd., Portland, OR 97239-	282N00000X - General Acute Care Hospital

1740369818	Oregon Health & Science University	OHSU Faculty Dental Practice	2730 S Moody Ave, Portland, OR 97201-5042	193200000X - Multi-Specialty Group 122300000X - Dentist
1770713224	Oregon Health & Science University	OHSU Creekside Pharmacy	8300 SW Creekside Pl, Suite 100, Beaverton, OR 97008-	3336C0003X - Pharmacy - Community/Retail Pharmacy
1790294965	Oregon Health & Science University	OHSU Hemophilia Pharmacy	707 SW Gaines St., Portland, OR 97239-2901	333600000X
1851954804	Oregon Health & Science University		10000 SE Main St., Suite	333600000X - Pharmacy
1952542540	Oregon Health & Science University		3930 SE Division St.,	3336C0003X - Pharmacy -
1972688919	Oregon Health & Science University		707 SW Gaines St., Portland,	261Q00000X
1982797155	Oregon Health & Science University	OHSU Gabriel Park Pharmacy	4411 SW Vermont St., Portland, OR 97219-1020	3336C0003X - Pharmacy - Community/Retail Pharmacy
1114164381	Oregon Health & Science University	OHSU Knight Cancer	15700 SW Greystone Ct.,	3336C0003X - Pharmacy -
1487902706	Oregon Health & Science University Decentralized Billing	Richmond Immediate Care	4212 SE Division St., Suite 150, Portland, OR 97206-1628	261QF0400X - Clinic/Center - Federally Qualified Health Center (FQHC)
1063596690	Oregon Health and Science	OHSU School of Dentistry	2730 S Moody Ave, Portland,	193200000X - Multi-Specialty Group
1073879268	Oregon Health and Science University		707 SW Gaines St., Portland, OR 97239-2901	261Q00000X - Clinic/Center
1336458140	Oregon Health and Science		5525 SE Milwaukie Ave.,	261QM0850X - Clinic/Center -
1437385036	Oregon Health and Science University		3633 SE 35th PL Att: Liz Stevenson, Portland, OR 97202-3365	261QM0850X - Clinic/Center - Adult Mental Health
1609006568	Oregon Health and Science University		700 SW Campus Drive, Mail Code - DC8S, Portland, OR 97239	193200000X - Multi-Specialty Group 122300000X - Dentist
1790878973	Oregon Health and Science University	OHSU CHH Retail Pharmacy	3303 SW Bond Ave, Portland, OR 97239-4501	3336C0003X - Pharmacy - Community/Retail Pharmacy
1922141415	Oregon Health and Science	OHSU Casey Eye Institute	515 SW Campus Dr.,	3336C0003X - Pharmacy -
1851565493	Oregon Health and Science		944 W 5th Ave, Eugene, OR	261QM0801X - Clinic/Center -
1053454645	Oregon Health and Science	OHSU Doernbecher	700 SW Campus Dr., Suite	3336C0003X - Pharmacy -
1154709426	Oregon Health and Science University	OHSU - Inpatient Pharmacy	3181 SW Sam Jackson Park Rd., Portland, OR 97239-	3336I0012X - Pharmacy - Institutional Pharmacy
1154667103	Oregon Health Sciences University	OHSU Casey Eye Institute	1619 Woods Ct., Hood River,	332H00000X - Eyewear Supplier
1528396850	Oregon Health Sciences University		3303 SW Bond Ave, Suite	332H00000X - Eyewear Supplier
1568780955	Oregon Health Sciences University	OHSU Casey Eye Institute at	2055 Exchange St. Suite	332H00000X - Eyewear Supplier
1588748248	Oregon Health Sciences University	OHSU Department of	545 SW Campus Dr., Suite	332H00000X - Eyewear Supplier
1952630204	Oregon Health Sciences University		600 Triangle Center Suite	332H00000X - Eyewear Supplier
1770687253	Professional Medical Services LLC		3181 SW Sam Jackson Park	193200000X - Multi-Specialty Group
1366628794	Professional Medical Services LLC		2825 E Barnett Rd., Medford,	193200000X - Multi-Specialty

1952587370	Professional Medical Services LLC		1501 NE Medical Center Dr., Bend, OR 97701-6051	193200000X - Multi-Specialty Group 207RH0003X - Internal Medicine - Hematology & Oncology
1043399595	University Andrology Lab, LLC		3303 SW Bond Ave. CH 10F,	291U00000X - Clinical Medical
1841217817	University Anesthesiology		3181 SW Sam Jackson Park	193400000X - Multiple Single
1295080935	University Anesthesiology		3181 SW Sam Jackson Park	193400000X - Multiple Single
1023375367	University Professional Services	UPS Medford (CDRC -	2825 E Barnett Rd., Medford,	193200000X - Multi-Specialty Group
1033466206	University Professional Services	UPS Gabriel Park (OHA	4411 SW Vermont St.,	193200000X - Multi-Specialty Group
1073054714	University Professional Services	OHSU Home Infusion	9317 SW Nimbus Ave.,	333600000X - Pharmacy
1073767588	University Professional Services		707 SW Gaines St., Portland,	261QM1300X - Clinic/Center - Multi-
1093252553	University Professional Services	OHSU Health Promotion and Sports Medicine	3181 SW Sam Jackson Park Rd., Portland, OR 97239-3011	193400000X - Single Specialty Group 208D00000X - General Practice
1164676672	University Professional Services		901 E 18th Ave, Eugene, OR 97403-1354	261QM1300X - Clinic/Center - Multi-Specialty
1174889596	University Professional Services		901 E 18th Ave, Eugene, OR 97403-1354	193200000X - Multi-Specialty Group 208D00000X - General Practice
1184980500	University Professional Services		901 E 18th Ave, Eugene, OR	193200000X - Multi-Specialty Group
1205385556	University Professional Services	OHSU Physician Payment Services	3181 SW Sam Jackson Park Rd., Portland, OR 97239-3011	193200000X - Multi-Specialty Group 207R00000X - Internal Medicine
1225282122	University Professional Services	University Professional	2825 E Barnett Rd., Medford,	193200000X - Multi-Specialty Group
1255722260	University Professional Services		3181 SW Sam Jackson Park	193200000X - Multi-Specialty Group
1316204662	University Professional Services		2858 Eberlein Ave., Klamath Falls, OR 97603-4402	193200000X - Multi-Specialty Group 208D00000X - General Practice
1316354970	University Professional Services		621 SW Alder St., Suite 520,	261QM0801X - Clinic/Center -
1376709535	University Professional Services		3181 SW Sam Jackson Park	193200000X - Multi-Specialty Group
1427315761	University Professional Services		2825 E Barnett Rd., Medford, OR 97504-8332	193200000X - Multi-Specialty Group 208D00000X - General Practice
1457685109	University Professional Services		2825 E Barnett Rd., Medford, OR 97504-8332	261QM1300X - Clinic/Center - Multi-Specialty
1568601607	University Professional Services		3311 Riverbend Dr., Springfield, OR 97477-8800	93200000X - Multi-Specialty Group 208D00000X - General Practice
1588921837	University Professional Services		891 23rd St NE, Salem, OR 97301-1793	193200000X - Multi-Specialty Group 208D00000X - General Practice

1598021024	University Professional Services		707 SW Gaines St., Portland, OR 97239-2901	193200000X - Multi-Specialty Group 208D00000X - General Practice
1598022832	University Professional Services		2858 Eberlein Ave., Klamath Falls, OR 97603-4402	193200000X - Multi-Specialty Group 208D00000X - General Practice
1659605707	University Professional Services		2858 Eberlein Ave., Klamath Falls, OR 97603-4402	261QM1300X - Clinic/Center - Multi-Specialty
1699929117	University Professional Services		3181 SW Sam Jackson Park	332B00000X - Durable Medical
1750753687	University Professional Services		2214 Lloyd Center, Portland,	261QM0850X - Clinic/Center -
1760760599	University Professional Services		3375 SW Terwilliger Blvd.,	291U00000X - Clinical Medical
1780823823	University Professional Services		891 23rd St NE, Salem, OR 97301-1793	193200000X - Multi-Specialty Group 208D00000X - General Practice
1881848307	University Professional Services		400 NE Mother Joseph Pl.,	261Q00000X - Clinic/Center
1912259284	University Professional Services		3181 SW Sam Jackson Park	193400000X - Single Specialty
1922255074	University Professional Services		1501 NE Medical Center Dr., Bend, OR 97701-6051	193200000X - Multi-Specialty Group 208D00000X - General Practice
1932724762	University Professional Services	OHSU Harold Schnitzer Diabetes Health Center	3181 SW Sam Jackson Park Rd., Portland, OR 97239-3011	193400000X - Multiple Single Specialty Group 133V00000X - Dietitian, Registered
1962656868	University Professional Services		600 Triangle Center Suite 400, Longview, WA 98632-4667	193200000X - Multi-Specialty Group 207W00000X - Ophthalmology
1972869329	University Professional Services		707 SW Gaines St., Portland, OR 97239-2901	193200000X - Multi-Specialty Group 208D00000X - General Practice
1336393859 [3]	University Professional Services		3303 SW Bond Ave.,	

Notes:
[1] This is a lab included in OHSU hospital facility credentialing and is not credentialed separately. OHSU PBS is assigned to billing for this lab.
[2] This is a program for Hepatitis C treatment, however, no longer has contracts with health plans OHSU intends to term this NPI, if it has not done so yet.
[3] This is a ambulatory surgey center. The NPI is deactivated.

Section 2: Legacy Health

Business NPI #	Name	Primary Practice Address	Primary Taxonomy
1902827272	Legacy Clinics, LLC	1130 NW 22nd Ave Ste 220, Portland, OR 97210-2969	261QM1300X
1700809027	Legacy Emanuel Hospital & Health Center	2800 N Vancouver Ave Ste 230, Portland, OR 97227-1668	261Q00000X
1679597108	Legacy Good Samaritan Hospital & Medical Center	1200 NW 23rd Ave, Portland, OR 97210-2906	261Q00000X
1023305034	Legacy Meridian Park Hospital	19300 SW 65th Ave, Tualatin, OR 97062-7706	193200000X
1356357784	Legacy Salmon Creek Hospital	2211 NE 139th St, Vancouver, WA 98686-2742	261Q00000X
1831112358	Legacy Emanuel Hospital & Health Center	2801 N Gantenbein Ave, Portland, OR 97227-1623	282N00000X
1003367491	Legacy Emanuel Hospital & Health Center	1225 NE 2nd Ave, Portland, OR 97232-2003	282N00000X
1003822487	Legacy Emanuel Hospital & Health Center	1225 NE 2nd Ave, Portland, OR 97232-2003	273R00000X
1245773225	Legacy Emanuel Hospital & Health Center	1225 NE 2nd Ave, Portland, OR 97232-2003	273R00000X
1780608216	Legacy Good Samaritan Hospital & Medical Center	1015 NW 22nd Ave, Portland, OR 97210-3025	282N00000X
1942223482	Legacy Good Samaritan Hospital & Medical Center	1015 NW 22nd Ave, Portland, OR 97210-3025	273Y00000X
1700809829	Legacy Salmon Creek Hospital	2211 NE 139th St, Vancouver, WA 98686-2742	282N00000X
1255354700	Legacy Mount Hood Medical Center	24800 SE Stark St, Gresham, OR 97030-3378	282N00000X
1184647620	Legacy Meridian Park Hospital	19300 SW 65th Ave, Tualatin, OR 97062-7706	282N00000X
1386919132	Legacy Mount Hood Medical Center	24800 SE Stark St, Gresham, OR 97030-3378	261Q00000X
1669424354	Silverton Health	342 Fairview St, Silverton, OR 97381-1917	282N00000X
1073053757	Legacy Emanuel Hospital CARES NW	2801 N Gantenbein Ave, Portland, OR 97208-4037	282N00000X
1861413452	Legacy Visiting Nurse Association Hospice	6475 SW Borland Rd Ste J, Tualatin, OR 97062-9708	251G00000X
1134750037	Legacy Good Samaritan Hospital & Medical Center -	1040 NW 22ND AVE STE 520, Portland, OR 97210-	261Q00000X
1861116055	Silverton Health - Legacy Molalla Family Med	861 W MAIN ST, Molalla, OR 97038-9352	261Q00000X
1528171543	Silverton Health - Legacy Mt Angel	250 W MARQUAM ST, Mount Angel, OR 97362-5920	261QR1300X
1871214304	Silverton Health - Legacy Silverton Family Medicine	335 FAIRVIEW ST, Silverton, OR 97381-1916	261Q00000X

1548373137	Silverton Health - Legacy Silverton Family Physicians	347 FAIRVIEW ST, Silverton, OR 97381-1916	261QR1300X
1407396799	Silverton Health - Legacy Silverton Providers	342 FAIRVIEW ST, Silverton, OR 97208-3417	261Q00000X
1679686463	Silverton Health - Legacy Woodburn Health Center	1475 Mount Hood Ave Ste 120, Woodburn, OR 97071-9066	261QR1300X
1538709803	Legacy Salmon Creek Hospital - Legacy Salmon Creek Diabetes Prevention	2101 NE 139th St Ste 460, Vancouver, WA 98686-2325	261Q00000X
1609175660	Legacy Salmon Creek Hospital - Radiation Oncology	2121 NE 139TH ST STE 100, Vancouver, WA 98686-2316	261QX0203X
1316129232	Legacy Emanuel Hospital & Health Center - Legacy Clinic St Helens	475 S Columbia River HWY Ste 100, Saint Helens, OR 97051-2860	261QR1300X
1730472192	Legacy Clinics, LLC - Legacy Firwood Clinic	36860 SE Industrial Way, Sandy, OR 97055-7371	261QR1300X
1417978008	Legacy Emanuel Hospital & Health Center - Legacy St Helens Imaging	475 S Columbia River HWY Ste 100, Saint Helens, OR 97051-2834	193200000X 2085R0202X
1720837552	Legacy Outpatient Imaging	1919 NW Lovejoy St, Portland, OR 97209-1503	193400000X 2085R0202X

Supplemental Materials B: HCMO-1b Business Entities Form

Health Care Market Oversight (HCMO) Program
HCMO-1b: Legal Entities Form

List all business entities associated with parties to the proposed material change transaction that are currently licensed to operate in Oregon. Please add additional rows or pages as needed. Submit the completed form in a portable document form (pdf) to hcmo.info@oha.oregon.gov. This form will be published.

Business entities associated with Party A

Entity Name: Oregon Health and Science University ("OHSU")[1]

Business Name	Assumed Business Name	Business Structure	Date of Incorporation[2]	Jurisdiction	Principal Place of Business	FEIN
Oregon Health and Science University		Public Corporation	1995[3]	Oregon	3181 S.W. Sam Jackson Park Road, Portland, OR 97239	93-1176109
	Bridges Clinic	Assumed Business Name	September 25, 2017	Oregon	1111 NW Naito Pkwy Portland, OR 97209	93-1176109
	Cascade Life Alliance	Assumed Business Name	January 24, 2023	Oregon	2611 SW 3rd Ave. Ste 320 Portland, OR 97201	93-1176109

[1] As Oregon's only academic health center, OHSU has numerous partnerships with hospitals and other entities throughout the state to provide care where it is needed. For example, under provider services agreements OHSU providers care for patients at Columbia Memorial Hospital in Astoria, Adventist Health Columbia Gorge in the Dalles, Asante hospitals in southern Oregon, Sacred Heart in Eugene, and many others. As another example, the Unity Center for Behavioral Health is a collaboration between Adventist Health, Kaiser Permanente, Legacy Health, and OHSU. OHSU has not included these entities on this form.

[2] This column reflects the date of incorporation or registry date with the Oregon Secretary of State.

[3] Although OHSU was established in 1974 when the Oregon Legislature mandated the combination of the University of Oregon Medical School, University of Oregon School of Dentistry, and University of Oregon School of Nursing; OHSU became an independent public corporation in 1995. *See* Oregon Laws 1995, c.162.

Business Name	Assumed Business Name	Business Structure	Date of Incorporation[2]	Jurisdiction	Principal Place of Business	FEIN
	Columbia River Eye Clinic	Assumed Business Name	October 11, 2010	Oregon	405 E 7th, The Dalles, OR 97058	93-1176109
	Foresight Optical	Assumed Business Name	July 7, 2010	Oregon	2055 Exchange St. Ste 230 Astoria, OR 97103	93-1176109
	Ophthalmology and Neurology Associates	Assumed Business Name	July 7, 2010	Oregon	2055 Exchange St. Ste 230 Astoria, OR 97103	93-1176109
	OHSU	Assumed Business Name	October 5, 2017	Oregon	3181 S.W. Sam Jackson Park Road, Portland, OR 97239	93-1176109
	OHSU Health	Assumed Business Name	June 26, 2019	Oregon	3181 S.W. Sam Jackson Park Road, Portland, OR 97239	93-1176109
	OHSU Healthcare	Assumed Business Name	May 17, 2011	Oregon	3181 S.W. Sam Jackson Park Road, Portland, OR 97239	93-1176109
	OHSU Hospitals and Clinics	Assumed Business Name	September 9, 2010	Oregon	3181 S.W. Sam Jackson Park Road, Portland, OR 97239	93-1176109
	OHSU Medical Group	Assumed Business Name	July 10, 2009	Oregon	3181 S.W. Sam Jackson Park Road, Portland, OR 97239	93-1176109
	Oregon Health and Science	Assumed Business Name	July 10, 2009	Oregon	3181 S.W. Sam Jackson Park Road, Portland, OR 97239	93-1176109

Business Name	Assumed Business Name	Business Structure	Date of Incorporation[2]	Jurisdiction	Principal Place of Business	FEIN
	University Medical Group					
	OHSU Pharmacy at Tuality	Assumed Business Name	January 15, 2020	Oregon	333 SE 7th Ave. Ste 1500 Hillsboro, OR 97123	93-1176109
	Northwest Marrow Transplant Program	Assumed Business Name	June 9, 1997	Oregon	3303 S Bond Ave, Portland, OR 97239	93-1176109
	University Professional Services	Assumed Business Name	June 14, 2010	Oregon	3181 S.W. Sam Jackson Park Road, Portland, OR 97239	26-2998718
	Department Of Ophthalmology	Assumed Business Name	November 17, 2023	Oregon	3181 S.W. Sam Jackson Park Road, Portland, OR 97239	93-1283717
Bridges Collaborative Care Clinic	Click or tap here to enter text.	Domestic Nonprofit Corporation	March 10, 2017	Oregon	1111 NW Naito Pkwy Portland, OR 97209	82-2017217
OHSU Sound Source, LLC	Click or tap here to enter text.	Domestic Limited Liability Company	January 12, 2011	Oregon	3550 S Bond Ave. Ste 173 Portland, OR 97239	27-4620447
University Andrology Lab, LLC	Click or tap here to enter text.	Domestic Limited Liability Company	January 31, 2001	Oregon	3303 S Bond Ave Building Portland, OR 97239	93-1311319

Business Name	Assumed Business Name	Business Structure	Date of Incorporation[2]	Jurisdiction	Principal Place of Business	FEIN
OHSU Insurance Company		Non-Profit Corporation	June 10, 2008	Arizona	3800 N Central Ave Suite 460 Phoenix, AZ 85012	26-2765321
OHSU Outpatient Clinical Services, LLC	Click or tap here to enter text.	Domestic Nonprofit Corporation	December 16, 2022	Oregon	3181 S.W. Sam Jackson Park Road, Portland, OR 97239	26-2998832
OHSU Health IDS, LLC	Click or tap here to enter text.	Domestic Nonprofit Corporation	October 11, 2019	Oregon	3181 S.W. Sam Jackson Park Road, Portland, OR 97239	84-3792213
Oregon Fiber Partnership	Click or tap here to enter text.	Domestic Nonprofit Corporation	February 26, 2019	Oregon	1900 S.W. 4th Ave, Suite 200 Portland, OR 97201	84-1840302
OHSU-AH, LLC	Click or tap here to enter text.	Domestic Limited Liability Company	November 17, 2017	Oregon	3181 S.W. Sam Jackson Park Road, Portland, OR 97239	84-4945089
Tuality Health Plan Services	Click or tap here to enter text.	Domestic Nonprofit Corporation	September 1, 1993	Oregon	2020 4th Ave. Ste 900 Portland, OR 97201	93-1122713
Oregon Health and Science University Foundation	Oregon Health and Science University Foundation	Domestic Nonprofit Corporation	September 28, 1970	Oregon	2020 4th Ave. Ste 900 Portland, OR 97201	23-7083114
	Doernbecher Children's	Assumed Business Name	December 31, 2020	Oregon	1121 S.W. Salmon Ste 100 Portland, OR 97205	23-7083114

Business Name	Assumed Business Name	Business Structure	Date of Incorporation[2]	Jurisdiction	Principal Place of Business	FEIN
	Hospital Foundation					
Oregon Rural Health Initiative ("ORHI")	Oregon Rural Health Initiative ("ORHI") University Foundation	Domestic Nonprofit Corporation	November 2, 2016	Oregon	2020 4th Ave. Ste 900 Portland, OR 97201	81-4624043
OHSU Project Co, LLC	OHSU Project Co, LLC	Domestic Limited Liability Company	November 30, 2016	Oregon	3181 S.W. Sam Jackson Park Road, Portland, OR 97239	82-3285546
Life Flight Network, LLC	Life Flight Network, LLC	Domestic Limited Liability Company	May 9, 2006	Oregon	22285 Yellow Gate Ln Ste 102 Aurora, OR 97002	20-5016802
Pacific Northwest Renal Services, LLC	Pacific Northwest Renal Services, LLC	Domestic Limited Liability Company	December 31, 2024	Oregon	920 Winter Street, Waltham, MA 02451	86-0902359
Professional Medical Services, LLC	Professional Medical Services, LLC	Domestic Limited Liability Company	December 6, 2000	Oregon	1400 SW 4th Ave Portland, OR 97201	93-1307814
University Anesthesiology Associates, LLC	University Anesthesiology	Domestic Limited	February 1, 2001	Oregon	1400 SW 4th Ave Portland, OR 97201	93-1311318

Business Name	Assumed Business Name	Business Structure	Date of Incorporation[2]	Jurisdiction	Principal Place of Business	FEIN
	Associates, LLC	Liability Company				

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Health Care Market Oversight (HCMO) Program
HCMO-1b: Legal Entities Form

List all business entities associated with parties to the proposed material change transaction that are currently licensed to operate in Oregon. Please add additional rows or pages as needed. Submit the completed form in a portable document form (pdf) to hcmo.info@oha.oregon.gov. This form will be published.

Business entities associated with Party A

Entity Name: Click or tap here to enter text.

Business Name	Assumed Business Name	Business Structure	Date of Incorporation	Jurisdiction	Principal Place of Business	FEIN
Legacy Emanuel Hospital & Health Center	Legacy Emanuel Medical Center Cares Northwest Randall Children's Hospital at Legacy Emanuel Unity Center for Behavioral Health	Non-profit corporation	02.03.1912	Oregon	2801 N. Gantenbein Avenue, Portland, OR 97227	93-0386823
Legacy Good Samaritan Hospital and Medical Center	Legacy Good Samaritan Hospital and Medical Center	Non-profit corporation	01.22.1891	Oregon	1015 NW 22nd Avenue Portland, OR 97210	93-0386793
Legacy Meridian Park Hospital	Legacy Meridian Park Hospital Legacy Meridian Park Medical Center	Non-profit corporation	01.18.1984	Oregon	19300 SW 65th Tualatin, OR 97062	93-0618975

Business Name	Assumed Business Name	Business Structure	Date of Incorporation	Jurisdiction	Principal Place of Business	FEIN
Legacy Mount Hood Medical Center	Legacy Mount Hood Medical Center	Non-profit corporation	01.18.1984	Oregon	24800 SE Stark Gresham, OR 97030	93-0591528
Legacy Mount Hood Medical Center	Legacy Mount Hood Medical Center	Non-profit corporation	01.18.1984	Oregon	24800 SE Stark Gresham, OR 97030	93-0591528
Silverton Health	Legacy Silverton Health Legacy Silverton Medical Center	Non-profit corporation	07.25.1918	Oregon	342 Fairview St Silverton, OR 97381	93-0281321
Legacy Visiting Nurse Association	Legacy Visiting Nurse Association	Non-profit corporation	10.28.1983	Oregon	1919 NW Lovejoy St. Portland, OR 97209	93-0848530
Legacy Clinics, LLC	Legacy Medical Group	LLC	10.24.2016	Oregon	1919 NW Lovejoy St. Portland, OR 97209	93-1272735
Legacy / USP Surgery Centers, LLC*		LLC	01.03.2008		14201 Dallas Parkway Fl 13, Dallas, Tx 75254	26-1846866
Legacy Outpatient Imaging, LLC		LLC	10.20.2023	Oregon	1919 Lovejoy St. Portland, OR 97209	93-4591185
Legacy Connect, LLC	Legacy Epic for Affiliated Facilities Legacy Epic for Affiliated Regional	LLC	02.15.2011	Oregon	1919 NW Lovejoy St. Portland, OR 97209	23-7426300
Legacy Health Partners, LLC		LLC	01.12.2015	Oregon	1919 NW Lovejoy St. Portland, OR 97209	81-0735198
Legacy Health Single Depository Entity, LLC		LLC	07.27.2010	Oregon	1919 NW Lovejoy St. Portland, OR 97209	23-7426300
Legacy Health System CPC, LLC		LLC	07.14.2005	Oregon	1919 NW Lovejoy St. Portland, OR 97209	23-7426300
Legacy Laboratory Services, LLC		LLC	10.22.2008	Oregon	1225 NE 2nd Avenue Portland, OR 97232	26-3597257

Business Name	Assumed Business Name	Business Structure	Date of Incorporation	Jurisdiction	Principal Place of Business	FEIN
NW Hospital Partnership, Inc.*		Non-profit corporation	10.29.1986	Oregon	1919 Lovejoy St Portland, OR 97209	93-0973009
Legacy Health Foundation		Non-profit corporation	07.08.2013	Oregon	1919 NW Lovejoy St. Portland, OR 97209	46-5562403
Good Samaritan Foundation		Non-profit corporation	04.25.1969	Oregon	1015 NW 22nd Portland, OR 97210	23-7017276
Randall Children's Hospital Foundation		Non-profit corporation	11.29.2000	Oregon	1919 NW Lovejoy St Portland, OR 97209	93-1314469
Silverton Health Foundation		Non-profit corporation	02.04.1986	Oregon	342 Fairview St Silverton, OR 97381	93-0913392
Legacy Imaging Ventures, LLC*		LLC	01.04.2017	Oregon	1919 Lovejoy St Portland, OR 97209	81-5336949
NW Urgent Care Phase I*		LLC	12.16.2014	Delaware	5555 Glenridge Connector, Ste 700 Atlanta, GA 30342	47-2634554
NW Urgent Care Phase II*		LLC	12.16.2014	Delaware	5555 Glenridge Connector, Ste 700 Atlanta, GA 30342	47-2654570
PacificSource*		Non-profit corporation	07.01.2013	Oregon	555 International Way Springfield, OR 97477	46-3939584
Portland Hospital Services Corporation*		Non-profit corporation	02.25.1970	Oregon	18440 NE Portal Way Portland, OR 97230	93-0588988
Wishing Well Associates, Inc.*		Non-profit corporation	11.18.1997	Oregon	14313 Amberwood Cir Lake Oswego, OR 97035	93-1232915
Option Care at Legacy, LLC*		LLC	07.15.2005	Oregon	3000 Lakeside Drive Suite 300N Bannockburn, IL 60015	20-3161422
Life Flight Network, LLC*		LLC	05.09.2006	Oregon	22285 Yellow Gate Ln Ste 102 Aurora, OR 97002	20-5016802

* Connotes partial ownership or joint venture. See key below for Legacy Health ownership/control percentage.

JOINT VENTURES	
%	**Entity**
50.1%	Legacy/USP Surgery Centers LLC
49%	Legacy Imaging Ventures LLC
10%	NW Urgent Care Phase I (Go Health)
50%	NW Urgent Care Phase II (Go Health)
50%	PacificSource
39.5%	Portland Hospital Services Corporation
44.3%	Wishing Well Associates Inc.
50%	Option Care at Legacy, LLC
25%	Life Flight Network LLC
50%	NW Hospital Partnership, Inc.

Supplemental Materials C: HCMO-1c: Facilities and Locations Form

Contents

Health Care Market Oversight (HCMO) Program
HCMO-1c: Facilities and Locations Form

List all health care facilities and locations associated with parties to the proposed material change transaction that currently operate in Oregon. Please add additional rows or pages as needed. Submit the completed form in a portable document form (pdf) to hcmo.info@oha.oregon.gov. This form will be published.

For each location, include the location or facility name, street address, services provided at the location, and service area zip codes. Service area refers to the smallest number of zip codes from which the location or facility draws at least 75% of its patients, based on home zip codes of patients. Add rows as needed for additional locations.

Locations associated with Party A

Entity Name: Oregon Health and Science University ("OHSU")

Location/ Facility Name	Street Address	Services provided at location	Service area zip codes
OHSU Hospital	3181 SW Sam Jackson Park Road, Portland, OR, 97239	See Section 2 for the services provided at this location	Inpatient Services: 97003, 97005, 97006, 97007, 97008, 97013, 97015, 97023, 97027, 97030, 97034, 97035, 97038, 97045, 97051, 97055, 97056, 97058, 97060, 97062, 97068, 97070, 97071, 97078, 97080, 97086, 97103, 97113, 97116, 97123, 97124, 97128, 97132, 97140, 97141, 97201, 97202, 97203, 97205, 97206, 97209, 97210, 97211, 97212, 97213, 97214, 97215, 97216, 97217, 97218, 97219, 97220, 97221, 97222, 97223, 97224, 97225, 97229, 97230, 97232, 97233, 97236, 97239, 97266, 97267, 97301, 97302, 97303, 97304, 97305,

Location/ Facility Name	Street Address	Services provided at location	Service area zip codes
			97306, 97317, 97321, 97322, 97338, 97355, 97367, 97402, 97420, 97471, 97477, 97478, 97501, 97504, 97526, 97527, 97603, 97702, 97756, 97801, 98604, 98607, 98620, 98626, 98632, 98661, 98662, 98671, 98682, 98683, 98684, 98685 Outpatient Services: 97003, 97005, 97006, 97007, 97008, 97013, 97015, 97030, 97034, 97035, 97045, 97051, 97055, 97056, 97058, 97060, 97062, 97068, 97070, 97071, 97078, 97080, 97086, 97103, 97116, 97123, 97124, 97128, 97132, 97140, 97201, 97202, 97203, 97205, 97206, 97209, 97210, 97211, 97212, 97213, 97214, 97215, 97216, 97217, 97218, 97219, 97220, 97221, 97222, 97223, 97224, 97225, 97229, 97230, 97232, 97233, 97236, 97239, 97266, 97267, 97301, 97302, 97303, 97305, 98607, 98632, 98661, 98682, 98683, 98685
OHSU Health Hillsboro Medical Center	335 SE Eighth Avenue, Hillsboro, OR, 97123	See Section 2 for the services provided at this location	Inpatient Services: 97003, 97006, 97007, 97078, 97113, 97116, 97119, 97123, 97124, 97229 Outpatient Services:

Location/ Facility Name	Street Address	Services provided at location	Service area zip codes
			97003, 97006, 97007, 97113, 97116, 97123, 97124
Adventist Health Portland	10123 SE Market Street, Portland, OR, 97216	See Section 2 for the services provided at this location	Inpatient Services: 97015, 97023, 97024, 97030, 97045, 97055, 97060, 97080, 97086, 97089, 97202, 97206, 97213, 97216, 97220, 97222, 97230, 97233, 97236, 97266, 97267
See Section 4 for the names of non-hospital locations	See Section 4 for the addresses of non-hospital locations	See Section 4 for the services provided at non-hospital locations	See Section 4 for the service area zip codes for non-hospital locations

Locations associated with Party B

Entity Name: Legacy Health

Location/ Facility Name	Street Address	Services provided at location	Primary service area zip codes
Legacy Emanuel Medical Center	2801 N. Gantenbein Avenue, Portland, OR, 97227	See Section 2 for the services provided at this location	Inpatient Services: 97006, 97007, 97009, 97013, 97015, 97023, 97024, 97030, 97034, 97035, 97045, 97051, 97055, 97056, 97060, 97062, 97068, 97070, 97071, 97080, 97086, 97123, 97124, 97201, 97202, 97203, 97205, 97206, 97209, 97210, 97211, 97212, 97213, 97214, 97216, 97217, 97218, 97219, 97220, 97222, 97223, 97224, 97227, 97229, 97230, 97232, 97233, 97236, 97266, 97267, 97301, 97305, 97381, 97838, 98604, 98607, 98632, 98642, 98661, 98662, 98665, 98682, 98683, 98684, 98685, 98686 Outpatient Services: 97006, 97007, 97024, 97030, 97045, 97051, 97056, 97060, 97080, 97086, 97123, 97201, 97202, 97203, 97206, 97209, 97211, 97212, 97213, 97214, 97215, 97216, 97217, 97218, 97219, 97220, 97222, 97223,

Location/ Facility Name	Street Address	Services provided at location	Primary service area zip codes
			97224, 97227, 97229, 97230, 97232, 97233, 97236, 97266, 97267, 98604, 98661, 98662, 98665, 98682, 98684
Legacy Unity Behavioral Health* *Under Legacy Emanuel's license	1225 NE 2nd Avenue, Portland, OR, 97232	See Section 2 for the services provided at this location	Inpatient Services: 97005, 97006, 97007, 97008, 97013, 97015, 97024, 97030, 97034, 97035, 97045, 97051, 97055, 97056, 97058, 97060, 97062, 97068, 97070, 97078, 97080, 97086, 97116, 97123, 97124, 97141, 97201, 97202, 97203, 97205, 97206, 97209, 97210, 97211, 97212, 97213, 97214, 97215, 97216, 97217, 97218, 97219, 97220, 97222, 97223, 97224, 97227, 97229, 97230, 97232, 97233, 97236, 97239, 97266, 97267, 97301, 97402, 98661, 98682 Outpatient Services: 97013, 97030, 97045, 97051, 97055, 97060, 97070, 97080, 97086, 97123, 97201, 97202, 97203, 97205, 97206, 97209, 97210, 97211, 97212, 97213, 97214, 97216, 97217, 97218, 97219, 97220, 97222, 97223, 97224, 97227, 97229, 97230,

Location/ Facility Name	Street Address	Services provided at location	Primary service area zip codes
			97232, 97233, 97236, 97266, 97267, 98685
Legacy Good Samaritan Medical Center	1015 NW 22nd Avenue, Portland, OR, 97210	See Section 2 for the services provided at this location	Inpatient Services: 97003, 97005, 97006, 97007, 97008, 97013, 97015, 97018, 97030, 97034, 97035, 97045, 97048, 97051, 97053, 97055, 97056, 97060, 97062, 97070, 97071, 97080, 97086, 97123, 97124, 97201, 97202, 97203, 97204, 97205, 97206, 97209, 97210, 97211, 97212, 97213, 97214, 97216, 97217, 97219, 97220, 97221, 97222, 97223, 97224, 97225, 97227, 97229, 97230, 97231, 97232, 97233, 97236, 97239, 97266, 97267, 98661, 98665, 98682 Outpatient Services: 97005, 97006, 97007, 97008, 97030, 97034, 97035, 97051, 97053, 97056, 97123, 97124, 97201, 97202, 97203, 97205, 97206, 97209, 97210, 97211, 97212, 97213, 97214, 97215, 97217, 97219, 97220, 97221, 97222, 97223, 97224, 97225,

Location/ Facility Name	Street Address	Services provided at location	Primary service area zip codes
			97227, 97229, 97230, 97231, 97232, 97233, 97236, 97239
Legacy Meridian Park Medical Center	19300 SW 65th Avenue, Tualatin, OR, 97062	See Section 2 for the services provided at this location	Inpatient Services: 97002, 97007, 97013, 97034, 97035, 97038, 97045, 97062, 97068, 97070, 97071, 97140, 97219, 97223, 97224 Outpatient Services: 97002, 97013, 97034, 97035, 97045, 97062, 97068, 97070, 97071, 97140, 97219, 97223, 97224
Legacy Mount Hood Medical Center	24800 SE Stark Street, Gresham, OR, 97030	See Section 2 for the services provided at this location	Inpatient Services: 97024, 97030, 97055, 97060, 97080, 97230, 97233, 97236 Outpatient Services: 97024, 97030, 97055, 97060, 97080, 97230, 97233, 97236
Legacy Silverton Medical Center	342 Fairview Street, Silverton, OR, 97381	See Section 2 for the services provided at this location	Inpatient Services: 97038, 97071, 97301, 97303, 97305, 97362, 97381 Outpatient Services:

Location/ Facility Name	Street Address	Services provided at location	Primary service area zip codes
			97038, 97071, 97301, 97303, 97305, 97362, 97381
Legacy Salmon Creek Medical Center	2211 NE 139th Street, Vancouver, WA, 98686	See Section 2 for the services provided at this location	Inpatient Services: 98604, 98629, 98632, 98642, 98661, 98662, 98665, 98674, 98682, 98683, 98684, 98685, 98686 Outpatient Services: 98604, 98607, 98642, 98661, 98662, 98665, 98674, 98682, 98683, 98684, 98685, 98686
See Section 4 for the names of non-hospital locations	See Section 4 for the addresses of non-hospital locations	See Section 4 for the services provided at non-hospital locations	See Section 4 for the service area zip codes for non-hospital locations

Please add additional tables for other parties to the proposed material change transaction that have health care facilities or locations.

Ø Section 2: Services provided at each OHSU and Legacy Health hospital facility

Analysis of Service Lines by Hospital
OHSU Health Hospitals
Inpatient Discharges

MDC	MDC Description	OHSU Hospital Count	OHSU Hospital Percent	Hillsboro MC Count	Hillsboro MC Percent
(1)	(2)	(3)	(4)	(5)	(6)
01	Nervous System, Diseases & Disorders	3,126	11.4 %	281	5.3 %
02	Eye, Diseases & Disorders	100	0.4	2	0.0
03	Ear, Nose, Mouth, & Throat, Diseases & Disorders	547	2.0	31	0.6
04	Respiratory System, Diseases & Disorders	2,169	7.9	563	10.5
05	Circulatory System, Diseases & Disorders	2,765	10.1	529	9.9
06	Digestive System, Diseases & Disorders	2,152	7.9	416	7.8
07	Hepatobiliary System & Pancreas, Diseases & Disorders	906	3.3	196	3.7
08	Musculoskeletal System & Connective Tissue, Diseases & Disorders	2,411	8.8	344	6.4
09	Skin, Subcutaneous Tissue & Breast, Diseases & Disorders	475	1.7	92	1.7
10	Endocrine, Nutritional, and Metabolic, Diseases & Disorders	1,069	3.9	316	5.9
11	Kidney and Urinary Tract, Diseases & Disorders	1,111	4.1	305	5.7
12	Male Reproductive System, Diseases & Disorders	42	0.2	7	0.1
13	Female Reproductive System, Diseases & Disorders	151	0.6	20	0.4
14	Pregnancy, Childbirth, & the Puerperium	2,588	9.5	821	15.4
15	Newborns and Neonate Conditions Began in Perinatal Period	1,543	5.7	258	4.8
16	Blood, Blood Forming Organs, Immunological, Diseases & Disorders	434	1.6	55	1.0
17	Myeloproliferative Diseases & Poorly Differentiated Neoplasms	1,340	4.9	11	0.2
18	Infectious & Parasitic Diseases	1,489	5.5	552	10.3
19	Mental Diseases & Disorders	347	1.3	311	5.8
20	Alcohol-Drug Use and Alcohol-Drug Induced Organic Mental Diseases	97	0.4	85	1.6
21	Injuries, Poisonings, and Toxic Effects of Drugs	667	2.4	79	1.5
22	Burns	--	--	--	--
23	Factors on Health Status & Other Contacts with Health Services	186	0.7	32	0.6
24	Multiple Significant Trauma	423	1.5	2	0.0
25	Human Immunodeficiency Virus Infections	33	0.1	7	0.1
PRE	Pre-MDC	762	2.8	6	0.1
UG	Ungroupable Discharges	373	1.4	20	0.4
		27,306	**100.0 %**	**5,341**	**100.0 %**

Notes: Inpatient discharges from acute care hospitals exclude normal newborn services.

"--" indicates not applicable service lines.

Sources: OHSU Inpatient Claims Data, Q3 2022 - Q2 2023.

American Hospital Association, AHA Guide, 2023.

Analysis of Outpatient Procedure Codes by Hospital
OHSU Health Hospitals
Outpatient Encounters

	OHSU Hospital		Hillsboro MC	
CPT/HCPCS Code Category	**Count**	**Percent**	**Count**	**Percent**
(1)	**(2)**	**(3)**	**(4)**	**(5)**
Pathology & Lab Services	1,391,376	40.2 %	360,882	43.6 %
Medicine Services	562,964	16.3	129,192	15.6
Radiology Services	273,624	7.9	73,635	8.9
E&M Services	54,577	1.6	32,910	4.0
Transfusion/Lab Procedures	159,503	4.6	55,018	6.6
Surgery Services	137,982	4.0	19,506	2.4
Other Services	882,248	25.5	157,380	19.0
	3,462,274	**100.0 %**	**828,523**	**100.0 %**

Notes: All CPT/HCPCS Codes associated with each encounter are included in the analysis. Therefore, one patient encounter may have multiple CPT codes.

CPT/HCPCS Codes are grouped according to the definitions provided by the American Academy Professional Coders.

Sources: OHSU Health Outpatient Encounters Data, Q3 2022 - Q2 2023.

American Academy Professional Coders: "https://www.aapc.com/codes/cpt-codes-range/" and "https://www.aapc.com/codes/hcpcs-codes-range/."

American Medical Association, 2022 and 2023.

American Hospital Association, AHA Guide, 2023.

Analysis of Service Lines by Hospital
Legacy Health Hospitals
Inpatient Discharges

		Emanuel MC		Good Samaritan MC		Meridian Park MC		Mount Hood MC		Salmon Creek MC		Silverton MC		Unity Behavioral	
MDC	MDC Description	Count	Percent	Count	Percent	Count	Percent	Count	Percent	Count	Percent	Count	Percent	Count	Percent
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
01	Nervous System, Diseases & Disorders	1,425	8.4 %	763	9.3 %	538	8.1 %	238	4.8 %	540	4.1 %	28	1.1 %	4	0.2 %
02	Eye, Diseases & Disorders	27	0.2	25	0.3	3	0.0	--	--	9	0.1	--	--	1	0.0
03	Ear, Nose, Mouth, & Throat, Diseases & Disorders	294	1.7	38	0.5	27	0.4	22	0.4	31	0.2	2	0.1	--	--
04	Respiratory System, Diseases & Disorders	2,234	13.2	594	7.3	626	9.5	606	12.2	1,147	8.8	125	4.9	--	--
05	Circulatory System, Diseases & Disorders	2,168	12.8	897	11.0	1,011	15.3	739	14.8	1,338	10.3	95	3.7	--	--
06	Digestive System, Diseases & Disorders	909	5.4	952	11.7	590	8.9	530	10.6	975	7.5	169	6.7	--	--
07	Hepatobiliary System & Pancreas, Diseases & Disorders	297	1.8	265	3.2	260	3.9	225	4.5	476	3.7	63	2.5	--	--
08	Musculoskeletal System & Connective Tissue, Diseases & Disorders	1,544	9.1	506	6.2	747	11.3	238	4.8	662	5.1	83	3.3	--	--
09	Skin, Subcutaneous Tissue & Breast, Diseases & Disorders	392	2.3	145	1.8	85	1.3	100	2.0	178	1.4	30	1.2	--	--
10	Endocrine, Nutritional, and Metabolic, Diseases & Disorders	670	4.0	549	6.7	218	3.3	222	4.5	414	3.2	59	2.3	--	--
11	Kidney and Urinary Tract, Diseases & Disorders	319	1.9	514	6.3	366	5.5	290	5.8	552	4.2	48	1.9	--	--
12	Male Reproductive System, Diseases & Disorders	44	0.3	32	0.4	22	0.3	23	0.5	34	0.3	5	0.2	--	--
13	Female Reproductive System, Diseases & Disorders	28	0.2	179	2.2	44	0.7	12	0.2	81	0.6	20	0.8	--	--
14	Pregnancy, Childbirth, & the Puerperium	1,982	11.7	804	9.8	924	14.0	637	12.8	3,469	26.6	1,262	49.7	14	0.6
15	Newborns and Neonate Conditions Began in Perinatal Period	1,384	8.2	343	4.2	253	3.8	208	4.2	1,587	12.2	412	16.2	--	--
16	Blood, Blood Forming Organs, Immunological, Diseases & Disorders	219	1.3	82	1.0	95	1.4	64	1.3	102	0.8	18	0.7	--	--
17	Myeloproliferative Diseases & Poorly Differentiated Neoplasms	225	1.3	79	1.0	27	0.4	15	0.3	56	0.4	2	0.1	--	--
18	Infectious & Parasitic Diseases	925	5.5	740	9.1	511	7.7	545	10.9	938	7.2	87	3.4	--	--
19	Mental Diseases & Disorders	118	0.7	75	0.9	26	0.4	14	0.3	22	0.2	--	--	2,342	94.6
20	Alcohol-Drug Use and Alcohol-Drug Induced Organic Mental Diseases	128	0.8	102	1.2	68	1.0	92	1.8	110	0.8	8	0.3	112	4.5
21	Injuries, Poisonings, and Toxic Effects of Drugs	604	3.6	211	2.6	87	1.3	94	1.9	159	1.2	16	0.6	--	--
22	Burns	223	1.3	1	0.0	--	--	2	0.0	2	0.0	--	--	--	--
23	Factors on Health Status & Other Contacts with Health Services	83	0.5	134	1.6	17	0.3	14	0.3	27	0.2	3	0.1	1	0.0
24	Multiple Significant Trauma	388	2.3	1	0.0	7	0.1	2	0.0	8	0.1	1	0.0	--	--
25	Human Immunodeficiency Virus Infections	22	0.1	24	0.3	1	0.0	6	0.1	7	0.1	1	0.0	--	--
PRE	Pre-MDC	176	1.0	38	0.5	9	0.1	9	0.2	17	0.1	--	--	--	--
UG	Ungroupable Discharges	124	0.7	73	0.9	41	0.6	36	0.7	83	0.6	3	0.1	2	0.1
		16,952	**100.0 %**	**8,166**	**100.0 %**	**6,603**	**100.0 %**	**4,983**	**100.0 %**	**13,024**	**100.0 %**	**2,540**	**100.0 %**	**2,476**	**100.0 %**

Notes: Inpatient discharges from acute care hospitals exclude normal newborn services.
"--" indicates not applicable service lines.

Sources: Legacy Health Inpatient Claims Data, Q3 2022 - Q2 2023.
American Hospital Association, AHA Guide, 2023.

Analysis of Outpatient Procedure Codes by Hospital
Legacy Health Hospitals
Outpatient Encounters

	Emanuel MC		Good Samaritan MC		Meridian Park MC		Mount Hood MC		Salmon Creek MC		Silverton MC		Unity Behavioral	
CPT/HCPCS Code Category	**Count**	**Percent**	**Count**	**Percent**	**Count**	**Percent**	**Count**	**Percent**	**Count**	**Percent**	**Count**	**Percent**	**Count**	**Percent**
(1)	**(2)**	**(3)**	**(4)**	**(5)**	**(6)**	**(7)**	**(8)**	**(9)**	**(10)**	**(11)**	**(12)**	**(13)**	**(14)**	**(15)**
Pathology & Lab Services	179,579	27.5 %	143,040	26.1 %	117,330	25.4 %	129,143	28.1 %	246,516	30.0 %	67,518	24.3 %	16,528	35.9 %
Medicine Services	121,628	18.6	94,104	17.2	84,633	18.3	76,405	16.6	138,516	16.9	44,463	16.0	1,972	4.3
Radiology Services	83,622	12.8	93,768	17.1	93,037	20.1	80,959	17.6	114,659	14.0	60,287	21.7	--	--
E&M Services	76,574	11.7	32,211	5.9	36,600	7.9	49,179	10.7	66,128	8.1	30,908	11.1	9,928	21.6
Transfusion/Lab Procedures	17,952	2.7	12,913	2.4	12,659	2.7	15,031	3.3	28,838	3.5	7,133	2.6	1,998	4.3
Surgery Services	18,957	2.9	20,958	3.8	12,874	2.8	13,686	3.0	17,730	2.2	7,899	2.8	3	0.0
Other Services	155,128	23.7	151,042	27.6	104,692	22.7	95,334	20.7	208,281	25.4	59,444	21.4	15,583	33.9
	653,440	**100.0 %**	**548,036**	**100.0 %**	**461,825**	**100.0 %**	**459,737**	**100.0 %**	**820,668**	**100.0 %**	**277,652**	**100.0 %**	**46,012**	**100.0 %**

Notes: All CPT/HCPCS Codes associated with each encounter are included in the analysis. Therefore, one patient encounter may have multiple CPT codes.

CPT/HCPCS Codes are grouped according to the definitions provided by the American Academy Professional Coders.

"--" indicates not applicable service lines.

Sources: Legacy Health Outpatient Encounters Data, Q3 2022 - Q2 2023.

American Academy Professional Coders: "https://www.aapc.com/codes/cpt-codes-range/"and "https://www.aapc.com/codes/hcpcs-codes-range/."

American Medical Association, 2022 and 2023.

American Hospital Association, AHA Guide, 2023.

Ø **Section 3:** The name, street address, services provided, and service area zip codes for each OHSU and Legacy Health non-hospital facility

OHSU Non-Hospital Facility List

Location/Facility name	Address	Services provided at this location	Service area zip codes*
Allergy Clinic at Beaverton	15700 SW Greystone Ct OHSU Beaverton Clinic, Floor 2 Beaverton, OR 97006-6011	Allergy	97229, 97078, 97007, 97123, 97006, 97003, 97116, 97005, 97223, 97219, 97035, 97225, 97124, 97224, 97128, 97217, 97239, 97034, 97202, 97070, 97214, 97213, 97212, 97211, 97236, 97232, 97304, 97206, 97221, 97203, 97141
Cardiology ACHD at Bend	2500 NE NEFF Rd Bend, OR 97701-6063	Cardiology	97756, 97701, 97702
Cardiology ACHD at Eugene	3311 RiverBend Dr PeaceHealth Sacred Heart, 3rd Fl Springfield, OR 97477-8800	Cardiology	97401, 97477, 97405, 97487, 97408, 97404, 97459, 97394, 97333, 97467, 97523, 97478
Cardiology at Lincoln City	3489 U S 101 Lincoln City, OR 97367-4959	Cardiology	97367, 97368, 97364, 97341
Cardiology General at Broadway	4212 NE Broadway St Broadway Medical Clinic Portland, OR 97213-1460	Cardiology	97229, 97215, 97239, 97062, 97218, 97132, 97231, 97209
Cardiology in Digestive Health Center at CHH1	3303 S Bond Ave Center Health & Healing Bldg 1 Portland, OR 97239-4503	Cardiology in digestive health	97124, 97123, 97229, 97219, 98685, 97034, 97116, 97086, 97007, 97239, 97701, 97030, 97218, 97236, 97035, 97471, 97080, 97225, 97223, 97214, 98661, 98684, 97058, 97213, 97070, 97222, 97140, 97304, 97202, 97212, 97045, 97306, 98632, 97402, 97113, 97013, 97006, 97338, 97221, 97051, 97203, 97018, 98686, 97209, 97038, 97321, 98682, 97355, 97230, 97448, 97232, 97055, 97233, 98642
Cardiothoracic Surgery at Center for Health and Healing, Building 1	3303 S Bond Ave Center Health & Healing Bldg 1,6th Fl Portland, OR 97239-4501	Cardiothoracic surgery	97123, 97219, 98682, 97229, 97116, 98632, 97224, 97213, 97045, 97124, 97305, 98626, 97103, 97206, 97223, 97302, 98604, 97113, 97230, 97317, 97202, 97201, 97471, 97068, 97301, 97209, 97233, 98661, 97035, 98662, 97058, 97006, 97070, 97211, 97214, 97236, 98607, 97267, 98642, 97306, 97013, 98685, 97222, 97479, 97212, 97239, 98683, 97210, 97351, 97322, 97220, 97303, 97386, 97402, 97024, 97411, 97111, 97439, 97034, 97459, 97071, 97470, 97128, 97146, 97086, 97478, 98684, 97225, 99301, 97338, 98671, 97850, 97038, 97405, 97062, 97321, 97378, 97423, 97392, 97101, 97008, 97217, 97304, 98672, 97381, 97404, 99708, 98665, 97005, 97119, 97106, 98643, 97027, 98664, 97701, 97383, 97838, 98674, 97060

Casey Eye Institute at Marquam Hill	515 SW Campus Dr Ste 2102 Portland, OR 97239	Eye	97239, 97034, 97229, 97219, 97224, 97215, 97213, 97060, 97209, 97202, 97221, 97220, 97035, 97089, 97045, 97201
Casey Eye Institute Clinics Marquam Hill	515 SW Campus Dr Casey Eye Institute, 4th Floor Portland, OR 97239	Eye	97219, 97229, 97225, 97330, 97202, 97223, 97239, 97123, 97224, 97035, 97124, 98682, 97201, 97070, 97302, 97034, 97206, 97217, 97212, 98632, 97230, 97007, 97301, 97305, 98683, 97211, 97209, 97222, 98604, 97086, 98661, 97128, 97221, 97068, 97006, 97203, 97062, 97317, 98607, 97080, 97005, 97220, 97303, 97045, 98685, 97008, 97304, 97013, 98662, 97321, 97233, 97214, 97055, 97103, 98686, 97333, 97071, 97015, 97140, 97116, 97801, 97215, 97030, 97236, 97003, 97266, 97232, 97210, 97058, 97205, 98642, 97322, 98671, 97213, 97056, 97146, 97838, 97132, 97338, 98674, 97381, 97405, 98684, 97216, 97218
Casey Eye Institute Clinics Marquam Hill	515 SW Campus Dr Casey Eye Institute, 5th floor Portland, OR 97239	Eye	97219, 97229, 97007, 97206, 97239, 97223, 97124, 97202, 97123, 97224, 97214, 97211, 97225, 97035, 97301, 97006, 97103, 97212, 98682, 97068, 97086, 97034, 97116, 97008, 97203, 97302, 98661, 97213, 97201, 97045, 97304, 97071, 97330, 97215, 98632, 97321, 97303, 97080, 97233, 97217, 97132, 97210, 97031, 97062, 97070, 98683, 98685, 97128, 97236, 97230, 97209, 97306, 97267, 97222, 97030, 97317, 97266, 98662, 97003, 97015, 98607, 97305, 97322, 97702, 97113, 97005, 98642, 97220, 97138, 97140, 97058, 98660, 98626, 98684, 98604, 97013, 97218, 97333, 98686, 97801, 97024, 97756, 97381, 97141, 97701, 97055, 97146, 97703, 97338, 97355
Casey Eye Institute Clinics Marquam Hill	515 SW Campus Dr Casey Eye Institute, 5th Floor Portland, OR 97239-3011	Ear, nose, and throat speech language; otolaryngology facial nerve; plastic surgery facial nerve; speech therapy	97209, 97212, 97229, 99301, 97701, 97502, 97217, 97124, 97132, 97045, 97040, 97062, 97703, 97141, 97003, 98610, 97205, 97064, 85225, 59771, 97459, 97221, 97527, 97224, 97070, 99223, 97078, 97301, 97215, 97218, 98648, 97632, 97526, 97202
Casey Eye Institute Pediatric Bend	760 NW York Dr Central Oregon Pediatrics (COPA), Ste A Bend, OR 97703	Eye	97702, 97756, 97701, 97703, 97754

Casey Eye Institute South Waterfront	3303 S Bond Ave Center Health & Healing Bldg 1, 11th Fl Portland, OR 97239-4501	Eye, medical contact lens, neuro-ophthalmology	97239, 97219, 97202, 97229, 97201, 97206, 97223, 97034, 97035, 97225, 97209, 97224, 97211, 97007, 97212, 97221, 97214, 97222, 97068, 97217, 97006, 97213, 97236, 97123, 97266, 97230, 97045, 97008, 97203, 97233, 97267, 97124, 97086, 97220, 97232, 97062, 97215, 97210, 97005, 97205, 97070, 97080, 97140, 97030, 97218, 97003, 97132, 97128, 97013, 97302, 97051, 97056, 97015
CDRC at Dev Klamath Falls	3001 Daggett Ave Klamath Falls, OR 97601-1118	Child development	97603, 97601
CDRC at Eugene Barnhardt Prosthetics	1881 2nd St Suite 101 Springfield, OR 97477	Child development	97402, 97477, 97401, 97478, 97404, 97405, 97408, 97439, 97471
CDRC at Medford	691 Murphy Rd Asante Medical Arts Building Medford, OR 97504	Child development	97501, 97504, 97526, 97539, 97415
CDRC at Springfield Numotion Prosthetics	915 International Way Springfield, OR 97477-1082	Child development	97402, 97477, 97478, 97424, 97479, 97470, 97401, 97404, 97487, 97408, 97426
CDRC at Westside	15222 NW Laidlaw Rd Doernbecher Pediatrics - Westside Clinic Portland, OR 97239-3011	Child development	97005, 97007, 97140, 97229, 97116, 97206, 97267, 98684, 97202, 97305, 97128, 97317, 97219, 97034, 97113, 97361, 98604, 97504, 97060, 98682, 97103, 97068, 97132, 97520, 97148
CDRC Craniofacial Clinic	3250 SW Sam Jackson Park Rd Hatfield Research Center, 7th Floor Portland, OR 97239-3115	Child development craniofacial	97317, 97381, 97539, 97479, 97123, 97015, 97132, 97478, 97140, 97501, 97233, 98607
CDRC in Eugene	901 E 18th Ave Eugene, OR 94703-1534	Child development	97402, 97477, 97404, 97405, 97401, 97478, 97322, 97355, 97501, 97448, 97408, 97504, 97424, 97386, 97471, 97321, 97603, 97487, 97527, 97420
CDRC in Eugene	901 E 18TH AVE Eugene, OR 97403-1354	Child development	97402, 97477, 97478, 97404, 97401, 97405, 97424, 97471, 97448, 97322, 97420, 97527, 97426, 97408, 97504, 97501, 97355, 97603, 97330, 97526, 97479, 97321, 97496, 97502, 97470
CDRC Neuro Dev Albany Summit Prosthetics	903 SW 9th Ave ALBANY, OR 97321	Child development	97355, 97321, 97702, 97301, 97365, 97392, 97386, 97322, 97303
CDRC Neuro Dev Eugene Slocum Prosthetics	55 Coburg Rd Eugene, OR 97401	Child development	97439, 97402, 97404, 97355, 97304, 97477, 97478

CDRC Neuro DEV Eugene Summit Prosthetics	935 Willagillespie Rd Eugene, OR 97401	Child development	97477, 97404, 97478, 97424
Center for Hematologic Malignancies at Medford	2825 E Barnett Rd DUBS Cancer Center Medford, OR 97504-8332	Hematologic malignancies	97527, 97502, 97501, 97526, 97504, 97503, 97603, 97530
Center for Hematologic Maligncies at Bend	2500 NE Neff Rd St Charles Cancer Center Bend, OR 97701	Hematologic maligncies	97702, 97703, 97701, 97720
Center for Women's Health at Center for Health and Healing, Building 1	3303 S Bond Ave Center for Health and Healing, Building 1 Portland, OR 97239-4501	Women's health	97217, 97225, 97386, 97303, 97045, 97006, 97060, 97302, 97133, 97361, 97215
Center for Women's Health at Kohler Pavilion	808 SW Campus Dr Kohler Pavilion, 7th floor Portland, OR 97239	Women's health	97219, 97202, 97206, 97239, 97214, 97222, 97203, 97229, 97210, 97007, 97005, 97223, 97211, 97045, 97221, 97201, 97213, 97212, 97124, 97217, 97233, 97068, 97267, 97232, 97080, 97051, 97035, 97220, 97006, 97123, 97224, 97225, 97215, 97008, 97062, 97140, 97266, 97209, 97086, 97236, 97230, 97133, 97034, 97078, 97070, 97003, 97116, 97015, 97030, 97305
Child Development Rehabilitation Center at Eugene	1720 W 25th Ave Eugene, OR 97405	Child development	97402, 97477, 97404, 97478
Child Development Rehabilitation Center at Fisher's Landing	16811 SE Mcgillivray Blvd Fishers Landing Vancouver, WA 98683-3404	Child development	98682, 98661, 98632, 98664, 98671, 98626, 98662
Clinics	3270 SW Pavilion Loop Physician's Pavilion, 2nd Fl Portland, OR 97239	Child development, interventional radiology	97124, 97233, 97219, 97013, 97229, 97239, 97420, 97223, 97055, 97202, 97236, 97317, 97045, 97322, 97007, 97526, 97217, 97225, 97478, 97206, 97304, 97015, 97051, 98665, 97601, 97603, 97203, 97882, 97330, 97038, 97459, 97140, 97128, 97113, 98684, 97303, 97053
Clinics	3181 SW Sam Jackson Park Rd Portland, OR 97239-3011	General internal medicine, immediate care virtual visits, transitional care	97239, 97219, 97202, 97232, 97206, 97209, 97201, 97214, 97229, 97211, 97213, 97203, 97006, 97217, 97123, 97222, 97216, 97124, 97223, 97212, 97225, 97007, 97230, 97221, 97220, 97266, 97233, 97236, 97116, 97003, 97215, 97051, 97205, 97035, 97267, 97210

Clinics at Beaverton	15700 SW Greystone Ct Beaverton, OR 97006	Hypertension & nephrology, oncology, otolaryngology surgery, pediatric orthopedics	97007, 97006, 97123, 97124, 97229, 97008, 97005, 97223, 97003, 97078, 97116, 97224, 97051, 97225, 97128, 97062, 97141, 97221, 97219, 97230, 97301, 97035, 97103, 97056, 97202, 97106, 97070, 97322, 97302, 97058, 97133, 97304, 97239, 97034, 97211, 97212, 97306, 98531, 97201, 97209, 97236, 97146, 97222, 97113, 97478, 97053, 97086, 97206, 97136, 97140, 97232, 98607, 97015, 97045, 97355, 97321, 97110, 97317, 97702
Clinics at Beaverton	15700 SW GreyStone Ct Beaverton, OR 97006-3011	Oncology, orthopaedics & rehabilitation, otolaryngology thyroid, primary care, rheumatology	97229, 97006, 97007, 97008, 97005, 97219, 97223, 97123, 97124, 97225, 97003, 97224, 97078, 97202, 97239, 97206, 97116, 97035, 97201, 97034, 97221, 97128, 97211, 97140, 97045, 97068, 97209, 97062, 97222, 97236, 97217, 97103, 97070, 97056, 97212, 97210, 97132, 97051, 97080, 97233, 97030, 97214, 97230, 97266, 97267, 97086, 97113, 97213, 97141, 97013, 97215, 97203, 97220, 97058, 97015, 97205, 97232, 97301, 97303, 97330
Clinics at Beaverton	15700 SW GreyStone Ct OHSU Beaverton Clinic Beaverton, OR 97006-3011	Comprehensive pain, oncology, otolaryngology facial plastics & reconstructive	97229, 97006, 97007, 97123, 97124, 97008, 97225, 97003, 97005, 97223, 97078, 97224, 97219, 97116, 97051, 97239, 97068, 97221, 97206, 97056, 97210, 97035, 97034, 97132, 97070, 97201, 97062, 97217, 97128, 97211, 97133, 97222, 97045, 97202, 97086
Clinics at Beaverton	15700 SW GreyStone Ct OHSU Beaverton Clinics Beaverton, OR 97006-3011	Cardiology, hematology/medical oncology, medical dermatology, primary care	97229, 97006, 97007, 97005, 97123, 97223, 97124, 97219, 97225, 97008, 97003, 97224, 97078, 97239, 97202, 97035, 97116, 97221, 97206, 97051, 97034, 97140, 97217, 97068, 97056, 97209, 97201, 97214, 97062, 97211, 97203, 97070, 97113, 97132, 97212, 97222, 97133

Clinics at Center for Health & Healing	3303 S Bond Ave Center Health & Healing Bldg 1, 8th Fl Portland, OR 97239-4501	Neurology, neurology movement disorders, neurology neuromuscular, neurosurgery	97219, 97229, 97239, 97202, 97222, 97223, 97206, 97034, 97301, 97068, 97045, 97224, 97302, 97230, 97007, 97303, 97124, 97201, 97035, 97128, 97123, 97304, 97225, 97330, 97209, 97006, 97233, 97008, 97306, 97058, 97305, 97212, 97217, 97080, 97030, 97214, 98632, 98607, 97103, 97405, 97322, 97070, 97211, 97267, 97116, 97062, 97266, 97321, 97236, 97338, 98682, 97203, 97086, 97071, 97317, 98661, 98685, 97501, 97504, 97140, 97526, 97355, 98604, 97132, 98683, 97213, 97210, 97031, 97220, 97527, 97333, 97221, 97520, 97205, 98686, 97005, 97215, 97013, 97056, 98642, 97801, 97060, 98684, 98662, 97141, 97051, 97015, 97838, 97232, 97381, 97216, 97055, 98626, 97404, 97702, 97402, 97756, 97420, 97401, 97003, 97478, 97138, 97502, 97365, 97383
Clinics at Center for Health & Healing Building 1	3303 S Bond Ave Center Health & Healing Bldg 1, 5th Fl Portland, OR 97239-4501	Dermatology, dermatology surgery, facial plastic surgery, sinus	97219, 97239, 97202, 97229, 97206, 97214, 97201, 97034, 97068, 97212, 97035, 97007, 97223, 97224, 97209, 97217, 97213, 97222, 97225, 97045, 97006, 97211, 97124, 97123, 97221, 97266, 97230, 97070, 97232, 97062, 97215, 97080, 97267, 97086, 97220, 97233, 97236, 97005, 97203, 97210, 97030, 98683, 98607, 98682, 97008, 97003, 97056, 97051, 97103, 97140, 97205, 97078, 97218, 97116, 97015, 98685, 98661, 98632, 98642, 97216, 97405, 97304, 97302, 97330, 97303, 97058, 98604, 98684, 98665, 97401, 97306, 98662, 97128, 97402, 97702, 97301, 97013
Clinics at Center for Health and Healing	3303 S Bond Ave Center Health & Healing Bldg 1, 12th Fl Portland, OR 97239-4501	Orthopaedics, pediatric specialties, spine	97219, 97239, 97202, 97206, 97229, 97045, 97222, 97201, 97223, 97266, 97236, 97209, 97214, 97267, 97211, 97233, 97058, 97080, 97035, 97230, 97123, 97007, 97224, 97212, 97034, 97086, 97225, 97030, 97006, 97217, 97220, 97068, 97213, 97128, 97221, 97124, 97103, 97056, 97008, 97051, 97203, 97215, 97062, 97140, 97070, 97005, 97015, 97132, 97055, 97232, 98682, 97301, 97116, 97038, 97060, 97216, 97013, 97023, 97205, 97210, 97305, 97003, 97078, 97306, 98607, 97302, 98604, 97218, 97304, 97071, 97138, 97303, 97141, 97027, 97405, 97330, 98661, 97031, 98685, 97089, 97009, 98620, 97321

Clinics at Center for Health and Healing Building 1	3303 S Bond Ave Center Health & Healing Bldg 1 Portland, OR 97239-4501	Cardiology, cardiology preventive, cardiothoracic surgery, fertility, , immediate care, neuro medical genetics, neurology, neurosurgery, rheumatology, transgender health, voice and swallowing, women's health	97239, 97219, 97202, 97201, 97206, 97229, 97209, 97217, 97214, 97223, 97211, 97222, 97035, 97212, 97221, 97034, 97224, 97203, 97007, 97213, 97068, 97267, 97225, 97045, 97215, 97210, 97124, 97086, 97266, 97006, 97232, 97205, 97230, 97123, 97220, 97233, 97062, 97008, 97080, 97236, 97070, 97005, 97003, 97140, 97030, 97304, 97302, 98683, 97051, 97015, 97218, 98682, 97321, 97013, 97301, 98607, 97303, 97322, 97306, 97128, 97330, 97405, 97056, 97305, 97132, 97027, 98642
Clinics at Center for Health and Healing Building 1	3303 S Bond Ave Center Health & Healing Bldg 1, 10th Fl Portland, OR 97239-4501	Fertility, urology, urology plastic surgery	97219, 97229, 97202, 97239, 97223, 97217, 97206, 97006, 97007, 97222, 97214, 97203, 97209, 97045, 97211, 97123, 97124, 97213, 97201, 97225, 97266, 97267, 97212, 97221, 97224, 98685, 97210, 98682, 97302, 97008, 97034, 97220, 97330, 97215, 97070, 97035, 97236, 97086, 97230, 97030, 97003, 97068, 98662, 97080, 98661, 97303, 97306, 97062, 97702, 97103, 97321, 97233, 97005, 98604, 97304, 97128, 98607, 97140, 97322, 97060, 97305, 97301, 97013, 98684, 98671, 97405, 97056, 97133, 97015, 97333, 97116, 98683, 97232, 97031, 98665, 97058, 97355, 98663, 97338, 97703, 97216, 97402
Clinics at Center for Health and Healing Building 1	3303 S Bond Ave Center Health & Healing Bldg 1, 16th Fl Portland, OR 97239-4501	Allergy, dermatology, pediatric dermatology, dermatology phototherapy	97239, 97202, 97219, 97206, 97214, 97201, 97229, 97209, 97223, 97212, 97006, 97035, 97211, 97224, 97236, 97007, 97221, 97045, 97222, 97217, 97267, 97034, 97080, 97225, 97068, 97213, 97230, 97210, 97220, 97215, 97008, 97203, 97233, 97218, 97124, 97205, 97005, 97266, 97123, 97070, 97030, 97003, 97062, 97232, 97051, 97216, 97086, 97015, 97024, 98661, 98607, 98684

Clinics at Center for Health and Healing Building 1	3303 S Bond Ave Center Health & Healing Bldg 1, 7th Fl Portland, OR 97239-4501	Cardiology, cardiology cardiac transplant, cardiology hypertrophic cardiomyopathy, cardiology mechanical assist	97239, 97219, 97202, 97201, 97229, 97123, 97223, 97206, 97222, 97124, 97034, 97045, 97035, 97007, 97209, 97221, 98682, 97217, 97214, 97008, 97224, 97006, 97212, 97068, 97230, 97213, 97116, 97203, 97070, 97233, 97128, 97080, 97225, 97058, 97211, 97267, 97086, 97236, 97056, 97266, 97103, 97051, 97030, 97062, 97305, 98683, 97005, 97210, 97003, 97304, 97301, 98632, 97232, 97205, 97302, 97220, 98604, 97113, 97306, 97140, 97303, 97215, 98684, 98607, 97141, 98642, 98685, 97071, 98661, 98662, 97060, 98671, 97355, 97015, 97756, 97338, 97216, 98665, 97330, 97402, 97321, 97013, 97078, 97322, 98620, 97038, 97478, 97024, 97317, 97420, 97218, 97367
Clinics at Center for Health and Healing Building 2	3485 S Bond Ave Center Health & Healing Bldg 2 Portland, OR 97239-4503	Cancer genetics, cardiology amyloid, cardiothoracic surgery, dermatology, digestive health, head and neck surgery, hematology and oncology, infectious disease, interventional radiology, neurology, orthopaedics, preoperative medicine, psychiatry, thyroid, surgical oncology, urology	97219, 97202, 97229, 97206, 97239, 97223, 97123, 97224, 97007, 97045, 97124, 97222, 97034, 97068, 97035, 97201, 97006, 97209, 97058, 97217, 97230, 97225, 97214, 97008, 97211, 97236, 97080, 98682, 97213, 97116, 97212, 98632, 97203, 97266, 97030, 97267, 97303, 97103, 97233, 97221, 97062, 97128, 97330, 97051, 97070, 98607, 97702, 98683, 97302, 97215, 98685, 97086, 97301, 97355, 97056, 97322, 97756, 97220, 97405, 97306, 97304, 97305, 97141, 98661, 98684, 97013, 97005, 97321, 98665, 98642, 97060, 98686, 97140, 97132, 98671, 97402, 97232, 97003, 98604, 97338, 97210, 97078, 97504, 97404, 98662, 97055, 97071, 97401, 97031, 97015, 98664, 97701, 97703, 97205, 97216, 97478, 97218, 97801, 97367, 97520, 97838, 97527, 97317, 97470, 97471, 97420, 97526
Clinics at Doernbecher Children's Hospital	700 SW Campus Dr Doernbecher Children's Hospital, 10th Fl Portland, OR 97239-3011	Pediatric hematology oncology, pediatric hemophilia	97123, 97202, 97229, 97068, 97301, 97303, 97224, 97302, 97206, 97030, 97013, 97007, 97305, 97124, 98682, 97402, 97233, 97404, 97405, 97306, 97219, 97113, 98632, 97132, 97086, 97236, 97006, 98607, 97128, 97071, 97477, 97045, 97035, 97322, 98661, 97116, 97008, 97218, 98685, 97756, 97003, 97225, 97701, 97062, 97080, 97355, 97321, 97140, 97217, 97216, 97478, 98660, 97487, 97330, 97034, 97317, 97603, 97230, 97383, 97304, 97223, 98684, 98683, 97089, 98662, 97838, 97211, 97426, 97018, 97703, 97495, 97702, 97361, 98626, 97448, 97850, 44145, 98664, 97266

Clinics at Hatfield Research Center	3250 SW Sam Jackson Park Rd Hatfield Research Center, 13th Floor Portland, OR 97239-3011	Neurology, sleep medicine	97219, 97202, 97239, 97206, 97123, 97124, 97223, 97229, 97051, 97201, 97214, 97217, 97006, 97225, 97056, 97209, 97034, 97007, 97116, 97222, 97203, 97224, 97035, 97230, 97211, 97221, 97266, 97008, 97215, 97232, 97212, 97267, 97213, 97080, 97045, 97233, 97113, 97062, 97220, 97205, 97236, 97003, 97078, 97086, 97005, 97068
Clinics at Kohler Pavilion	808 SW Campus Dr Kohler Pavilion, 4th floor Portland, OR 97239-3011	Hematology oncology, radiation oncology	97219, 97202, 97223, 97214, 97035, 97239, 97236, 97206, 97224, 97209, 97045, 97217, 97222, 97211, 98683, 97266, 97225, 97267, 97520, 97213, 97123, 97220, 97086, 97068, 97212, 97071, 97301, 98632, 97007, 97203, 97233, 97232, 97229, 97322, 97058, 97215, 97008, 97603, 97338, 97080, 97113, 97756, 97070, 97230, 98682, 97205, 98604, 97201, 98685, 97034, 97024, 98607, 98686, 97128, 97703, 97031, 97218, 97221, 97304, 97702, 97013, 97305, 97038, 97116, 98661, 98674, 97302, 97124, 97056, 97006, 97055, 97210, 97140, 97103, 98642, 97415, 98664, 97330, 97405, 97030, 97321, 97078, 98606, 97089, 98620, 97303, 97439
Clinics at Marquam Hill	3270 SW Pavilion Loop Physicians Pavilion, 2nd Fl Portland, OR 97239-3011	Neuro oncology genetics, trauma emergency general surgery	97219, 97206, 97239, 97202, 97045, 97222, 97223, 97201, 97203, 97209, 97051, 97080, 97030, 97006, 97007, 97229, 97086, 97116, 97225, 97034, 97236, 97205, 97267, 97217, 97212, 97123, 97224, 97128, 97035, 97005, 97078, 97214, 97218, 97008, 97266, 97221, 98632, 97210, 97215, 97058, 97216, 97304, 97053, 97220, 97003, 97801, 98661, 97233, 97056, 97301, 97211, 97068, 97023, 97230, 97213, 98683, 97027

Clinics at Marquam Hill and at Doernbecher Children's Hospital	700 SW Campus Dr Doernbecher Children's Hospital 7th Fl Portland, OR 97239-3011	General pediatrics, medical genetics, metabolic genetics, pediatric cardiology, pediatric genetics	97219, 97229, 97202, 97223, 97045, 97206, 97233, 97006, 97128, 97305, 97301, 98682, 97124, 97224, 97266, 97236, 97123, 97132, 97203, 97402, 97225, 97071, 97068, 97267, 97303, 97213, 98632, 97007, 97070, 97080, 97355, 97140, 97030, 97058, 97756, 97035, 98604, 97005, 97008, 97116, 97230, 97222, 97504, 97603, 97062, 97478, 97034, 97220, 97302, 97321, 97330, 97217, 97338, 97015, 98661, 97215, 98607, 97701, 97322, 97211, 97013, 97031, 98662, 97086, 97239, 97212, 97477, 97103, 97051, 97306, 97527, 97420, 97201, 97056, 97055, 97214, 97221, 97317, 97405, 97702, 98642, 97060, 97003, 97351, 97471, 97838, 97381, 97232, 97078, 97333, 98686, 97401, 97113, 98665, 97038, 97424
Clinics at Marquam Hill and at Doernbecher Children's Hospital	700 SW Campus Dr Doernbecher Children's Hospital Portland, OR 97239-3011	Pediatric hematology oncology; pediatric neurosurgery; ear, nose, and throat	97504, 97223, 97501, 97420, 97078, 97132, 97202, 97302, 97123, 97477, 98632, 97301, 97527, 97230, 97233, 97402, 97601, 97844, 97702, 97426, 98665, 97470, 97701, 97140, 97756, 97361, 98607, 97370, 97023, 98642, 98671, 97410, 97403, 98664, 97031, 97535, 97267, 98604, 97056, 97236, 97068, 97222, 97305, 97882, 97321, 97229, 97330, 98682, 97333, 97526, 97338, 97603, 97355, 97739, 97358, 97838, 97070, 98591, 97367, 98611, 97071, 98645, 97371, 97051
Clinics at Orenco Station	6355 NE Cornell Rd Hillsboro, OR 97214	Child development audiology	97124, 97006, 97123, 97229, 97078, 97007, 97051, 97056, 97224, 97223, 97008, 97003, 97116, 97005, 97225, 97113, 97138, 97103, 97217, 97396, 97128, 97053
Clinics at Orenco Station	6355 NE Cornell Rd Suite 165 Hillsboro, OR 97124	Dermatology, dermatology surgery	97124, 97123, 97229, 97006, 97007, 97116, 97219, 97034, 97202, 97056, 97225, 97005, 97051, 97008, 97223, 97035, 97003, 97239, 97113, 97141, 97206, 97221, 97217, 97078, 97224, 97214, 97068, 97138, 97209, 97203, 97132, 97211, 97210, 97103, 97212, 98665, 97213, 97133, 97062, 97140, 97232, 98661

Clinics at Physicians Pavilion	3270 SW Pavilion Loop Physician's Pavilion, 2nd Fl Portland, OR 97239-3011	Allergy and immunology, cardiothoracic surgery, child development, dermatology vascular anomolies, kidney transplant, liver transplant, interventional radiology otolaryngology, otolaryngology, otolaryngology otology, otolaryngology vascular, pediatric otolaryngology, pediatric pulmonary	97219, 97229, 97202, 97206, 97223, 97239, 97123, 97006, 97124, 97007, 97116, 97222, 97224, 97214, 97045, 97233, 97211, 97217, 97068, 97062, 97203, 97305, 97035, 97236, 97402, 97103, 97266, 97355, 97225, 97322, 97221, 97201, 97301, 97140, 97080, 97128, 97213, 98682, 97056, 97209, 97030, 97008, 97330, 98607, 97230, 97051, 97003, 97702, 97005, 97756, 97303, 97321, 97086, 97302, 97267, 97071, 97078, 98632, 97478, 97058, 97034, 97212, 97113, 97070, 98604, 97405, 98662, 97526, 97132, 97603, 97838, 97401, 97141, 97338, 97527, 97306, 97232, 97701, 98683, 97220, 97504, 98684, 98664, 97215, 97013, 98661, 97501, 97055, 97424, 97420, 97477, 97015, 97304, 98685, 97031, 97333, 97470, 97216, 97459, 97210, 97367, 97404, 97038, 97060, 98671
Clinics at Physicians Pavilion	3270 SW Pavilion Loop Physician's Pavilion, 3rd Fl Portland, OR 97239-3011	Harm reduction, internal medicine, primary care	97239, 97201, 97219, 97209, 97202, 97206, 97034, 97223, 97035, 97214, 97229, 97217, 97222, 97225, 97211, 97212, 97221, 97205, 97224, 97203, 97220, 97213, 97210, 97007, 97232, 97267, 97230, 97068, 97215, 97236, 97045, 97233, 97062, 97086, 97266, 97030, 97006, 97070, 97008
Clinics at Physicians Pavilion	3270 SW Pavilion Loop Physicians Pavilion, 3rd Fl, Ste 320 Portland, OR 97239-3011	Kidney stones, nephrology, urology	97219, 97214, 98682, 97006, 97321, 97216, 97206, 97062, 97116, 97239, 97233, 97005, 97355, 97370, 97223, 98685, 98671, 97034, 97051, 97045, 97002, 97333, 97124, 97211, 97141, 97760, 97212, 97031, 97123, 97383, 97056, 97502, 97217, 98632, 97058, 97041, 97221, 97348
Clinics at Physicians Pavilion	3270 SW Pavilion Loop Physician's Pavilion, 4th Fl Portland, OR 97239-3011	Perinatal, rheumatology, wound care	97239, 97219, 97202, 97206, 97201, 97229, 97123, 97006, 97203, 97236, 97223, 97230, 97007, 97224, 97209, 97233, 97116, 97080, 97213, 97222, 97068, 97045, 97128, 97051, 97124, 97212, 97211, 97266, 97220, 97035, 97113, 97301, 97030, 98607, 98682, 97267, 97305, 97034, 97003, 97058, 97062, 97214, 97060, 97221, 97225, 97103, 97217, 97140, 97056, 97086, 98687, 97005, 97205, 97132, 97071, 97215, 97013, 97070, 97008, 97078, 97317, 97031, 98661, 97023, 97064, 97216, 98620

Clinics at Physicians Pavilion	3270 SW Pavilion Loop Physician's Pavilion, Ste 220 Portland, OR 97239-3011	Infectious diseases, kidney transplant	97123, 97223, 97230, 97124, 97080, 97045, 97007, 97206, 97305, 97116, 97211, 97233, 97266, 97222, 97301, 97224, 97202, 97355, 97030, 97006, 97058, 98682, 97236, 98662, 97219, 97220, 97128, 97070, 98685, 97501, 97239, 97209, 97062, 98632, 97060, 97217, 97229, 97078, 97478, 97008, 98604, 97013, 97068, 97302, 98661, 97404, 97140, 98671, 97213, 97303, 97003, 97086, 98683, 97113, 97089, 97035, 97267, 97470, 97504, 98686, 97317, 98684, 97214, 97306, 97201, 97205, 97526, 97420, 97203, 97034, 97527, 97015, 97601, 97322, 97031, 97338, 97210, 97838, 97524, 97402, 97038, 97333, 97471, 97005, 97216, 97055, 97215, 97502, 97477, 97141, 97051, 97132, 97232, 98665, 97212, 97103, 97330, 98663
Clinics at Physicians Pavilion	3270 SW Pavilion Loop Physician's Pavilion, Ste 320 Portland, OR 97239-3011	Allergy and immunology, anticoagulation, general adult genetics, infectious diseases, nephrology and hypertension, pulmonary and critical care medicine, rheumatology	97219, 97239, 97201, 97229, 97202, 97223, 97217, 97230, 97225, 97206, 97035, 97058, 97007, 97224, 97209, 97203, 97221, 97267, 97080, 97212, 97008, 97211, 97034, 97123, 97006, 97124, 97062, 97214, 97222, 97045, 97068, 97266, 97233, 97236, 97232, 97071, 97330, 97051, 97213, 97218, 97030, 97070, 98682, 98684, 97420, 97005, 97003, 97305, 97220, 97089, 97210, 97056, 97504, 97086, 97702, 97215, 97303, 97013, 97501, 97478, 97603, 98665, 97338, 97078, 98642, 98607, 97216, 97055, 97302, 97128, 97116, 98640, 97701, 97306, 97301, 97321
Clinics at Physicians Pavilion	3270 SW Pavilion Loop Physician's Pavilion, 2nd Fl, STE 250 Portland, OR 97239-3011	Hospital dental sleep, otolaryngology sleep	97007, 98660, 97478
Clinics at Physicians Pavilion	3270 SW Pavilion Loop Physician's Pavilion, STE 250 Portland, OR 97239-3011	Pediatric sleep, plastic surgery sleep	97007, 98660, 97478
Clinics at Physicians Pavilion	3270 SW Pavilion Loop Physician's Pavilion, 4th fl, Ste 420 Portland, OR 97239	Specialty clinics	98662, 97086, 97003, 97322, 97031, 98661, 98611, 97426, 97123, 97013, 97702
Clinics at RiverBend	3377 RiverBend Dr Springfield, OR 97477-8803	Child rehabilitation hemophilia, pediatric endocrinology, pediatric	97402, 97405, 97478, 97477, 97404, 97401, 97471, 97408, 97426, 97424, 97448, 97420, 97470, 97355, 97439, 97487, 97403, 97479, 97527, 97386, 97496, 97446, 97504, 97330, 97321

Clinics at South Waterfront	3485 S Bond Ave Center for Health and Healing, Building 2 Portland, OR 97239-4503	Radiation medicine, women's health	97215, 97213, 97224, 97206, 97217, 97225, 97006, 97219, 97209, 97211, 97239, 97214, 97123, 97007, 97128, 97212, 97229, 97124, 97202, 97201, 97223, 97338, 97306, 98607, 97203, 97330, 97218, 97405, 97221, 98632, 97051, 98665, 97119, 97520, 97113, 97009, 97824, 98635, 97367, 98671, 97504, 97302, 97702, 97138, 98683, 97140, 97005, 97089, 97266, 97267, 97232, 98661, 97540, 97424, 97024, 97882, 94610, 97381, 97031, 97477
Clinics at South Waterfront	3485 S Bond Ave Center Health & Healing Bldg 2 Portland, OR 97239	OHSU HematologicClinic at South Waterfront, OHSU Radiation Medicine Breast Clinic at Center for Health and Healing, Building 2, OHSU Radiation Medicine Prostate Program at Center for Health and Healing, Building 2, OHSU	97236, 97223, 97219, 97225, 97034, 97203, 97035, 97222, 97078, 97030, 97031, 97322, 97212, 97068, 97229, 97133, 97141, 97230, 97232, 97220, 97381, 97086, 97224, 97124, 97056, 97201, 97520, 97202, 98662, 97006, 97005, 97206, 97266, 97209, 97330, 97007, 97405, 97213, 97214, 98682, 97131, 97333, 97013, 97132, 97205, 97048, 98684, 97211, 97217, 97103, 97367, 97233, 97402, 97239, 97477, 97116
Clinics in the Center for Women's Health at Kohler Pavilion	808 SW Campus Dr Kohler Pavilion, 7th floor Portland, OR 97239-3011	Cardiology, hemophilia, pediatric cardiology, perinatal, specialty, urogynecology, urology, women's health	97219, 97239, 97202, 97206, 97229, 97223, 97214, 97217, 97222, 97211, 97201, 97007, 97203, 97221, 97035, 97224, 97213, 97212, 97034, 97209, 97006, 97225, 97267, 97045, 97124, 97086, 97008, 97266, 97215, 97123, 97068, 97210, 97005, 97236, 97233, 97080, 97220, 97070, 97230, 97232, 97062, 97030, 97003, 97218, 97140, 97051, 97056
Comprehensive Pain Center at Center for Health and Healing, Building 1	3303 S Bond Ave Center Health & Healing Bldg 1,15th Fl Portland, OR 97239-4501	Comprehensive pain	97239, 97219, 97206, 97202, 97229, 97223, 97214, 97209, 97217, 97124, 97236, 97224, 97007, 97222, 97211, 97212, 97201, 97045, 97225, 97123, 97213, 97034, 97006, 97230, 97232, 97267, 97266, 97068, 97008, 97215, 97035, 97203, 97233, 97030, 97015, 97205, 97086, 98671, 97062, 97305, 97080, 97218, 97210, 97304, 97221, 97216, 97140, 97003, 97005, 97128, 97070, 97116, 97078, 97056, 97220, 98607, 97013, 97330, 98682, 97058
Dermatology at CWH	3181 SW Sam Jackson Park Rd Kohler Pavilion, 7th floor Portland, OR 97239-3011	Dermatology	97219, 97239, 97202, 97214, 97206, 97201, 97229, 97209, 97221, 97266, 97213, 97211, 97217, 97215, 97210, 97212, 97222, 97230, 97070, 97068, 97224, 97086, 97223, 97035, 97216, 97034, 97233, 97006, 97205, 98683, 97236, 97203, 97031, 97220, 97062, 97267, 97231, 97080, 97128, 98632, 97007

Dermatology Medical at Lake Oswego	16699 Boones Ferry Rd Sunset Crossing Medical Center, 2nd Fl Lake Oswego, OR 97035-4366	Dermatology, pediatric dermatology	97035, 97219, 97034, 97068, 97202, 97224, 97223, 97062, 97070, 97239, 97229, 97007, 97206, 97214, 97045, 97140, 97201, 97225, 97086, 97006, 97008, 97221, 97013, 97222, 97217, 97212, 97123, 97267, 97211, 97005, 97213, 97209, 97124, 97203, 97132, 97215, 97056, 97266, 98607, 97233
Digestive Health Center at Center for Health and Healing Building 1	3303 S Bond Ave Center Health & Healing Bldg 1, 8th Fl Portland, OR 97239	Digestive health	97086, 98632, 98513, 97202, 97205, 97229
Family Medicine at Richmond at Benson High School	3905 SE 91st Ave Portland, OR 97266-2815	Family medicine	97266, 97206, 97217, 97202, 97203, 97218, 97211, 97216, 97209, 97213, 97236
Harold Schnitzer Diabetes Health Center at Physicians Pavilion	3270 SW Pavilion Loop Physician's Pavilion Ste 140 Portland, OR 97239-3011	Diabetes	97219, 97206, 97202, 97223, 97007, 97123, 97239, 97224, 97229, 97030, 97222, 97045, 97051, 97214, 97006, 97209, 97267, 97217, 97233, 97230, 97236, 97068, 97211, 97201, 97008, 97062, 97302, 97225, 97035, 97034, 97203, 97128, 97005, 97266, 97070, 97212, 97221, 97080, 97086, 97116, 97303, 97060, 97220, 97232, 97132, 97124, 97140, 97330, 97216, 97213, 97420, 97003, 97306, 97031, 97058, 97056, 97301, 97218, 97141, 97071, 97305, 97027, 97078, 97015, 97055, 97038, 97304, 98682, 97404, 97013, 97103, 97215, 97367, 98632, 97322
Harold Schnitzer Diabetes Health Center at Physicians Pavilion	3270 SW Pavilion Loop Physician's Pavilion, 1st Fl Portland, OR 97239-3011	Diabetes	97219, 97202, 97239, 97229, 97206, 97209, 97035, 97045, 97201, 97007, 97223, 97211, 97225, 97224, 97222, 97212, 97034, 97214, 97058, 97030, 97068, 97128, 97217, 97267, 97006, 97233, 97086, 97266, 97123, 97221, 97236, 97203, 97230, 97124, 97210, 97008, 97405, 97080, 97304, 97330, 97013, 97213, 97303, 97070, 97062, 97215, 97205, 97132, 97071, 97302, 97103, 97051, 97005, 97321, 98607, 97232, 97015, 97003, 97140, 97031, 97355, 97306, 97305, 97060, 97218, 97056, 97477, 97216, 97301, 97459, 97402, 98685, 98682, 97420, 98632, 97078, 97338, 97220, 97478, 97401

Harold Schnitzer Diabetes Health Center at Physicians Pavilion	3270 SW Pavilion Loop Physician's Pavilion, Ste 140 Portland, OR 97239-3011	Diabetes	97303, 97219, 97202, 97302, 97301, 97128, 97007, 97206, 97123, 97224, 97223, 97006, 97230, 97051, 97233, 97030, 97322, 97305, 97140, 97236, 97071, 97402, 97501, 97203, 97229, 97321, 97471, 97058, 97116, 97267, 97401, 97477, 97068, 98682, 97222, 97306, 97355, 97266, 97304, 97239, 97045, 97103, 97214, 97405, 97221, 97078, 97420, 97070, 97838, 97317, 97124, 97225, 97035, 97209, 97212, 97404, 97201, 97015, 97080, 97217, 97478, 97060, 97008, 98607, 97502, 97504, 97062, 97338, 97056, 97132, 97005, 97034, 98662, 97383, 97086, 97527, 97220, 97756, 97702, 98632, 97003, 97141, 97031, 97457, 97216, 97526, 97801, 98684, 97048, 97032
Health Promotion Sports Medicine Lab at Center for Health and Healing	3303 S Bond Ave Center Health & Healing Bldg 1, 12th Fl Portland, OR 97239	Sports medicine	97045, 97229, 97219, 97068, 97206, 98682, 97267, 97202, 97055, 97086, 97217, 97006, 97211, 97089, 97212, 97225, 97223, 97140, 97009, 98685, 97215, 97224, 97213, 97333, 97034, 97030, 97015, 97302, 97128, 97381, 97218, 97007, 98604, 97024, 98662, 97123, 98642, 97239, 98607, 98684, 97132, 97080, 97203, 97013, 97214, 97201, 97070, 97060, 97041, 97019, 97008, 97058, 97056, 97031, 97230, 98629, 97232, 97035, 97146, 97303, 98606
Hematologic Malignancies Telemedicine	3181 SW Sam Jackson Park Rd Mailcode: UHN73A Portland, OR 97239-3011	Hematologic malignancies	97420, 97459, 97465, 97444, 97411
Hospital Dental at Hatfield Research Center	3181 SW Sam Jackson Park Rd Hatfield Research Center, 7th Floor Portland, OR 97239-3011	Hospital dental	97202, 97206, 97266, 97128, 98682, 97303, 97223, 97224, 97229, 97233, 97222, 97236, 97080, 98661, 97045, 97322, 97086, 97030, 97124, 97103, 97756, 97305, 98632, 97123, 97005, 97027, 98604, 97219, 98684, 97477, 97267, 97217, 98686, 97230, 97209, 97302, 97116, 97068, 97062, 97113, 97301, 97701, 97355, 97058, 97035, 98665, 97211, 97220, 97321, 97214, 97006, 97501, 97201, 97306, 97317, 97304, 97031, 97203, 97070, 98626, 97003, 97071, 97702, 98607, 97060, 97216, 97225, 97215, 97381, 97330, 98674, 97007, 97478, 97132, 97213, 97401, 98671, 97008, 98662, 97402, 97146, 97378, 97338, 98683, 97227, 97405, 98620, 97239, 97526, 97754, 97051, 97424, 97141, 98672, 97838, 97439, 83616, 97801, 97391, 97013, 97055, 97739

Hospital Dental Service at DCH CDRC	700 SW Campus Dr Doernebecher Children's Hospital, 7th Fl Portland, OR 97239-3011	Pediatric hospital dental	97223, 97470, 97301, 97031, 97217, 97317, 97448, 97761, 97478, 97140, 98607, 97146, 97070, 97206, 97701, 97016, 98604, 97051, 97426, 97229, 97457, 97239, 97477, 97058, 97601, 97302
Hospital Dental Services at Eugene	330 S Garden Way, Ste 140 Eugene, OR 97401-8181	Hospital dental	97402, 97348, 97462, 97496, 97477, 97471, 97370, 97478, 97739, 97408, 97424, 97355
Hospital Dental Services at Hatfield Research Center	3181 SW Sam Jackson Park Rd Hatfield Research Center, 7th Floor Portland, OR 97239-3115	Hospital dental	97140, 97317, 97070, 97479, 97459, 98607, 97233, 97478, 97601, 97223, 97501, 97701, 97850, 97355, 97381, 97365
HPSM Human Performance Lab at Hatfield Research Center	3181 SW Sam Jackson Park Rd Hatfield Reseach Center, 11th floor Portland, OR 97239-3011	Sports medicine	98685, 97206, 97045, 97034, 97218, 97213, 97230, 97007, 97306, 97055, 97202, 97211, 97739, 97267, 97056, 97068, 97023, 97086, 98642, 97089, 97239, 97116, 97304, 97124, 97402, 97128, 98607, 97132, 98664, 97133, 97233, 97140, 97266, 97024, 97302, 97030
Knight Cancer Institute at East Portland	10000 SE Main St Ste 350 Portland, OR 97216-2532	Oncology	97236, 97230, 97030, 97266, 97233, 97220, 97086, 97216, 97206, 97080, 97089, 97015, 97222, 97055, 97045, 97024, 97267, 97060, 97009, 97202, 97027
Knight Cancer Institute at Good Sam	1130 NW 22nd Ave Ste 150 Portland, OR 97210-2900	Oncology	97051, 97209, 97217, 97210, 97203, 97229, 97212, 97219, 97202, 97056, 97201, 97205, 97211, 97239, 97007, 97225, 97206, 97213, 97053, 97221, 97223, 97035, 97214, 97220, 97006, 97218, 97227, 97008, 97045, 97215, 97222, 97018, 97124, 97230, 97054, 97232, 97123, 97070
Knight Cancer Institute at Gresham	24988 SE Stark St Gresham, OR 97030-8326	Oncology	97080, 97030, 97055, 97060, 97009, 97233, 97230, 97024, 97236, 97023, 97089
Knight Cancer Institute at Tualatin	19260 SW 65th Ave Ste 435 Tualatin, OR 97062-5703	Oncology	97224, 97070, 97062, 97068, 97071, 97013, 97045, 97035, 97034, 97140, 97223, 97219, 97038, 97002, 97267
March Wellness at CHH	3303 S Bond Ave Center Health & Healing Bldg 1, 2nd Fl Portland, OR 97239-4501	Gym	97201, 97219, 97225, 97205, 97034, 97211, 97229, 97217, 97213, 97222, 97202, 97221, 97035, 97214, 97086, 97031, 97119, 97007, 97128
Metabolic Genetics at Medford	691 Murphy Rd, Suite 200 Asante Medical Arts Building Medford, OR 97504	Metabolic genetics	97504, 97501, 97503, 97481, 97502, 97520, 97531, 97496, 97471, 97603
Metabolic Genetics at RiverBend	3377 RiverBend Dr Springfield, OR 97477	Metabolic genetics	97471, 97478, 97401, 97330, 97402, 97477, 97321, 97327

Molecular and Medical Genetics at Doernbecher	700 SW Campus Dr Doernbecher Children's Hospital 10th Fl Portland, OR 97239-3011	Molecular and medical genetics	97405, 97396, 97015, 97401, 97308, 98642, 97031, 97064, 99362, 97013, 97322, 97006, 97702, 97123, 97446, 97138
Nephrology & Hypertension at CHH1	3303 S Bond Ave Center Health & Healing Bldg 1, Ste 7 Portland, OR 97239-4501	Nephrology and hypertension	97266, 97233, 98642, 97229, 97498, 97221, 98685, 97103, 97236, 97050, 97002
Nephrology Transplant at Medford	760 Golf View Dr, Ste 200 Medford, OR 97504-9685	Nephrology transplant	97526, 97601, 97502, 97537, 97442, 97532, 97527, 97501
Nephrology Transplant at RiverBend	3377 RiverBend Dr 4th Floor Springfield, OR 97477	Nephrology transplant	97402, 97603, 97355, 97477, 97478, 97411, 97448, 97471, 97526, 97502, 97401, 97601, 97404, 97479, 97405, 97504, 97420, 97527, 97431, 97459, 97503, 97487, 97439, 97302, 97496, 97639, 97520
Neurology Epilepsy Clinic at Hatfield Research Center	3250 SW Sam Jackson Park Rd Hatfield Research Center, 13th Floor PORTLAND, OR 97239	Neurology	97303, 97219, 97223, 97236, 97230, 97206, 97305, 97222, 97233, 97062, 97058, 97302, 97030, 97322, 97838, 97203, 97266, 97213, 97007, 97304, 97301, 97124, 97123, 97045, 97034, 97267, 97015, 97239, 97070, 97229, 97202, 97008, 97051, 97128, 97006, 97071, 97209, 98607, 97321, 97086, 97201, 97116, 97068, 97221, 97504, 97132, 97401, 97306, 97138, 97140, 97080, 97217, 97471, 97325, 97477, 97103, 97470, 97338, 97214, 97220, 97501, 97317, 97216, 97225, 97055, 97520, 97056, 97005, 97601, 98682, 97351, 97355, 98686, 97224, 97212, 97330, 98632, 97141, 97038, 97060, 97227, 98661, 97003, 98671, 97078, 97027, 97361, 97801, 98685, 97402, 97603
Neurology Wellness Clinic at Hatfield Research Center	3250 SW Sam Jackson Park Rd Hatfield Research Center, 10th Floor, Room 10D05 Portland, OR 97239-3011	Neurology	97013, 97455, 97007, 98642, 97124, 97213, 97206, 97219, 97223, 97202, 97034, 97233, 98685
OHSU Casey Eye Institute Clinic Astoria	2055 Exchange St Astoria, OR 97103-3419	Eye	97103, 97146, 97138, 98640, 98631
OHSU Casey Eye Institute Clinic Astoria	2055 Exchange St, Astoria, OR 97103-3419	Eye	97103, 98640, 97146, 97138, 98631
OHSU Casey Eye Institute Clinic at Hood River	1619 Woods Ct Casey Eye Institute Clinic Hood River, OR 97031-2915	Eye	97031, 98672, 97058, 97041, 98648

OHSU Casey Eye Institute Clinic at Hood River	1619 Woods Ct Hood River, OR 97031-2915	Eye	97031, 97058, 98620, 98672, 97838, 97801, 97041, 97063, 98635, 97021, 98605
OHSU Casey Eye Institute Clinic Longview	600 Triangle Ctr Triangle Center Shopping Center Longview, WA 98632-4685	Eye	98632, 98626, 98611, 97048, 97016
OHSU Casey Eye Institute Clinic Longview	600 Triangle Ctr Triangle Shopping Center Longview, WA 98632-4685	Eye	98632, 98626, 98611, 97103, 97016, 97048, 98625
OHSU Casey Eye Institute Clinic Longview	600 Triangle Ctr, Suite 400 Triangle Center Shopping Center Longview, WA 98632	Eye	98632, 98626, 97103, 98611
OHSU Casey Eye Institute Clinic The Dalles	405 E 7th St Columbia River Eye Clinic The Dalles, OR 97058-2607	Eye	97058, 97031, 98620, 97838, 98672, 97063, 97041, 97801, 97818, 98610, 97040, 98635
OHSU Casey Eye Institute Clinic The Dalles	405 E 7th St The Dalles, OR 97058-2607	Eye	97058, 98620, 97021, 97031, 97063
OHSU Casey Eye Institute Clinic Vancouver	16701 SE McGillvray Blvd The Fisher Building Vancouver, WA 98683-3485	Eye	98683, 98682, 98607, 98661, 98604, 98662, 98684, 98685, 98642, 98665, 98671, 98664, 98686, 98632
OHSU Casey Eye Institute Elks Children's Eye Clinic Marquam Hill	545 SW Campus Dr Elks Children's Eye Clinic, 3rd floor MC:ECEC Portland, OR 97239	Pediatric eye	97229, 97301, 97305, 97219, 97202, 97206, 97303, 97236, 97302, 97233, 97123, 97128, 97007, 97006, 97230, 97223, 97306, 97035, 97322, 97304, 97080, 97071, 97317, 97266, 97838, 97086, 97203, 97239, 97124, 97058, 97068, 97402, 97224, 97213, 97214, 97217, 97478, 97008, 97220, 97034, 97211, 97267, 97212, 97030, 97338, 97330, 97051, 97132, 97141, 97222, 97045, 97003, 97221, 97116, 98661, 97070, 97005, 97355, 97078, 97062, 97103, 97031, 97321, 97216, 97405, 98682, 97404, 97225, 97015, 98607, 97381, 97056, 98632, 97060, 97477, 97140, 97201, 97333, 97218, 97351, 97113

OHSU Casey Eye Institute Oculofacial Clinic at Marquam Hill	515 SW Campus Dr Casey Eye Institute Building, 5th floor Portland, OR 97239	Eye	97219, 97229, 97225, 97068, 97035, 97223, 97034, 97239, 97007, 97224, 97221, 97006, 97202, 97201, 97045, 97124, 97210, 97212, 97086, 97214, 97132, 97123, 97070, 98632, 97302, 98683, 97103, 97206, 97062, 98607, 97116, 98661, 97267, 97209, 97330, 98685, 98604, 97013, 98684, 98662, 97217, 97213, 97128, 97230, 97236, 98664, 97008, 98686, 97080, 98682, 97233, 97003, 97031, 97232, 97005, 97211, 97030, 97222, 97702, 97058, 97303, 98665, 97305, 97015, 97138, 97304, 98671, 98642, 97078, 97405, 97701, 97141, 97140, 98631, 98626, 97266, 97322, 97801, 97205, 97215, 97501, 97131, 97703, 97502, 97071, 98663
OHSU Casey Eye Institute Ophthalmic Genetics Clinic Marquam Hill	545 SW Campus Dr Elks Children's Eye Clinic, 6th floor MC: ECEC Portland, OR 97239	Ophthalmic genetics	97202, 97080, 97223, 97219, 98632, 98661, 97007, 97003, 97229, 97123, 97045, 97232, 97304, 97128, 98682, 97030, 97305, 97086, 97124, 97051, 97303, 97220, 97230, 97201, 98908, 98685, 98604, 98273, 97005, 97267, 97701, 97101, 97707, 98513, 97217, 97062, 97034, 97301, 97702, 97224, 97215, 97222, 97216, 97132, 97236, 92138, 98626, 98466, 97106, 97365, 97211, 83646, 97008, 97068, 97330, 59901, 97218, 98391, 97140, 97225, 97322, 97756, 97524, 97213, 97078, 97703, 97089, 98012, 97006, 97471, 97405, 70809, 97206, 97402, 98684, 97231, 87505, 98638, 97038, 97055, 97459, 97013, 83843, 98663, 97239, 97212, 97404, 97527, 98023, 97022, 98109, 97470, 97477, 98502, 97205, 98660, 48047, 97306, 97023, 97209, 98686, 97048, 99037, 59911, 97415, 97355, 97439, 98674, 98033, 97233, 59930, 97850, 97035, 97031, 97501, 97146, 83872, 97381, 97378, 97127, 97383, 98031, 97479, 98059, 97504, 98075, 97526, 97351, 97601, 97467, 97302, 83835, 98664, 98687, 98374, 94555, 98909, 97366, 98671, 98503, 98052, 97071, 98902, 98520, 99205, 99320, 98665, 99344, 97544, 98611, 97385

OHSU Casey Eye Institute Retina Clinic Marquam Hill	545 SW Campus Dr Elks Children's Eye Clinic, 4th floor Portland, OR 97239	Eye	97229, 97219, 97123, 97007, 97239, 97034, 97035, 97224, 97225, 97223, 97202, 97124, 97008, 97201, 97209, 97138, 97206, 97212, 97103, 97070, 97222, 97068, 97217, 97140, 97045, 97086, 97030, 97116, 97211, 97267, 97221, 97006, 97080, 97005, 97838, 97301, 97062, 97230, 97233, 97132, 97220, 97031, 97071, 98685, 97266, 98607, 97056, 97330, 97128, 97236, 98682, 97215, 97213, 97302, 97303, 97205, 98632, 97003, 98604, 97113, 97214, 97141, 97322, 97801, 97015, 97333, 97232, 97203, 98683, 97146, 97216, 97051, 97078, 97305, 97023, 97338, 97038, 97013, 98661, 99362, 97210
OHSU Casey Eye Institute Vision Rehabilitation Clinic Marquam Hill	545 SW Campus Dr Elks Children's Eye Clinic, 6th floor Portland, OR 97239	Vision rehabilitation	97239, 97034, 97201, 97202, 97219, 97206, 97035, 97224, 97209, 97267, 97030, 97222, 97223, 97007, 97229, 97070, 97214, 97221, 97225, 97216, 97232, 97124, 97045, 97302, 97116, 97213, 97217, 97103, 97303, 97230, 97215, 97140, 97006, 97405, 97123, 97008, 97086, 97205, 98604, 97071, 97233, 97132, 97212, 98632, 97211, 97301, 98683, 98661, 97220, 97015, 98685, 97317, 97236, 97322, 97078, 97218, 98682, 97128, 97013, 97227, 97101, 97038, 97051, 97003, 97330, 97883, 97306, 97304, 98662, 97471, 97266, 98663, 98443
OHSU Center for Women's Health at Physicians Pavilion	3270 SW Pavilion Loop Physicians Pavilion, 4th fl, Ste 420 Portland, OR 97239-3011	Women's health	97229, 97007, 97132, 97222, 97062, 97214, 97068, 97030
OHSU Child Development and Rehabilitation Center at Sacred Heart Medical Center	3333 RiverBend Drive PeaceHealth Sacred Heart Medical Center Springfield, OR 97477-8800	Child development	97477, 97408, 97402, 97478, 97601, 97470, 97526, 97391, 97330, 97401, 97405, 97499, 97479
OHSU Child Rehabilitation Hemophilia Redmond	211 NW Larch Ave Redmond, OR 97756-1357	Pediatric rehabilitation hemophilia	97756, 97760, 97701, 97504, 97761, 97738, 97739
OHSU Family Medicine South Waterfront Offsite	3303 S Bond Ave Portland, OR 97239-3011	Family medicine	97202, 97266, 97236, 97229, 97216, 97206, 97215, 97201, 97230, 97233, 97086, 97222, 97024, 97209

OHSU General Pediatrics at Bethany Village	15220 NW Laidlaw Rd Doernbecher Pediatrics - Westside Clinic Portland, OR 97229-7717	General pediatrics	97229, 97006, 97007, 97124, 97003, 97123, 97078, 97005, 97008
OHSU Health Rehabilitation Clinic on Murray Scholls	11200 SW Murray Scholls Pl Ste 100 Beaverton, OR 97007	Rehabilitation	97007, 97008, 97219, 97223, 97229, 97225, 97005, 97224, 97221, 97006, 97239, 97210, 97035, 97062, 97003, 97123, 97078, 97034, 97202, 97116, 97201
OHSU Hemophilia Center/Maternal Fetal Medicine at Physicians Pavilion	3270 SW Pavilion Loop Physicians Pavilion, 4th FL, Ste 420 Portland, OR 97239	Hemophilia and maternal fetal medicine	97230, 97223, 97206, 98602, 97227, 97219, 97123, 97116, 97202, 98675, 97203, 97058, 97041, 97229, 97330, 97405, 97389, 97209
OHSU Immediate Care Clinic at Beaverton	15700 SW Greystone Ct BEAVERTON, OR 97006-6011	Immediate care	97006, 97229, 97007, 97124, 97123, 97003, 97223, 97005, 97078, 97008, 97219, 97225, 97221
OHSU Immediate Care Clinic at Richmond	4212 SE Division St OHSU Immediate Care Clinic, Richmond PORTLAND, OR 97202-1628	Immediate care	97206, 97202, 97214, 97266, 97215, 97236, 97233, 97213, 97222, 97211, 97232, 97230, 97220, 97216, 97217, 97239, 97267, 97030, 97209
OHSU Immediate Care Clinic at Scappoose	51377 Old Portland Rd SCAPPOOSE, OR 97056-4023	Immediate care	97056, 97051, 97048
OHSU Knight Cancer Clinic at Medford	3011 E Barnett Rd Heimann Cancer Center Medford, OR 97504	Oncology	97502, 97526, 97520, 97457, 97415
OHSU Knight Cancer Clinics at South Waterfront	3485 S Bond Ave Center Health & Healing Bldg 2 Portland, OR 97239-4501	Oncology, urology oncology	97219, 97202, 97206, 97223, 97222, 97224, 97229, 97068, 97045, 97035, 97239, 97203, 97209, 97123, 97214, 98607, 97215, 97124, 97080, 97217, 97267, 97266, 97201, 97006, 97405, 97056, 97306, 97221, 97013, 98684, 97051, 97230, 97078, 97322, 98665, 97140, 98682, 97007, 97220, 98620, 98671, 97133, 97086, 98686, 97233, 98642, 97213, 98685, 97231, 97216, 97070, 97838, 98661, 97116, 97034, 97218, 97305, 97355, 97062, 97060, 97003, 97212, 98606, 98672, 97301, 97368, 97205, 97756, 97317, 97383, 97015, 97232, 97132, 97004, 97236, 97008, 97211

OHSU Nephrology and Hypertension Clinic, Marquam Hill	3270 SW Pavilion Loop Physician's Pavilion, Fl 2, Ste 220 Portland, OR 97239-3011	Nephrology and hypertension	97058, 97209, 97229, 97219, 97202, 97007, 97030, 97080, 97223, 97006, 97206, 97224, 97236, 97239, 97123, 97086, 97230, 97068, 97045, 97201, 97221, 97213, 97003, 97124, 97266, 97071, 98684, 97222, 97355, 97051, 97035, 97205, 97233, 97208, 98632, 97211, 97217, 97113, 97055, 97005, 97214, 98617, 98671, 97203, 97034, 97321, 97220, 97378, 97014, 97008, 97132, 97225, 97037, 97027, 98620, 97477, 97267, 98640, 97305, 97459, 97036, 97231
OHSU Nuclear Medicine and Molecular Imaging at Marquam Hill	3245 SW Pavilion Loop Sam Jackson Hall, Basement Portland, OR 97239-3011	Nuclear medicine and molecular imaging	97223, 97301, 97322, 97302, 97030, 97045, 97520, 97123, 97051, 97267, 97523, 97058, 97219, 97473, 97006, 97130, 98604, 97216, 97303, 97112, 98340, 97530, 97114, 98665, 97116, 97055, 95982, 97703, 82414, 97103, 97133, 98684, 97140, 97502, 97141, 97524, 97146, 97623, 97203, 97756, 97013, 98584, 97217, 98632, 97015, 98682, 97220, 98686, 97222, 97501, 83501, 97504, 97225, 95531, 97233
OHSU Orthopaedics at Adventist Health	10000 SE Main St Adventist Health Pavilion, Ste 224 Portland, OR 97216	Orthopaedics	97236, 97080, 97230, 97233, 97030, 97266, 97220, 97206, 97055, 97216, 97086, 97060, 97222, 97023, 97045, 97089, 97015, 97267, 97009, 97202, 97024, 97213, 97013, 97211
OHSU Otolaryngology General Services at S Waterfront	3303 S Bond Ave Center for Health and Healing, Building 1, 15th FL Portland, OR 97239-4501	Otolaryngology	97006, 97239, 97030, 97223, 97212, 97222, 97233, 97202, 97206, 97217, 98684, 97330, 97038, 97060, 97756, 97080, 97035, 97123, 97301, 97124, 97477, 97140, 98611, 97015, 97232, 97017, 97236, 97027
OHSU Pediatric Cardiology at RiverBend	3377 RiverBend Dr RiverBend Pavilion, 4th FL Springfield, OR 97477-8803	Pediatric cardiology	97402, 97477, 97405, 97478, 97404, 97471, 97424, 97448, 97401, 97420, 97408, 97479, 97355, 97470
OHSU Perinatology Center at Tuality	364 SE 8th Ave Hillsboro, OR 97123-4201	Perinatology	97123, 97116, 97124, 97006, 97113, 97007, 97003, 97078, 97005, 97008, 97119
OHSU Plastic Surgery Clinic at RiverBend	3377 RiverBend Drive Riverbend Pavilion, 4th Fl Springfield, OR 97477-8803	Plastic surgery	97477, 97502, 97495, 97426, 97405
OHSU Primary Care at Gabriel Park	4411 SW Vermont Gabriel Park Clinic Portland, OR 97219-1020	Primary care	97219, 97223, 97221, 97239, 97224, 97225, 97008, 97005, 97035, 97007, 97229, 97202, 97034, 97062, 97201, 97068, 97006, 97209

OHSU Primary Care at Richmond	3930 SE Division St Portland, OR 97202-1643	Primary care	97206, 97202, 97214, 97266, 97233, 97236, 97213, 97215, 97230, 97222, 97217, 97030, 97211, 97216, 97220, 97080, 97267, 97209, 97232, 97203
OHSU Primary Care at Scappoose and OHSU Primary Care Scappoose Offsite	51377 SW Old Portland Rd StE C Scappoose, OR 97056-4023	Primary care	97051, 97056, 97048, 97053
OHSU Primary Care at South Waterfront	3303 S Bond Ave Center Health & Healing Bldg 1, 9th Fl Portland, OR 97239-4501	Primary care	97239, 97202, 97219, 97206, 97201, 97217, 97214, 97209, 97222, 97203, 97211, 97223, 97212, 97267, 97266, 97229, 97034, 97035, 97230, 97068, 97007, 97045, 97213, 97232, 97224, 97236, 97086, 97225, 97215, 97220, 97006, 97005, 97205
OHSU Primary Care Gabriel Park Offsite	4411 SW Vermont Portland, OR 97219-1020	Primary care	97219, 97221, 97225
OHSU Primary Care Richmond Offsite	3939 SE Division St Portland, OR 97202	Primary care	97008, 97005, 97232, 97219, 97233, 97222, 97216, 97078, 97267, 97206, 98671, 97213, 97045, 97141
OHSU Travel Medicine Clinic	3161 Pavilion Loop Multnomah Pavilion, 2nd Floor, Room 2602B Portland, OR 97239	Travel medicine	97229, 97239, 97217, 97214, 97035, 97068, 97206, 97203, 97219, 97030, 97224, 97124, 97007, 97202, 97221, 97223, 97024, 97330, 97027, 97113, 97213
OHSU Urology at Adventist Health Portland	10000 SE Main St Adventist Pavilion, 2nd Fl, Ste 260 Portland, OR 97216-2456	Urology	97233, 97202, 97206, 97030, 97080, 97266, 97230, 97086, 97219, 97239, 97236, 97222, 97267, 97220, 97201, 97229, 97216, 97045, 97223, 97060, 97212, 97055, 97008, 97211, 97221, 97015, 97209, 98682, 97225, 97214, 97007, 97232, 97215, 97203, 97217, 97056, 97035, 97006, 98683, 97103, 98661, 97123, 97068, 97051, 97213, 97023, 98607, 97224, 97009, 97034, 97141, 98686, 98664, 97338, 97003, 98604, 98662, 97301, 97124, 97303, 97322, 97218, 97070, 97205, 97333, 97071, 97024, 97054, 98684, 97355, 98665, 97305, 97756

OHSU Urology at Adventist Health Portland	10101 SE Main St Adventist Health Professional Bldg 2, Ste 1001 Portland, OR 97216-2456	Urology	97219, 97206, 97239, 97233, 97230, 97202, 97236, 97030, 97209, 97203, 97080, 97212, 97266, 97222, 97006, 97223, 98682, 97214, 97232, 97215, 97229, 97201, 97045, 97086, 97321, 97007, 97224, 97056, 97211, 97024, 97034, 97216, 97213, 97051, 97225, 97035, 97205, 97217, 97008, 97068, 97015, 98671, 97055, 97060, 97305, 98686, 97220, 98662, 97103, 97221, 98683, 97338, 97210, 97013, 97005, 97330, 98665, 98607, 97267, 97141, 97023, 97019, 97016, 97208, 97322, 97227, 98632, 97333, 97058, 97009
OHSU Vascular Surgery and Vein Clinic at South Waterfront	3303 S Bond Ave Center Health & Healing Bldg 1, 6th Fl Portland, OR 97239-4501	Vascular surgery	97219, 97058, 97239, 97202, 97123, 97206, 97223, 97209, 97224, 97229, 97128, 97236, 97124, 97230, 97216, 97203, 97214, 97222, 98620, 97006, 97210, 97062, 97007, 97233, 97201, 97267, 97005, 97034, 97212, 97211, 97217, 97035, 97225, 97003, 97030, 97378, 97470, 97205, 97068, 97045, 97303, 97071, 97031, 97301, 97266, 97080, 97008, 97132, 97220, 97038, 97140, 98640, 97221, 98632, 97086, 97218, 97070, 97056, 97013, 97116, 97302, 97304, 97420, 97103, 97306, 98661, 97024, 97321, 97055, 97138, 97051, 98607, 97850, 97305, 97213, 98683, 97333, 97060, 97141, 97023, 98682, 97146, 97801, 97232, 98604, 97113, 97037, 97520, 97322, 98662, 97330, 97367, 98638
Oregon Stroke Center at Hatfield Research Center	3250 SW Sam Jackson Park Rd Hatfield Research Center,13th Floor Portland, OR 97239-3011	Stroke	97201, 97239, 97219, 97202, 97128, 97266, 97058, 97103, 97222, 97034, 98632, 97233, 97232, 97229, 97035, 97008, 97230, 97132, 97420, 98620, 97068, 97221, 97051, 97267, 97070, 97007, 97056, 97305, 97223, 97086, 97214, 97030, 97062, 97045, 97236, 98661, 97401, 98683, 97005, 97123, 97301, 97209, 97206, 97217, 97013, 97124, 97224, 97203, 97225, 97006, 97022, 97080, 98607, 97504, 97060, 98611, 97411, 97471, 97216, 97023, 97015, 97116, 97338, 97303, 97381, 97146, 98626, 97520, 97031, 97121, 97141, 98625, 97071, 97470, 97383, 97038, 97205, 97325, 97801, 97003, 98638, 97211, 97502, 97212, 98617
Orthopaedics at Umpqua Orthopedics in Roseburg	277 Medical Loop Roseburg, OR 97471-1644	Orthopaedics	97470, 97471, 97479, 97527, 97523, 97415, 97496, 97520, 97526, 97457, 97411

Otolaryngology Pediatric Craniofacial Services at Marquam Hill	3270 SW Pavilion Loop Physician's Pavilion, 2nd Fl Portland, OR 97239	Pediatric otolaryngology craniofacial	97405, 97478, 97206, 97701, 97756, 97223, 97402, 97301, 97527, 98662, 98661, 97007, 97128, 97071, 97305, 97317, 97502, 97470, 98642, 97124, 97477, 97003, 97739, 97229, 97469, 97233, 97471, 97267, 97501, 97302, 97058, 97078, 98620, 97031, 97424, 98682, 97741, 97526, 97217, 97426, 97023, 97222, 97215, 97086, 97524, 97006, 97056, 97133, 97123, 97045, 98606, 97140, 98664, 97304, 97504, 97420, 97404, 97008, 97754, 97352, 97127, 98591, 97446, 98675, 97448, 97355, 97459, 97801, 97266, 98607, 97213, 97005, 97013, 97146, 97138, 97702, 97303, 97361, 97116, 97068, 97141, 97850, 97306, 97392, 97523, 97026
PED GAS AERODIGEST Physicians Pavilion	3181 SW Sam Jackson Park Rd Physician's Pavilion, 2nd Fl Portland, OR 97239-3011	Aerodigestive	97526, 98604, 97304, 97537, 97701, 97470, 97301, 97322, 97756, 97365, 98620, 97707, 97229, 97504, 97355, 97267, 97089, 97844, 97206, 97520, 97408, 97531, 97223, 97002, 97477, 97006, 97478, 97065, 97502, 97404, 97392, 97211, 97236, 97603, 97303, 97030, 97048, 97535, 97321, 97013, 97051, 98644, 97325, 97007, 97338, 97220, 97062, 97544, 97003, 97224, 97383, 97838, 97391, 97021, 98684
Pediatric cardiology	3640 NW Samaritan Dr Suite 100A Corvallis, OR 97330	Pediatric Cardiology at Corvallis	97330, 97355, 97365, 97322, 97333, 97321, 97448, 97374, 97370, 97420, 97478, 97341
Pediatric Cardiology at Mid-Columbia Medical Center	1935 E 19th St The Dalles, OR 97058-3392	Pediatric cardiology	97058, 98620, 97031, 97021, 98635, 98605, 97886, 97838, 98617
Pediatric Cardiology at Pendleton	2461 SW Perkins Ave Pediatric SpecialiSts Pendleton, OR 97801-4501	Pediatric cardiology	97838, 97850, 97883, 97882, 97818, 97862, 97868, 97801
Pediatric clinics at Cornell West	1500 NW Bethany Blvd Beaverton, OR 97006	Child development, general pediatrics, pediatric endocrinology, pediatric nephrology, pediatric pulmonary	97008, 97006, 97225, 97132, 97229, 97219, 97007, 97123, 97266, 97124, 97080, 97068, 97003, 97113, 97211, 97206, 97223, 97201, 97045, 97321, 97056, 97301, 97103, 97224, 97005, 97128, 97302, 97212, 97239, 97140, 97070, 97756, 97402, 97013, 97267, 97303, 97338, 97216, 97701, 97078, 97071, 97024, 97116, 97305, 97035, 97051, 97322, 97214, 97141, 97738, 97601, 97317, 97222, 97233, 97838, 97202, 97526, 97702, 97058

Pediatric clinics at Cornell West	1500 NW Bethany Blvd Cornell West, Suite 195 Beaverton, OR 97006	Child development, pediatric neurology	97229, 97301, 97007, 97303, 97305, 97221, 98632, 97123, 98661, 97128, 97071, 98682, 97068, 97006, 97304, 97306, 97322, 97223, 98607, 97124, 97078, 97321, 97302, 97202, 97225, 97477, 97219, 98685, 97003, 97058, 97355, 97116, 97236, 97224, 98683, 97212, 98642, 98626, 98671, 97317, 97527, 98665, 97113, 97005, 97051, 97080, 97140, 97502, 97031, 97141, 97351, 97338, 97266, 97470, 97405, 97402, 97325, 97420, 98684, 98664, 97086, 98606, 97034, 97132, 97217, 98604, 97035, 97070, 98662, 97504, 98663, 97206, 97267, 97013, 97211, 97008, 97239, 97214, 97501, 97503, 97603, 97415, 97138, 98660, 97062
Pediatric clinics at Cornell West	1500 NW Bethany Blvd Suite 195 Beaverton, OR 97006	Pediatric cardiology, general pediatrics	97229, 97123, 97124, 97007, 97116, 97113, 97008, 97006, 97141, 97225, 97219, 97070, 97103, 97128, 97003, 97132, 97078, 98682, 97045, 97140, 97005, 97203, 97213, 97330, 97146, 97136, 97214, 97231, 97504, 97367, 97034, 97111, 97119, 97302, 97038, 97420, 97133
Pediatric clinics at Doernbecher Children's Hospital	700 SW Campus Dr Doernbecher Children's Hospital, 7th Fl Portland, OR 97239	Child development, pediatric hemophilia	97233, 97236, 97305, 97071, 97301, 97123, 98663, 97205, 97005, 97230, 97078, 97603, 98661, 97006, 97504, 97128, 97080, 97103, 97141, 97420, 97322, 97304, 97838, 97862, 97124, 98632, 97229, 97266, 97031, 97116, 97113, 97526, 97402, 97801, 97351, 97302, 97222, 97501, 97223, 97030, 98682, 97503, 98620, 97303, 97206, 98662, 97045, 97062, 97527, 98684, 97058, 97306, 97015, 97003, 98665, 97007, 97850, 97086, 98685, 97439, 97203, 97146, 97051, 97060, 97477, 97520, 97756, 97202, 97056, 97008, 97471, 97741, 98660, 97218, 97215, 97701, 97478, 97448, 97317, 97338, 98642, 98683, 97355, 98607, 97013, 97209, 97739

Pediatric clinics at Doernbecher Children's Hospital	700 SW Campus Dr Doernbecher Children's Hospital, 7th Fl Portland, OR 97239-3011	Child development, general pediatrics, pediatric allergy and immunology, pediatric cardiology, pediatric cardiothoracic surgery, pediatric dermatology, pediatric dermatology procedures, pediatric cardiology, pediatric dermatology vasular anomalies, pediatric endocrinology, pediatric	97219, 97202, 97206, 97229, 97239, 97233, 97223, 97236, 97224, 97123, 97007, 97006, 97222, 97045, 97124, 97080, 97203, 97266, 97230, 97221, 97035, 97305, 97128, 97217, 97213, 97267, 97301, 97068, 97303, 97086, 97225, 98682, 97212, 97211, 97302, 98632, 98607, 97034, 97201, 97220, 97116, 97058, 97030, 97071, 97214, 97070, 97005, 97306, 98661, 97140, 97304, 97003, 97322, 97015, 97702, 97504, 97062, 97078, 97008, 97402, 97215, 97501, 97060, 98604, 97216, 97330, 98662, 97355, 98684, 97031, 97526, 97756, 97321, 98685, 98642, 97317, 97013, 97603, 97113, 97132, 97051, 97103, 97701, 97477, 97209, 97338, 97838, 97478, 97218, 98683
Pediatric clinics at Doernbecher Children's Hospital	700 SW Campus Dr Doernbecher Children's Hospital, 7th Fl Portland, OR 97239-3107	Pediatric plastic surgery, pediatric sleep medicine	97229, 97124, 97007, 97123, 97219, 97223, 97006, 97402, 97322, 97405, 97478, 97756, 97301, 97202, 97078, 97526, 97477, 97206, 98682, 97527, 97305, 97045, 97008, 97058, 97116, 98685, 97080, 97217, 97225, 97233, 97838, 98632, 97603, 97702, 97701, 97303, 97071, 97302, 97504, 97471, 97031, 98620, 97338, 97203, 97132, 97062, 97306, 97420, 97128, 97501, 98607, 97404, 97317, 97470, 98604, 97224, 97502, 97355, 97113, 97236, 97035, 98662, 97267, 97140, 98661, 98683, 97213, 97005, 97304, 97068, 98660, 97201, 97601, 98626, 97222, 97321, 97439, 97218, 97351, 97266, 97211, 97361, 97239, 97051, 98684, 97015, 97003, 97056, 97215, 97862, 97330, 97230, 97503, 97133, 98686, 97060, 97214, 97401
Pediatric clinics at Doernbecher Children's Hospital	700 SW Campus Dr Doernbecher Children's Hospital, 8th Fl Portland, OR 97239-3011	Pediatric cardiology, pediatric hospital dental	97266, 97006, 98661, 97124, 97322, 97007, 97123, 97045, 97051, 97301, 97236, 97351, 97005, 97223, 97048, 97305, 97013, 97222, 97128, 97402, 97080, 98632, 97303, 97113, 97233, 97229, 97206, 97060, 97015, 97211, 98671, 97086, 98685, 97383, 97209, 97030, 97219, 97068, 97404, 97003, 97471, 97302, 97306, 98642, 98607, 97132, 97008, 97202, 98604, 97031, 97089, 97220, 97224, 97321, 97487, 98626, 97601, 97267, 97230, 97304, 97504, 97138, 97216, 97213, 97021, 97308, 97478, 97317, 97501, 97103, 97527

Pediatric clinics at Fisher's Landing	16811 SE Mcgillivray Blvd Fisher's Landing Vancouver, WA 98683-3404	Pediatric cardiology, pediatric endocrinology, pediatric gastroenterology, pediatric	98682, 98607, 98632, 98604, 98684, 98661, 98662, 98671, 98683, 98642, 98685, 98665, 98686, 98626, 98675, 98660, 98664
Pediatric clinics at Happy Valley	10151 SE Sunnyside Rd Clackamas Building, Suite 110 Clackamas, OR 97015-5705	Pediatric cardiology, pediatric dermatology, pediatric endocrinology, pediatric gastroenterolog, pediatric neurology, pediatric orthopedics, pediatric pulmonary, pediatric sleep medicine, pediatric urology	97206, 97045, 97080, 97202, 97236, 97266, 97233, 97068, 97086, 97303, 97013, 97213, 97301, 98682, 97305, 97007, 97302, 97222, 97030, 97229, 97405, 97006, 97071, 97015, 97520, 97124, 98632, 97267, 98662, 97219, 98607, 97402, 97035, 97306, 97223, 97478, 97330, 97217, 97128, 97123, 97058, 97103, 97322, 97477, 97003, 97304, 97501, 98661, 97062, 97401, 97089, 97203, 98684, 97031, 97140, 97230, 97220, 97232, 97801, 97027, 97471, 97338, 98686, 97224, 97055, 97034, 98685, 97702, 98642, 97212, 97211, 97005, 97215, 98665, 98604, 97321, 97504, 97838, 97333, 97060, 97038, 97526, 97008, 97078, 97225, 97701, 97214, 97070, 97221
Pediatric clinics at Medford	691 Murphy Rd Asante Medical Arts Building Medford, OR 97504-4311	Child development and neurodevelopment, pediatric orthopedics	97501, 97504, 97527, 97503, 97502, 97526, 97520
Pediatric clinics at Medford	691 Murphy Rd, Ste 200 Medford, OR 97504-4311	Pediatric cardiology, pediatric endocrinology, pediatric gastroenterology, pediatric	97501, 97504, 97502, 97527, 97526, 97603, 97524, 97601, 97503, 97520, 97415
Pediatric clinics at Salem	875 Oak St SE Building C, Ste 3040 Salem, OR 97301-3975	Child development telemedicine, pediatric cardiology, pediatric	97301, 97305, 97303, 97302, 97304, 97306, 97321, 97322, 97330, 97338, 97128, 97317, 97355, 97383, 97071, 97351, 97325, 97404, 97361, 97370, 97367, 97381, 97478
Pediatric Endocrinology at Bend	760 NW York Dr Central Oregon Pediatrics (COPA) Bend, OR 97703	Pediatric endocrinology	97703, 97702, 97701, 97754, 97756
Pediatric Endocrinology at Bend Westside	815 SW Bond St Bend, OR 97702	Pediatric endocrinology	97702, 97701
Pediatric Endocrinology at Coos Bay	1750 Thompson Rd Bay Clinic Coos Bay, OR 97420-2100	Pediatric endocrinology	97420, 97423, 97459, 97415, 97439
Pediatric Endocrinology at Klamath Falls	3001 Daggett Ave Sanford Children's Clinic Klamath Falls, OR 97601	Pediatric endocrinology	97603, 97601

Pediatric Hematology/Oncology Vascular Services at Physicians Pavilion	3270 SW Pavilion Loop Physician Pavilion, 2nd Fl Portland, OR 97239-3011	Pediatric hematology/oncology vascular	98607, 97229, 97223, 97045, 97124, 97206, 97477, 97330, 97501, 97078, 97217, 98662, 97080, 97839, 97219, 98632, 97005, 98665, 97103, 97322, 97754, 97211, 98604, 97355, 98629, 97405, 97471, 97302, 97304, 97333, 97702, 97041, 98208, 92805, 99208, 97233, 97759, 97236, 97214, 97267, 98682, 97301, 97538, 97007, 97202, 97303, 97024, 97086, 98290, 97305, 98626, 97008, 97004, 97113
Pediatric Nephrology at Happy Valley	10151 SE Sunnyside Rd Clackamas Building, Suite 110 Portland, OR 97015-5705	Pediatric nephrology	97045, 97217, 97206, 98682, 97101, 97051, 97478, 97055, 97089, 97233, 97420, 98642, 97080, 97058, 97030, 97140, 97455, 97068, 97862, 97211, 97086, 97071, 97385, 97223, 97439
Pediatric Neurology at Medford	691 Murphy Rd Suite 200 Medford, OR 97504-4311	Pediatric neurology	97502, 97504, 97527, 97501, 97526, 97603, 97503, 97524, 97601, 97471
Pediatric Neurology Genetics at Doernbecher Children's Hospital	700 SW Campus Dr, 7th Fl Portland, OR 97239-3011	Pediatric neurology genetics	97638, 97405, 98682, 97128, 97603, 97213, 97308, 97005, 97703, 97526, 97203, 98610, 97206, 97502, 97212, 97124, 97051, 98606, 97222, 98642, 97229, 97501, 97231, 97504, 97266, 97116, 97267
Pediatric Plastic Surgery at Doernbecher Children's Hospital	700 SW Campus Drive Doernbecher Children's Hospital Portland, OR 97239-3011	Pediatric plastic surgery	97229, 97301, 97007, 97123, 97266, 97305, 97116, 97224, 97015, 97071, 97140, 97006, 97355, 98685, 97302, 97378, 97068, 97219, 97217, 97222, 97304, 97005, 98664, 97103, 98661, 97045, 97060, 97206, 97317, 97360, 98607, 97702, 97124, 98684, 97128, 97402, 97132, 97827, 97202, 97080, 97221, 98686, 97225, 97392, 97230, 97459, 97056, 97754, 97267, 98606, 97008, 97078, 97306, 98665, 97321, 97239, 98625, 98604, 98675, 97035, 97023, 97034, 97223, 97213, 97051, 97062, 97381, 97603, 97383, 97030, 97133, 97883, 97031, 97058, 97420, 98620, 97236, 98632
Pediatric Plastic Surgery at Doernbecher Children's Hospital Medford	691 Murphy Rd Medical Arts Building, Ste 200 Medford, OR 97504-4311	Pediatric Plastic Surgery at Doernbecher Children's Hospital	97504, 97502, 97471, 97501, 97524
Pediatric Pulmonology at Salem	875 Oak St SE Salem, OR 97301-3975	Pediatric pulmonology	97303, 97305, 97302, 97301, 97478, 97306, 97071, 97304, 97603, 97317, 97401, 97402, 97420, 97386, 97322, 97477, 97756, 97128, 97527, 97381, 97703, 97383, 97404, 97504, 97471, 97408, 97355

Pediatric Sleep Medicine at Cornell West	1500 NW Bethany Blvd Cornell West, Suite 195 Beaverton, OR 97006-5237	Pediatric sleep medicine	97701, 97756, 97128, 97303, 97016, 97229, 97006, 97302, 97005, 97124, 97035, 97007, 97702, 97078, 97401, 97478, 97223, 97405, 97140, 97141, 97058, 97305, 97754, 97477, 97123, 97526, 97132, 97470, 97008, 97301, 97601, 97051, 97741, 97236, 97838, 97031, 97068, 97317, 97225, 97330, 97351, 97404, 97003, 97116, 97402, 97202, 97086, 97471, 97113, 97203, 97322, 97206, 97217, 97306, 97386, 97527, 97424, 97022, 97703
Pediatric Urology at Salem Health	875 Oak St SE Salem Health, Building C, Suite 3040 Salem, OR 97301-3975	Pediatric urology	97303, 97317, 97304, 97302, 97301, 97305, 97306, 97330, 97471, 97370, 97478, 97402, 97325, 97501, 97322, 97385, 97527, 97479, 97477, 97114, 97321, 97347, 97424, 97355, 97236, 97361, 97498, 97013
Perinatal Center at Physicians Pavilion	3270 SW Pavilion Loop Physician's Pavilion, Ste 420 Portland, OR 97239-3011	Perinatal	97219, 97202, 97223, 97217, 97206, 97233, 97005, 97007, 97236, 97266, 97212, 97239, 97080, 97220, 97229, 97203, 97213, 97048, 97124, 97008, 97140, 97230, 97218, 97034, 97006, 97045, 97224, 97089, 97101, 97221, 97215, 97214, 97302, 97062, 97035, 97232, 97086, 97068, 97317
Perinatology Telemedicine	1810 E 19th St Suite 209 The Dalles, OR 97058-3388	Perinatology telemedicine	97058, 98620, 97021
Plastic Surgery Craniofacial Clinic	3250 SW Sam Jackson Park Rd Hatfield Research Center, 7th floor Portland, OR 97239-3011	Plastic surgery craniofacial	97140, 97317, 97381, 98607, 97070, 97501, 97850, 97355, 99301, 97365, 97459
Psychiatry at Sam Jackson Hall	3245 SW Pavilion Loop Sam Jackson Hall Building 6th floor Portland, OR 97239-3011	Psychiatry	97216, 97224, 97214, 97080, 97306, 97218, 97402, 97211, 97008, 97219, 97222, 97062, 97267, 97006, 98674, 97086, 97035, 97123, 97378, 97210, 97471, 97212, 98683, 97217, 97225, 98664, 97209, 97351, 97215, 97527, 97015, 98686, 97070, 97385, 97031
Pulmonary & Critical Care Medicine at Physicians Pavilion	3270 SW Pavilion Loop Physician's Pavilion Portland, OR 97239-3011	Pulmonary and critical care medicine	98682, 97239, 97202, 97211, 97520, 97070, 97322, 97306, 97006, 98661, 97330, 97212, 97301, 97206, 97141, 98683, 97229, 97703, 97304, 97015, 97305, 97526, 97215, 98626, 97086, 98664, 97123, 97128, 97233, 97302, 97112, 97236, 97230, 97024, 97415, 97030, 97114, 97034, 97232, 97035, 98684, 97045, 97501, 97214, 97826, 97217, 97013, 97224, 97124, 97115, 97844, 97756, 97266, 98645, 97003, 97140, 97068, 97051, 97008, 98607, 97321, 97213, 97367, 98674, 97219, 97225

Pulmonary & Critical Care Medicine at Physicians Pavilion	3270 SW Pavilion Loop Physician's Pavilion, 4th Floor Portland, OR 97239-3011	Pulmonary and critical care medicine	97007, 97202, 97068
Radiation Oncology at Kohler Pavilion	808 SW Campus Dr Kohler Pavilion, 4th Floor Portland, OR 97239	Radiation oncology	97219, 97239, 97224, 97206, 97030, 97201, 97202, 97222, 97034, 97214, 97213, 97045, 97212, 97035, 97203, 97223, 97225, 97209, 97236, 97221, 97141, 97217, 97210, 97062, 98661, 97123, 97233, 97267, 97006, 97007, 97306, 97266, 98686, 97211, 98664, 97229, 97128, 97303, 98607, 97230, 97205, 97071, 97603, 97070, 98611, 97080, 97304, 98632, 97086, 97302, 97305, 97055, 97520, 97058, 98682, 97132, 97089, 97008, 98665, 97338, 97405, 97056, 97220, 97845, 97140, 97232, 97068, 97322, 97018, 97216, 97124, 97756, 97215, 97015, 97048, 98685, 97004, 97013, 97022, 98620, 97702, 98626, 98604, 97601, 97352, 98671, 97838
Rheumatology in Dermatology Clinic at Center for Health & Healing, Bldg 1	3303 S Bond Ave Center Health & Healing Bldg 1, 16th Fl Portland, OR 97239	Rheumatology in dermatology	97132, 97267, 98682, 98375, 97007, 97266, 97051, 97306, 97068, 97006, 98607, 97223, 97351, 97080, 97404, 97131, 97070, 97035, 97381, 97138, 97459, 97203, 97123, 97212, 97330, 97005
Sleep Disorder Medicine at Hillsboro	3000 NW Stucki Pl Ste 280 Hillsboro, OR 97124-7107	Sleep medicine	97123, 97124, 97116, 97006, 97219, 97229, 97007, 97113, 97051, 97003, 97239, 97056, 97206, 97005, 97202, 97078, 97008, 97223, 97224, 97035, 97119, 97221, 97225, 97217, 97068, 97214, 97209, 97128, 97201, 97106, 97213, 97034, 97203, 97133
Student Health & Wellness Center Non-student	3225 SW Pavilion Loop Baird Hall, Room 18 Portland, OR 97239-3011	Student health and wellness	97239, 97201, 97214, 97202, 97211, 97219, 97003, 97221

Transplant Social Work	3235 SW Pavilion Loop Dillehunt Hall, Room 1010 Portland, OR 97239-3011	Transplant social work	97478, 98662, 97128, 97080, 97124, 97402, 97266, 97301, 97086, 97224, 97222, 97233, 97302, 97223, 98682, 97071, 97045, 97123, 97305, 97055, 97062, 97008, 98607, 97501, 97321, 97838, 97236, 97007, 97138, 97132, 97211, 97217, 97030, 97303, 97355, 97003, 97526, 97202, 97031, 97206, 97520, 98684, 97527, 97060, 98604, 97024, 98632, 97333, 97220, 98664, 97420, 97448, 98685, 98661, 97116, 97230, 97502, 97051, 97306, 97424, 97219, 97058, 97113, 98671, 97603, 98683, 97035, 97862, 97304, 97322, 97471, 97005, 97882, 97148, 97141, 97013, 97524, 97203, 98611, 97209, 98665, 97213, 97470, 97215, 97504, 97216, 97537, 97317, 98606, 97405, 98626, 97439, 97127, 97078, 97140, 97457, 98686, 97459, 97426, 97601, 98663, 97868, 97267
			*Service area zip codes: Zip codes listed include 75% or more of the encounters for the clinic and address identified. Data based on 2023 Calendar Year ambulatory encounters.

Legacy Health Non-Hospital Facility List

	A	B	C	D
1	**Location/Facility Name**	**Address**	**Services provided at location**	**Service area zip codes***
2	Legacy Clinic Cornell	1960 NW 167th Pl Beaverton, Oregon 97006	Family Practice, Orthopedics, Sports Medicine	97229, 97006, 97007, 97124, 97123, 97116, 97003, 97051, 97225, 97008, 97223, 97005, 97056, 97078, 97219, 97113, 97224, 97201, 97221, 97239, 97210, 97209, 97034, 97119, 97141, 97018, 97106, 97053, 97133, 97231, 97035
3	Legacy Medical Group Westside Internal Medicine	2725 SW Cedar Hills Blvd Beaverton, Oregon 97005	Adult-Gerontology Primary Care, Internal Care	97229, 97225, 97007, 97006, 97005, 97124, 97008, 97223, 97123, 97219, 97224, 97078, 97003, 97068, 97221, 97034, 97035, 97116
4	Legacy Clinic Canby	1433 SE 1st Ave Canby, Oregon 97013	Family Practice	97013, 97045, 97070, 97038, 97002
5	Legacy Mount Hood Medical Office Building 2	24850 SE Stark St Gresham, Oregon 97030	Women's Health, Midwifery	97080, 97030, 97055, 97060, 97233, 97230, 97024, 97009, 97236, 97023, 97089
6	Legacy Mount Hood Medical Office Building 1	24900 SE Stark St Gresham, Oregon 97030	Cardiology	97030, 97080, 97055, 97060, 97233, 97230, 97009, 97024, 97023, 97236, 97089, 97022
7	Legacy Medical Group Radiation Oncology Center	24950 SE Stark St Gresham, Oregon 97030	Radiation Oncology	97080, 97030, 97055, 97060, 97009, 97230, 97089, 97236, 97024, 97233, 97049, 97019
8	Legacy Mount Hood Medical Office Building 3	24988 SE Stark St Gresham, Oregon 97030	Adult-Gerontology Primary Care	97030, 97080, 97060, 97230, 97024, 97233, 97236, 97055
9	Legacy Mount Hood Medical Office Building 4	25050 SE Stark St Gresham, Oregon 97030	Podiatry, Adult-Gerontology Primary Care, Adult-Gerontology Acute Care, Reconstructive Surgery, Surgery Clinic, Pre-surgery Care	97080, 97030, 97055, 97060, 97233, 97230, 97236, 97024, 97009, 97023, 97089, 97086, 97266, 97206, 97220, 98682, 97022, 97019, 97015, 97045, 97067, 98672, 97211, 97058, 98607, 98683, 97217, 97031, 98661, 98648, 98685, 97068, 97070, 97216, 97232, 98684, 97203, 97222, 97267, 97013, 97049
10	Legacy Clinic Bridgeport	18010 SW McEwan Rd Lake Oswego, Oregon 97034	Family Medicine	97224, 97035, 97062, 97034, 97070, 97223, 97068, 97140, 97219, 97007
11	Legacy Clinic Lake Oswego	412 A Ave Lake Oswego, Oregon 97034	Family Medicine	97034, 97035, 97068, 97219, 97062, 97224, 97070, 97045, 97223, 97222, 97267, 97206, 97217, 97202, 97140
12	Legacy Clinic Molalla	861 W Main St Molalla, Oregon 97038	Family Medicine	97038, 97381, 97017, 97042

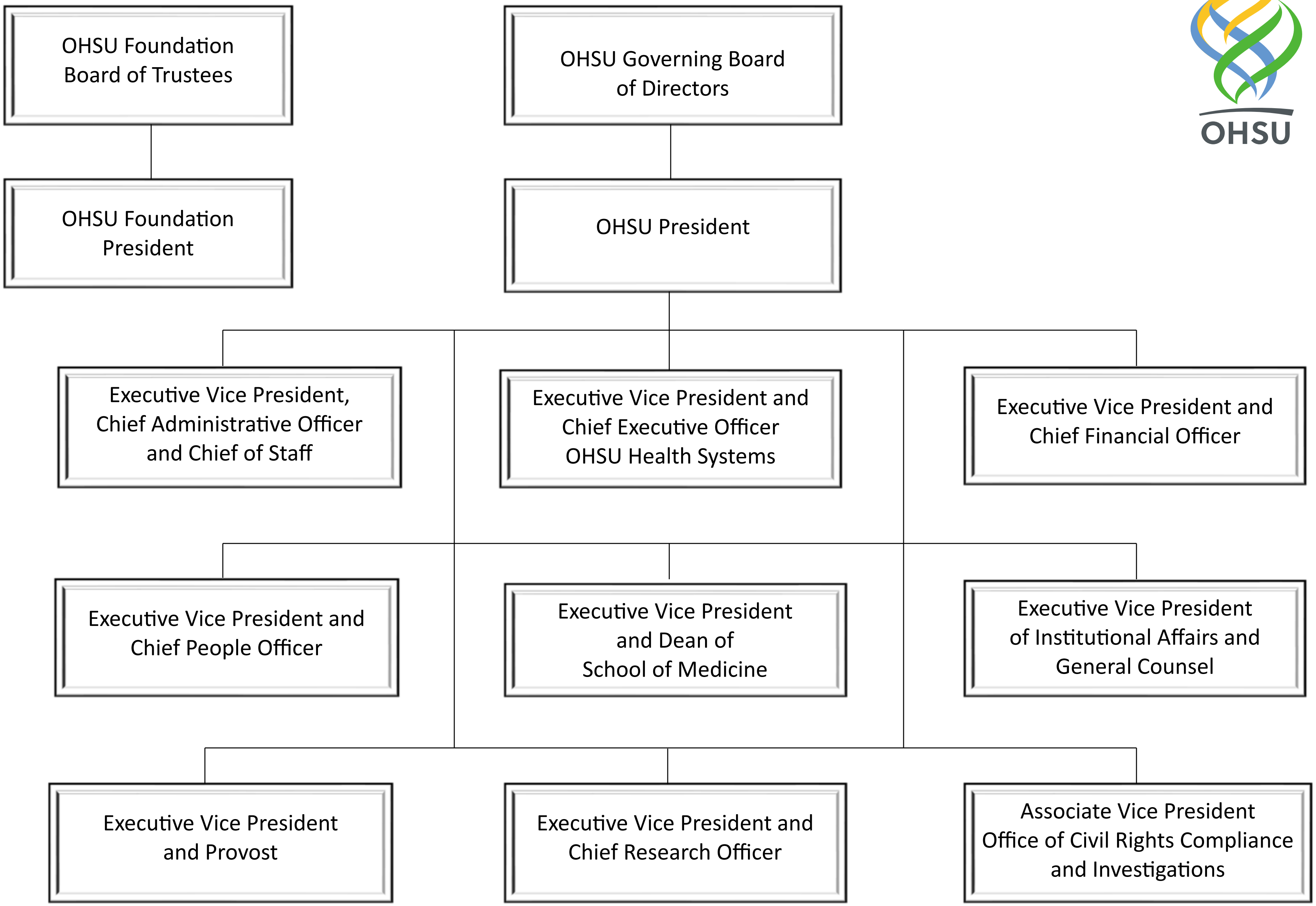
	A	B	C	D
13	Legacy Medical Group Mt Angel	250 W Marquam St Mt. Angel, Oregon 97362	Family Medicine	97381, 97362, 97071, 97303, 97305
14	Legacy Good Samaritan Medical Office Building 2	1040 NW 22nd Ave Portland, Oregon 97210	Ophthalmology, Physical Medicine & Rehabilitation, Family Medicine, Adult-Gerontology Primary Care, Surgerical Oncoloy, Cardiology, High Risk Clinic &	97209, 97051, 97210, 97229, 97201, 97219, 97056, 97225, 97203, 97205, 97239, 97217, 97212, 97030, 97202, 97221, 97211, 97034, 97223, 97213, 97007, 97035, 97224, 97206, 97080, 97068, 97230, 97070,
15	Legacy Good Samaritan Medical Office Building 3	1130 NW 22nd Ave Portland, Oregon 97210	Gynecology Oncology, Primary Care, Pain Management, Nephrology, General Surgery, Integrative Cancer, Radiation Oncology, Family Medicine,	97209, 97210, 97201, 97229, 97219, 97202, 97225, 97212, 97217, 97239, 97203, 97205, 97221, 97211, 97214, 97051, 97056, 97206, 97213, 97223, 97232, 97215, 97222, 97034, 97006, 97230, 97231, 97007, 97035, 97267, 97008, 97224, 97086, 97220, 97124, 97053, 97266, 97218, 97005, 97068, 97003, 97045, 97123, 97015, 97227, 97233, 97140, 97030, 97062, 97236, 98683, 97070, 97018, 97080
16	Legacy Good Samaritan Medical Office Building 1	2222 NW Lovejoy St Portland, Oregon 97210	Pre-Surgery Care, Reconstructive Surgery, Urogynecology, Geriatric Medicine, Hospice & Palliative Medicine, Pulmonology, Orthopedic Surgery, Colon & Rectal Surgery, Gender Care Services	97051, 97217, 97203, 97209, 97211, 97229, 97212, 97210, 97056, 97202, 97213, 97201, 97030, 97225, 97219, 97232, 97214, 97223, 97080, 97205, 97206, 97006, 97239, 97230, 97233, 97045, 97227, 97124, 97215, 97236, 97070, 97055, 97221, 97224, 97220, 97008, 97005, 97266, 98682, 97068, 97034, 97222, 97007, 97267, 97218, 97053, 97062, 97035, 97060, 98683, 97086, 97123, 97048, 98665, 97024, 97013, 97003, 98607, 98685, 97078, 97018, 98661, 97116, 97038, 97231, 97071, 97216, 98604, 98663, 97302, 97009
17	Legacy Clinic Broadway	1600 NE Broadway St Portland, Oregon 97232	Internal Medicine	97212, 97211, 97213, 97232, 97217, 97214, 97202, 97206, 97215, 97203, 97220, 97218, 97219, 97230, 97229, 97222, 97225, 97210, 97239, 97209, 97201, 97086, 97080, 97267, 97221

	A	B	C	D
18	Legacy Emanuel Medical Office Building 1	2800 N Vancouver Ave Portland, Oregon 97227	Midwifery, Podiatry, Pallative Care, Internal Medicine	97217, 97211, 97203, 97212, 97227, 97213, 97230, 97202, 97220, 97206, 97214, 97232, 97218, 97209, 97233, 97266, 97236, 97219, 97229, 97030, 97215, 97216, 97201, 97051, 97080, 97210, 97225, 97086, 97239, 97267, 97223, 97045, 97222, 98682, 97205, 97224, 97024, 97035, 97056, 98661, 97006, 97007, 97034, 98665
19	Legacy Emanuel Medical Office Building 3	300 N Graham St Portland, Oregon 97227	Maternal & Fetal Medicine, General Surgery, Family Medicine, Ophthalmology, Pulmonology, Pediatric Gastroenterology	97217, 97211, 97212, 97203, 97213, 97206, 97202, 97233, 97214, 97227, 97230, 97218, 97219, 97220, 97232, 97030, 97080, 97229, 97838, 97209, 97210, 97225, 97222, 97236, 97239, 97266, 97223, 97051, 97215, 97201, 98682, 97086, 97060, 97267, 98661, 97055, 97035, 97056, 97221, 97007, 97071, 97216, 97045, 98665, 97205, 98684, 97801, 97034, 97231, 97015, 98604, 97006, 97224, 97024, 98685, 97124, 97882, 97123, 97068, 98683, 98642, 97008
20	Legacy Medical Group Orthopedics	450 N Graham St Portland, Oregon 97227	Orthopedic Surgery	97211, 97217, 97080, 97212, 98682, 97203, 97229, 97233, 97051, 97030, 97230, 97206, 97213, 97055, 97068, 98604, 97202, 98661, 97219, 97236, 97086, 97045, 98607, 98642, 97060, 98662, 98685, 97220, 97224, 97223, 98665, 97007, 97056, 98684, 97209, 97218, 97062, 97266, 97222, 97070, 97140, 97225, 98671, 98686, 97006, 97023, 97267, 97214, 97232, 97215, 98664, 98674, 97015, 97008, 97089

	A	B	C	D
21	Legacy Emanuel Medical Office Building 2	501 N Graham St Portland, Oregon 97227	Cardiology, Cardiothoracic Surgery, Adult-Gerontology Acute Care; Pediatric Neurology, Pediatric Neurosurgery, Pediatric General Surgery, Pediatric Pulmonology, Medical Genetics, Pediatric Infectious Diseases, Pediatric Nephrology, Pediatric Rheumatology, Pediatric Endocrinology, Vascular Medicine, Neurology, Family Medicine, Neurological Surgery,	97217, 97211, 97203, 97212, 97051, 97213, 97202, 97230, 97030, 97080, 97056, 97209, 97232, 97220, 97219, 97206, 97229, 97055, 97218, 97227, 97233, 97223, 97214, 97225, 97201, 97267, 97222, 97266, 97045, 97068, 97224, 97236, 97034, 97035, 97210, 97060, 97215, 97239, 97086, 97205, 97013, 97062, 97070, 97007, 97221, 98685, 97124, 97071, 98642, 97006, 97216, 98682, 97024, 97053, 97231, 97009, 98604, 98607, 98662, 98683, 98661, 97005, 98665, 97018, 97123, 97140, 97015, 98686, 97038, 97023, 97089, 98684, 97003, 97132, 98632, 97004, 97008, 97048, 98663, 98671, 97058, 97128, 97116, 97103, 98664, 97054, 97138, 98660, 98626, 97002
22	Legacy Clinic Raleigh Hills	8329 SW Beaverton-Hillsdale Hwy Portland, Oregon 97225	Geriatric Medicine, Family Medicine	97225, 97219, 97223, 97229, 97221, 97007, 97008, 97239, 97005, 97224, 97006, 97034, 97035, 97202, 97201, 97210, 97209, 97123, 97003, 97124, 97140, 97212, 97078, 97070
23	Legacy Clinic Firwood	36860 Industrial Way Sandy, Oregon 97055	Family Medicine	97055, 97009, 97023, 97080, 97022
24	Legacy Silverton Family Medicine	335 Fairview St Silverton, Oregon 97381	Family Medicine	97381, 97038, 97305, 97362, 97071, 97303, 97301
25	Legacy Medical Group Silverton	347 Fairview St Silverton, Oregon 97381	Family Medicine	97381, 97305, 97362, 97303, 97301, 97071
26	Legacy Silverton Medical Office Building 2	406 Welch St Silverton, Oregon 97381	Women's Health, Midwifery	97381, 97071, 97303, 97305, 97301, 97362, 97038, 97306, 97317
27	Legacy Silverton Medical Office Building 1	450-456 Welch St Silverton, Oregon 97381	Orthopedic Surgery, Pre-Surgery Care, Maternal & Fetal Medicine	97381, 97071, 97305, 97301, 97303, 97362, 97071, 97038, 97381, 97305, 97317, 97304, 97303, 97032, 97301, 97302, 97026, 97375
28	Legacy Clinic St Helens	475 S Columbia River Hwy St. Helens, Oregon 97051	Family Medicine	97051, 97056, 97048

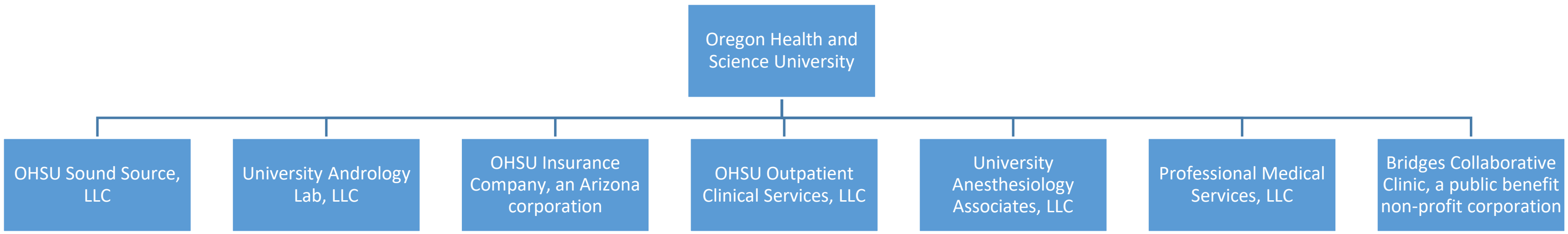
	A	B	C	D
29	Legacy Meridian Park Medical Plaza 1	19250 SW 65th Ave Tualatin, Oregon 97062	Cardiology, Surgical Oncology, Neurology, Palliative Care, Adult-Gerontology Primary Care	97224, 97070, 97062, 97068, 97034, 97035, 97013, 97071, 97045, 97223, 97140, 97038, 97219, 97267, 97002, 97132, 97007, 97381, 97032, 97222, 97008, 97229, 97027, 97004, 97123, 97080, 97006, 97305, 97128, 97225, 97303
30	Legacy Tualatin Medical Building	19875 SW 65th Ave Tualatin, Oregon 97062	Family Medicine, Urogynecology	97062, 97070, 97068, 97224, 97140, 97034, 97035, 97045, 97223, 97132, 97013, 97219, 97002, 97267, 97007, 97071, 97008, 97027, 97222, 97229
31	Legacy Medical Group Endocrinology	6475 SW Borland Rd Tualatin, Oregon 97062	Endocrinology, Diabetes & Metabolism	97045, 97070, 97062, 97224, 97013, 97071, 97068, 97034, 97140, 97035, 97223, 97038, 97219, 97267, 97080, 97002, 97055, 97132, 97032, 97051, 97211, 97023, 97007, 97027, 97229, 97381, 97128, 97086, 97202, 97209, 97006, 97030, 97206, 97217, 97222, 97233
32	Legacy Clinic Woodburn	1002 N Boones Ferry Rd Woodburn, Oregon 97071	Family Practice	97071, 97032, 97026, 97002
33	Legacy Woodburn Health Center	1475 Mt Hood Ave Woodburn, Oregon 97071	Adult-Gerontology Primary Care, Urgent Care, Business Health, Orthopedics, Behavioral Health	97071, 97303, 97032, 97305, 97026, 97381, 97301, 97038, 97002, 97013, 97362, 97302, 97317, 97306, 97304, 97020, 97209, 97070
34				
35				*Service area zip code: Count of all unique patients with a billable encounter at the address in col B, grouped by patient zip code and ranked from most unique patients to least. Only zip codes for the top 75% volume of patients is included. List is ordered from highest patient volume to lowest.

Supplemental Materials D: OHSU Pre-Transaction Organizational Structure Diagram



September 2024

OHSU Wholly-Owned Subsidiaries



OHSU Membership Interests

1. Tuality Health Plan Services, an Oregon public benefit non-profit corporation (OHSU is the sole corporate member. Remaining members are Oregon licensed physicians or healthcare providers)
2. OHSU Health IDS, LLC (OHSU holds 60% interest)
3. OHSU-AH, LLC (OHSU owns a 50% interest)
4. OHSU Project Co., LLC (OHSU owns a 33% interest)
5. Life Flight Network, LLC (OHSU owns a 25% interest)
6. Pacific Northwest Renal Services, LLC (OHSU owns a 5% interest)
7. Oregon Fiber Partnership, an Oregon public benefit non-profit corporation (OHSU is a member)

OHSU Foundation Affiliations

1. OHSU Foundation and OHSU Foundation, dba Doernbecher Children's Hospital Foundation, a 501(c)(3)
2. Oregon Rural Health Initiative**,** a 509(a)(3) entity.

OHSU Assumed Business Names

1. Bridges Clinic
2. Cascade Life Alliance

3. Columbia River Eye Clinic
4. Foresight Optical
5. Ophthalmology and Neurology Associates
6. OHSU
7. OHSU Health
8. OHSU Healthcare
9. OHSU Hospitals and Clinics
10. OHSU Medical Group
11. Oregon Health and Science University Medical Group
12. OHSU Pharmacy at Tuality
13. Northwest Marrow Transplant Program
14. University Professional Services
15. Department of Ophthalmology

Oregon Health and Science University (OHSU) General Ledger/Financial

OHSU
Ledger 2

Hospital Funds*
0111-0114
N/A

OHSU Outpatient Clinical Services, LLC
Fund 0114

All Other University Funds**
N/A

OHSU Insurance Company
Fund 1129

Tuality Health Plan Services (THPS)
Fund 1044

OHSU Foundation
Ledger 3
501c(3)

Oregon Rural Health Initiative
509(a)(3)

OHSU Health IDS
Presented Discretely

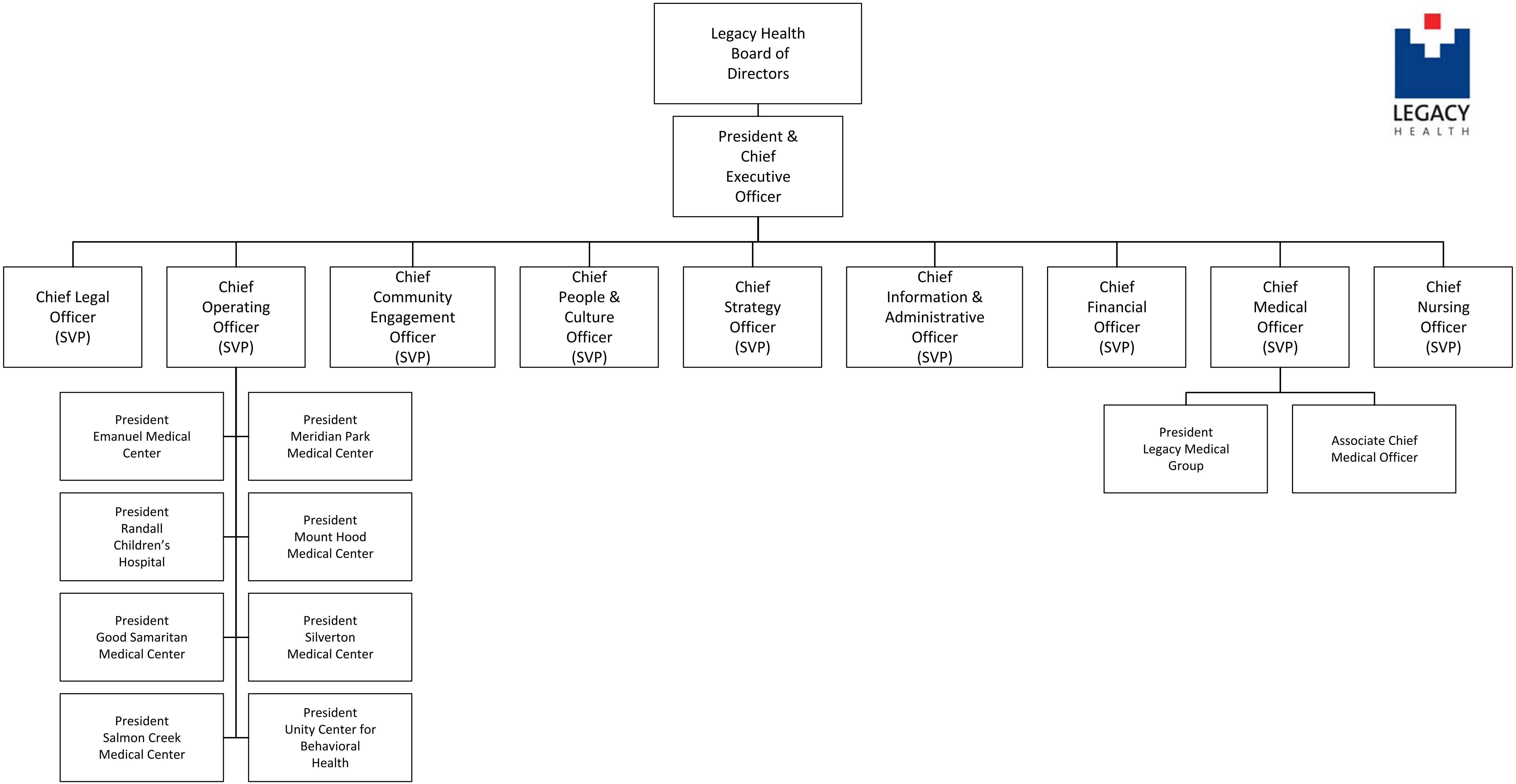
Tuality Healthcare and Subsidiaries
Presented Discretely

ACTIVE MEMBERSHIP INTERESTS

Owner	**%**	**Entity and GL (if applicable)**	**Purpose**
OHSU	60	OHSU Health IDS, LLC	Integrated network
OHSU	5	Pacific NW Renal Services, LLC	Outpatient dialysis services
OHSU	25	Life Flight Network, LLC	Emergency patient transport
OHSU	33	OHSU Project Co., LLC	Insurance
OHSU	N/A	Oregon Fiber Partnership	Membership
OHSU	50	OHSU-AH, LLC	Management organization

*Included as department: Doernbecher Children's Hospital, OHSU Hospitals and Clinics, OHSU Healthcare, University Andrology Lab, LLC, University Anesthesiology Associates, LLC, Professional Medical Services, LLC, Bridges Collaborative Care Clinic. Also includes contractual joint ventures in which OHSU participates.
**Included as department: School of Medicine, School of Dentistry, School of Nursing, Child Development Research Center, allied health programs, research institutes and OHSU SoundSource, LLC.
Note: "N/A" on an entity indicates this is a general ledger fund only and not a legal entity.

Supplemental Materials E: Legacy Health Pre-Transaction Organizational Structure Diagram


Legacy Health Board of Directors
President & Chief Executive Officer
Chief Legal Officer (SVP)
Chief Operating Officer (SVP)
Chief Community Engagement Officer (SVP)
Chief People & Culture Officer (SVP)
Chief Strategy Officer (SVP)
Chief Information & Administrative Officer (SVP)
Chief Financial Officer (SVP)
Chief Medical Officer (SVP)
Chief Nursing Officer (SVP)
President Emanuel Medical Center
President Meridian Park Medical Center
President Randall Children's Hospital
President Mount Hood Medical Center
President Good Samaritan Medical Center
President Silverton Medical Center
President Salmon Creek Medical Center
President Unity Center for Behavioral Health
President Legacy Medical Group
Associate Chief Medical Officer

LEGACY HEALTH (Legal Entities)

08-09-2024

- Legacy Health — NFP
  - Legacy Health Foundation — NFP
  - Legacy Health Partners — LLC
  - Legacy Health Single Depository Entity[1] — LLC
  - Legacy Health System CPC[2] — LLC
  - Legacy Health System Insurance Company — LTD
  - Legacy Outpatient Imaging LLC — LLC
  - Legacy Connect LLC — LLC
- Legacy Emanuel Hospital and Health Center * — NFP
  - Randall Children's Hospital Foundation — NFP
  - Legacy Laboratory Services LLC — LLC
  - Legacy Clinics LLC — LLC
- Legacy Good Samaritan Hospital and Medical Center — NFP
  - Good Samaritan Foundation — NFP
- Legacy Meridian Park Hospital — NFP
- Legacy Mount Hood Medical Center — NFP
- Legacy Salmon Creek Hospital — NFP
  - Salmon Creek Hospital Foundation — NFP
- Silverton Health (dba Legacy Silverton Medical Center) — NFP
  - Silverton Health Foundation — NFP
- Legacy Visiting Nurse Association (Hospice) — NFP

JOINT VENTURES

%	Entity
50.1%	Legacy/USP Surgery Centers LLC
49%	Legacy Imaging Ventures LLC
10%	NW Urgent Care Phase I (Go Health)
50%	NW Urgent Care Phase II (Go Health)
50%	PacificSource
39.5%	Portland Hospital Services Corporation
44.3%	Wishing Well Associates Inc.
50%	Option Care at Legacy, LLC
25%	Life Flight Network LLC
50%	NW Hospital Partnership, Inc.

Supplemental Materials F: Post-Transaction Organizational Structure Diagram

Proposed Organizational and Provider Models

Grant Thornton

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Background

- The Organizational and Provider model is a high-level representation of how the clinical enterprise will be organized.
- The model was discussed with select administrative and clinical leadership at both organizations and their input was incorporated. There was deep discussion about service lines and population health which will inform integration planning.
- The divisional structure and entities in each division will be in Exhibits C and D of the System Combination Agreement. Both organizations recognize that every service at Legacy or OHSU is not captured in proposed model. Prior to the Closing, OHSU and Legacy Health will work collaboratively to further update Exhibit C and Exhibit D.

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PUBLIC

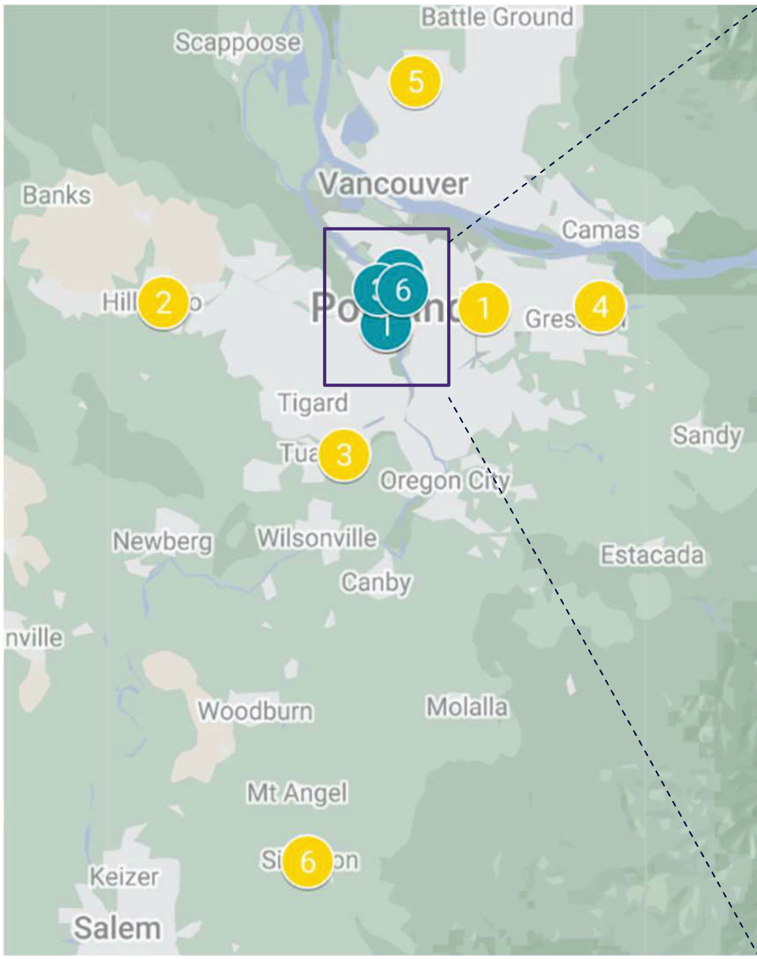
Proposed Organizational Model

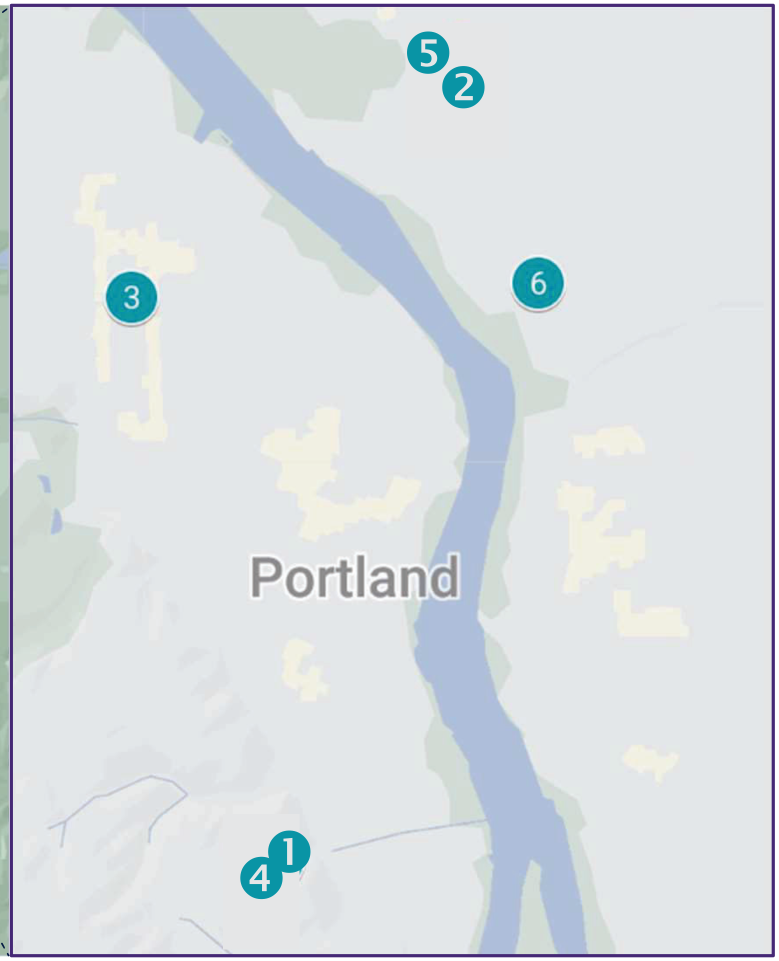
- OHSU
  - OHSU Health
    - Portland Division
      - Doernbecher Children’s
      - Emanuel Medical Center
      - Good Samaritan
      - OHSU Hospital
      - Randall Children’s
      - Unity
    - Regional and Ambulatory Division
      - Adventist Health
      - Hillsboro Medical Center
      - Meridian Park
      - Mount Hood
      - Salmon Creek
      - Silverton
      - Ambulatory Services*
    - Medical Groups
      - OHSU Practice Plan**
      - Legacy Medical Group**
      - Legacy and OHSU CINs
    - Independent Community Providers
  - Higher Education
    - School of Medicine
      - Basic, Translational and Clinical Sciences
      - Centers & Institutes
      - Clinical Departments
    - Education
      - Academic & Student Affairs
      - Schools / Colleges of other current healthcare disciplines
      - Other offices reporting to the Provost
  - Research
    - Comparative Medicine
    - Free Standing Research Centers & Institutes
    - Research Administration
    - Research Compliance

* *Clinics, Urgent Care, Ambulatory Surgical Centers, Freestanding Imaging, etc.*

** *Inclusive of Clinical Associates*

Hospital Locations





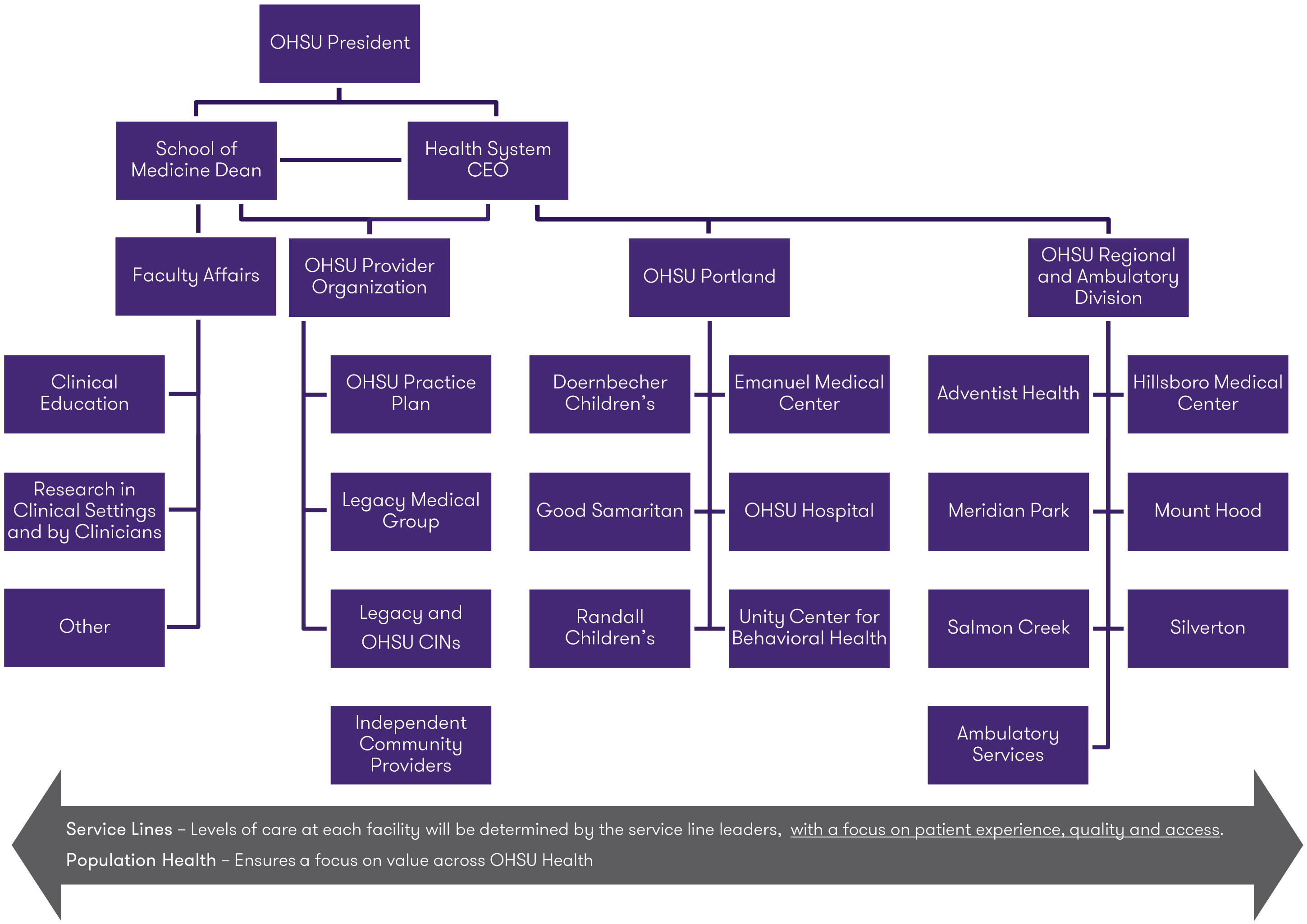
Portland Division

1. Doernbecher Children's
2. Emanual Medical Center
3. Good Samaritan
4. OHSU Hospital
5. Randall Children's
6. Unity Center for Behavioral Health

Regional and Ambulatory Division

1. Adventist Health
2. Hillsboro Medical Center
3. Meridian Park
4. Mount Hood
5. Salmon Creek
6. Silverton
7. Ambulatory Services (not depicted on the map)

Proposed Provider Organizational Model



Grant Thornton

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Supplemental Materials G:
Copies of All Current Agreements and Term Sheets for the Proposed Transaction

SYSTEM COMBINATION AGREEMENT

by and between

OREGON HEALTH & SCIENCE UNIVERSITY

and

LEGACY HEALTH

May 30, 2024

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Exhibit B:	Amended Legacy Health Bylaws
Exhibit C:	Regional and Ambulatory Division Operations
Exhibit D:	Portland Division Operations
Exhibit E:	Integration Plan Process Summary
Exhibit F:	Memorandum of Understanding
Exhibit G:	Transactions the Proceeds of Which are Excluded from the Calculation of the Initial Foundation Funding Amount
Exhibit H:	Initial Foundation Funding Amount as of December 31, 2023

SCHEDULES

1	Legacy Health Knowledge Persons
2	OHSU Knowledge Persons
3	Legacy Health Entities and OHSU Entities
3.4.5	Existing Capital Projects
3.5.2	Working Capital
3.6(a)	OHSU Competitors
3.6(b)	Legacy Health Foundation Restricted Words
6.1	Legacy Health Pre-Closing Operations
6.2	OHSU Pre-Closing Operations
7.4	OHSU Governmental Approvals
7.5	Legacy Health Governmental Approvals
7.6	Required Consents

SYSTEM COMBINATION AGREEMENT

THIS SYSTEM COMBINATION AGREEMENT (this "**Agreement**") is made and entered into as of May 30, 2024 (the "**Execution Date**"), by and between **OREGON HEALTH & SCIENCE UNIVERSITY**, an Oregon statutory public corporation ("**OHSU**"), and **LEGACY HEALTH**, an Oregon nonprofit corporation ("**Legacy Health**"). Each of OHSU and Legacy Health may be referred to throughout this Agreement individually as a "**Party**" and collectively as the "**Parties**." Capitalized terms used but not defined herein shall have the meanings given to them in Section 13.1.

WHEREAS, OHSU is Oregon's only comprehensive public academic health center. As part of its multifaceted public mission, OHSU strives for excellence in education, research and scholarship, clinical practice and community service. Through its dynamic interdisciplinary environment, OHSU stimulates the spirit of inquiry, initiative and cooperation among students, faculty and staff; and

WHEREAS, Legacy Health is a leading, regional nonprofit health care system based in Portland, Oregon with a mission of "good health for our people, our patients, our communities and our world"; and

WHEREAS, the entity named, as of the date of this Agreement, Legacy Health Foundation, an Oregon nonprofit corporation, or any successor thereto ("**Legacy Health Foundation**") is a nonprofit foundation affiliated with Legacy Health as of the Execution Date, and which will change its name and assume the rights set forth in the Transaction Documents (as defined below) as of the Closing Date and which will (a) change its governing documents to become independent of Legacy Health; and (b) change its mission to promote health (including physical, mental, and social determinants of health) and health equity in its communities; and

WHEREAS, OHSU and Legacy Health desire to create a combined health care system between their two complementary health systems focused on delivering high quality health care services to the communities they serve; and

WHEREAS, primary objectives of OHSU and Legacy Health in pursuing a combination are to:

A. Create a combined organization (referred to hereafter as the "**Health System**" or the "**OHSU System**") that is better able to achieve the respective missions of OHSU and Legacy Health to improve the health and well-being of people, patients, and the broader community;

B. Combine and coordinate care and complementary services across OHSU and Legacy Health locations in Oregon and Washington State to offer high quality and cost-effective delivery of inpatient and outpatient healthcare in Oregon and Washington State;

C. Build upon the complementary strengths they have in providing care in academic and community-based facilities;

D. Utilize the best practices and combined strengths of both organizations to enhance the quality, access, and efficiency of care across the combined enterprise;

E. Maintain and improve health care access to underserved, vulnerable populations in urban, suburban, and rural locations;

F. Expand access to clinical trials, other research, and innovation to advance the mission of both organizations;

G. Expand relationships with physicians and other health care practitioners using employment and other engagement models to provide fully integrated services across the continuum of care;

H. Obtain the benefits of certain economies of scale in order to accelerate improvements in operational cost-efficiencies and service effectiveness, while reinvesting savings to improve quality, advance technology, broaden access to care, and develop new and enhanced services;

I. Strengthen the long-term financial health of the combined enterprise to enable it to better (a) make significant capital improvements as needed from time to time to operate a state-of-the-art health system and to respond to changes in technology, demographics and care management models; and (b) withstand the high volatility in the health care services industry (due to labor shortages, inflation, dependence on government payors and other factors);

J. Enhance the current academic footprint of OHSU in order to (a) expand the education and training opportunities of future health care practitioners; and (b) enhance research activities across more diverse populations and a broader range of services;

K. Enhance the ability of the combined Oregon and Washington State-based system to provide high quality care at reasonable cost, and thereby deliver substantial value to patients and payors, by achieving efficiencies, investing in new systems and technologies, and leveraging the best practices of both systems; and

L. Accelerate the ability of the combined system to continue to transition to value-based care models;

WHEREAS, the Boards (as defined below) of OHSU and Legacy Health, in keeping with their duties to further their respective missions, have engaged in a deliberative process and have concluded that they can best work to achieve their goals through Legacy Health joining OHSU as an integral part of OHSU; and

WHEREAS, in furtherance of the above conclusions of the Boards of OHSU and Legacy Health, the Parties desire for OHSU to become the sole corporate member (parent) of Legacy Health in order for Legacy Health to be an effective integral part of OHSU, on the terms and subject to the conditions set forth herein; and

WHEREAS, the Parties also desire and intend that, following the Closing, Legacy Health Foundation shall be an express third-party beneficiary of this Agreement and have the right to enforce, on Legacy Health's behalf, certain post-Closing obligations of OHSU with respect to the Capital Commitment, as set forth herein.

NOW, THEREFORE, in consideration of the respective agreements, covenants, representations and warranties of the Parties set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereto, intending to be legally bound, agree as follows:

1. TRANSACTIONS.

1.1 Legacy Health to Become an Integral Part of OHSU. Subject to the terms and conditions set forth in this Agreement, effective as of the Effective Time and in consideration of the financial, operational and other commitments of OHSU herein, upon the Closing, Legacy Health shall become a direct subsidiary of OHSU (and each of Legacy Health's subsidiaries will thereby become indirect subsidiaries of OHSU). To accomplish this, effective as of the Effective Time: (a) OHSU shall become the sole corporate member of Legacy Health (the "**Appointment as Member**") and, indirectly, of all of Legacy Health's wholly owned subsidiaries, with the right to appoint the Board of Legacy Health; and (b) OHSU shall have such reserved and other rights and authorities with respect to Legacy Health as are provided under the terms of this Agreement (and related agreements or documents entered into in connection herewith). Accordingly, as of the Closing, OHSU will have ultimate control of Legacy Health and the other Legacy Health Entities, and, through Legacy Health (or through the other Legacy Health Entities), ultimate control of all of the Legacy Health Entities' facilities, sites, services, businesses, programs, personnel, real property plant and equipment, joint venture interests, investments, financial assets and other assets or rights. All Legacy Health Entities and Specified Legacy Health JVs shall remain intact as direct or indirect subsidiaries of OHSU and shall retain their respective operating licenses, assets, contracts and liabilities upon Closing. Under this structure, all Oregon assets of the combined system remain under the governance and ultimate control of Oregon legal entities and subject to oversight by Oregon regulatory authorities. Similarly, all Washington State assets of the Health System shall be subject to oversight by the Washington State Government Entities. Notwithstanding the foregoing provisions of this Section 1.1, (i) Legacy Health's membership interest in PacificSource, an Oregon nonprofit corporation that operates one or more health plans ("**PacificSource**"), shall be transferred to Legacy Health Foundation at or prior to Closing as described in Section 1.3 below; and (ii) the amount of certain of the Legacy Health Entities' existing cash and investments shall be transferred to Legacy Health Foundation as described in Section 3.5 below.

1.2 Changes to Organizational Documents of Legacy Health and the Other Legacy Health Entities and Legacy Health Governance. Subject to the terms and conditions of this Agreement, upon the Closing, Legacy Health shall direct, approve and cause: (i) the Articles of Incorporation of Legacy Health to be amended and restated in substantially the form attached hereto as Exhibit A (the "**Amended Legacy Health Articles**") and to be filed with the Oregon Secretary of State; and (ii) the Bylaws of Legacy Health to be amended and restated in substantially the form attached hereto as Exhibit B (the "**Amended Legacy Health Bylaws**"), in each case such that the sole corporate member of Legacy Health shall be OHSU, and the powers and authorities of the Parties with respect to Legacy Health shall be consistent in all respects with the terms hereof (and the other Transaction Documents). Subject to the terms and conditions of this Agreement, effective as of the Effective Time, Legacy Health shall also cause the other Legacy Health Entities to amend their Organizational Documents as necessary and, as appropriate, to file such amended Organizational Documents with applicable Government Entities, in a manner acceptable to OHSU, in order (a) to be consistent in all respects with the Appointment as Member; (b) to give OHSU the right, directly or indirectly, to appoint and remove (with or without cause) the members of each such Legacy Health Entity Board; and (c) to be consistent with the terms hereof (and the other Transaction Documents). Consistent with the Parties' intent that the OHSU System be centrally managed, the Board of each Legacy Health Entity will, to the greatest extent permitted by Legal Requirements, transition at Closing to be advisory (retaining only such direct authorities as mandated by Legal Requirements). Members of the OHSU Board of Directors (the "**OHSU Board**") shall be eligible to serve on the Boards of the Legacy Health Entities and the Specified Legacy Health JVs. The OHSU Board, directly or indirectly, shall exercise the rights of Legacy Health and the other Legacy Health Entities to make Board appointments to any joint venture entity in which a Legacy Health Entity is a shareholder, member or partner (i.e., a part owner), including, without limitation, the Specified Legacy Health JVs, and to exercise the other rights of the Legacy Health Entities with respect to such joint ventures (excluding PacificSource, Legacy Health's ownership interest in which will be transferred at Closing as described in Section 1.3 below). Following Closing, all joint ventures and third party business relationships will be governed at the system (i.e., top parent) level, except as otherwise mandated by law. OHSU management and the OHSU Board will make a determination in areas of overlapping/competing objectives as to which joint ventures and business relationships to prioritize based upon the degree to which they are accretive to the combined Health System's overall objectives, without regard to whether Legacy Health or OHSU (or either of their respective subsidiaries) was the original party to such joint ventures and/or business relationships.

1.3 PacificSource Membership Interest Transfer. Legacy Health's membership interest in PacificSource will be transferred at or prior to Closing to Legacy Health Foundation pursuant to the terms of the MOU (defined below). Following Closing, as among OHSU, Legacy Health and Legacy Health Foundation, Legacy Health Foundation shall solely receive the benefits of any rights, and shall solely be responsible for any obligations or liabilities, relating to the ownership and operation of PacificSource, and neither OHSU nor Legacy Health shall have any such rights or be responsible for any such obligations or liabilities.

1.4 Transactions. The effectuation of the foregoing actions as of the Closing Date to evidence OHSU becoming the sole member of Legacy Health and the completion of the Parties' other actions, commitments and covenants set forth in this Agreement and in any ancillary agreements to be effective prior to or at the Closing, shall be referred to herein as the "**Transaction**" or "**Transactions**."

2. CLOSING.

2.1 Closing Date. Subject to the satisfaction or waiver by the appropriate Party of all of the conditions precedent to Closing specified in Article 7 and Article 8 hereof, the consummation of the Transactions ("**Closing**") shall take place on the last day of the month during which all conditions precedent required herein to Closing are satisfied or waived or such other date as OHSU and Legacy Health may mutually agree (such date upon which Closing occurs, the "**Closing Date**"). The Closing shall take place remotely via electronic exchange of documents or at a location agreed upon by OHSU and Legacy Health. The Closing with respect to the Parties shall be deemed to have occurred and be effective as between the Parties as of 12:01 a.m. Pacific Time on the day after the Closing Date, or such other date and time as are established by OHSU and Legacy Health (the "**Effective Time**").

3. FINANCIAL, OPERATIONAL AND OTHER COMMITMENTS OF THE PARTIES.

3.1 Operating Model. At Closing, OHSU and Legacy Health (and their respective Affiliates') facilities and operations will be organized into an operating model that aligns the combined Health System's strategic goals with the needs of the communities it will serve. The combined Health System will be organized such that those pre-Closing OHSU and Legacy Health facilities and operations that are listed on Exhibit C and any future facilities and operations similarly situated by geography or ambulatory focus will be part of the Health System's "Regional and Ambulatory Division," and those pre-Closing OHSU and Legacy Health facilities listed on Exhibit D and any future inpatient facilities and operations similarly situated by geography will be part of the Health System's "Portland Division." Both divisions will have co-equal status within the combined Health System as a whole. The Regional and Ambulatory Division of the combined Health System shall have the same strategic and operational importance as the Portland Division of the combined Health System. Both divisions will be governed under a unified governance structure, with management of each division reporting to a single Health System Chief Executive Officer (who shall be appointed by the OHSU President), and operated on a consolidated financial and "single bottom line" basis, with capital deployed based on what is best for the combined Health System as a whole, regardless of which Health System operating entity(ies) receive the direct benefit of such expenditures (but subject to the Capital Commitment and Recapitalization Funding described in Section 3.4).

3.2 Integration Plan. OHSU and Legacy Health shall, consistent with all applicable Legal Requirements and under the guidance of their respective counsel, develop a plan to guide the post-Closing integration of the pre-Closing Legacy Health facilities and operations into OHSU (the "**Integration Plan**"). The Integration Plan shall reflect implementation of best practices relating to the sharing of certain back office functions, including, but not limited to, revenue cycle, supply chain, information technology, human resources, finance, risk management, legal and audit/compliance, as well as the possible migration to a single instance of Epic and conforming other material information technology systems to a uniform system across all combined system facilities and entities over time. The Integration Plan will be fully developed by the Parties between the Execution Date and the Closing Date. Attached as Exhibit E is a summary of the process for developing and finalizing the Integration Plan that OHSU and Legacy Health have mutually developed as of the Execution Date (the "**Integration Plan Process Summary**"). To the extent of any conflict between this Agreement and the Integration Plan or the Integration Plan Process Summary, the terms of this Agreement shall control.

3.3 Branding. The Parties agree that the name of the combined system shall be OHSU Health, or some derivative thereof, and the general branding of the combined system shall be that of OHSU. Notwithstanding the foregoing, following the Closing, the primary facilities of Legacy Health existing as of Closing shall retain their existing names but with "OHSU" replacing "Legacy" at the beginning of such names (e.g., at Closing, "Legacy Emanuel Medical Center" shall become "OHSU Emanuel Medical Center" and "Legacy Good Samaritan Medical Center" shall become "OHSU Good Samaritan Medical Center"); provided, that the retained portion of such existing facility names may be changed by the OHSU Board after Closing if the OHSU Board determines in good faith that such name is associated with historical harm, and subject to the requirements of any other agreements or binding restrictions related to the naming of any such facility.

3.4 Capital Commitment and Recapitalization Funding.

3.4.1 Subject to the other provisions of this Section 3.4, OHSU hereby commits to Legacy Health to expend, and shall expend no less than Nine Hundred Million Dollars ($900,000,000) (the "**Base Capital Commitment**") on Permissible Capital Commitment Expenditures (as defined below). The Base Capital Commitment shall be spent on Permissible Capital Commitment Expenditures that have commenced or that have been approved (and for which expenditures have been earmarked) within ten (10) years following the Closing, absent Exigent Circumstances, but need not be fully expended in that period if some projects take longer to complete; provided, however, that Six Hundred Million Dollars ($600,000,000) of the Base Capital Commitment shall be spent on Permissible Capital Commitment Expenditures that have commenced or that have been approved (and for which expenditures have been earmarked) within six (6) years following the Closing, absent Exigent Circumstances.

3.4.2 Subject to the provisions of this Section 3.4, OHSU hereby commits to expend, and shall expend, [redacted] which represents the net proceeds (gross proceeds less total direct (i.e., out of pocket) transaction costs) from Legacy Health's sale (the "[redacted] **Sale**") of its [redacted] to [redacted] (the "**Additional Capital Commitment**," and collectively with the Base Capital Commitment, the "**Capital Commitment**") on Permissible Capital Commitment Expenditures. The Additional Capital Commitment is in recognition of Legacy Health's intent that the sale of its [redacted] business benefits the current (i.e., pre-Closing) Legacy Health Entities, as well as reduces go-forward [redacted] costs. The Additional Capital Commitment shall be spent on Permissible Capital Commitment Expenditure projects that have commenced or that have been approved (and for which expenditures have been earmarked) within five (5) years following the Closing, absent Exigent Circumstances, but need not be fully expended in that period if some Permissible Capital Commitment Expenditure projects take longer to complete.

3.4.3 The Capital Commitment is guaranteed and is not dependent on the operating performance of the Health System (or any of its components), absent Exigent Circumstances; provided, however, that to the extent such Exigent Circumstances arise, the period for commencing or approving projects for the first Six Hundred Million Dollars ($600,000,000) of the Base Capital Commitment, the period for commencing or approving projects for the entire Nine Hundred Million Dollars ($900,000,000) Base Capital Commitment, and the period for commencing or approving projects for the Additional Capital Commitment, shall each be extended for up to an additional three (3) years from the timeframes for each set forth in Sections 3.4.1 and 3.4.2, above. Consequently, even in the event of such Exigent Circumstances, the entire Capital Commitment shall be spent on Permissible Capital Commitment Expenditures that have commenced or that have been approved (and for which expenditures have been earmarked) within no more than thirteen (13) years following the Closing.

3.4.4 Capital Commitment expenditures may include, without limitation, routine and non-routine capital expenditures at existing (as of Closing) Legacy Health facilities, whether in the Regional and Ambulatory Division or the Portland Division; expenditures on information technology at the Regional and Ambulatory Division facilities (including without limitation at the existing (as of Closing) Legacy Health facilities); the possible migration to a single instance of Epic; expenditures on new or expanded programs and lines of services at existing (as of Closing) Legacy Health facilities; and expenditures on new or expanded facilities, capabilities and programs (which may include population health, digital health and ambulatory growth initiatives) that will be part of the Regional and Ambulatory Division (collectively, the "**Permissible Capital Commitment Expenditures**"). Notwithstanding the foregoing provisions of this Section 3.4.4, (i) Permissible Capital Commitment Expenditures shall not include any capital expenditures on facilities or operations that are not wholly owned by OHSU at the time of the expenditure, other than (A) facilities and operations of Entities that were partially owned by Legacy Health prior to the Closing, and (B) facilities and operations of Entities formed after the Closing, whether wholly or partially owned, for purposes of making Permissible Capital Commitment Expenditures; (ii) no more than Twenty Five Million Dollars ($25,000,000) in integration-related information technology expenses, including the possible migration to a single instance of Epic, may be expended from the Capital Commitment, and (iii) for the first five (5) years following the Closing (but not necessarily thereafter), the portion of the Capital Commitment that is expended on Regional and Ambulatory Division facilities that were existing wholly-owned facilities of OHSU prior to Closing ("**Existing OHSU Regional and Ambulatory Facilities**") shall not exceed the proportion that the aggregate revenues of such facilities represent relative to the aggregate revenues of all Regional and Ambulatory Division facilities, in each case during the calendar year immediately preceding the Closing.

3.4.5 For avoidance of doubt, the Capital Commitment may be spent on Permissible Capital Commitment Expenditures that have commenced prior to the Execution Date but have not been completed as of the Closing and which are set forth on Schedule 3.4.5. The Capital Commitment may also be spent on the continuation or completion of Permissible Capital Commitment Expenditure projects that had commenced following the Execution Date but prior to the Closing (but which will not be completed as of the Closing) so long as such projects have been approved in writing prior to the Closing by OHSU. To the extent unspent bond funds excluded from the Initial Foundation Funding Amount (as defined in Section 3.5.3) are used to fund such commenced but uncompleted Permissible Capital Commitment Expenditures, the amount of such funds shall not reduce the Capital Commitment.

3.4.6 In addition, at or shortly after Closing, OHSU may recapitalize the balance sheets of the pre-Closing Legacy Health facilities with an amount approximately equal to the sum of (a) the Initial Foundation Funding Amount; and (b) [redacted] (the "**Recapitalization Funding**"). OHSU expects to secure the funds for the Capital Commitment and Recapitalization Funding by issuing over time new debt that would be secured by a new obligated group that includes the entire combined Health System.

3.4.7 In addition, on and after the Closing, when Legacy Health is part of the OHSU System, the Health System as a whole shall be responsible for operating results and losses, which shall not affect the amount of the Capital Commitment (absent Exigent Circumstances, which could affect the timing of the Capital Commitment as set forth in Section 3.4.3 above).

3.4.8 Any wage increases for the current Legacy Health workforce after Closing shall be absorbed by the Health System and shall not affect the Capital Commitment or the Recapitalization Funding (but the Parties acknowledge that such wage increases could affect whether Exigent Circumstances exist, which in turn could affect the timing of the Capital Commitment projects as set forth in Section 3.4.3 above).

3.4.9 Notwithstanding any other provisions of this Section 3.4 or this Agreement, the Capital Commitment is subject to increase or decrease in accordance with the indemnification provisions set forth in Article 11.

3.4.10 Appropriate financial records will be maintained in order to track Capital Commitment expenditures and ensure that the above commitments with respect to such expenditures are being met (such as, for example, maintaining separate internal records for the Regional and Ambulatory Division and the Portland Division, at least until such time as the Capital Commitment is fully expended). Such financial records shall be shared at a regular interval with Legacy Health Foundation pursuant to the requirements of Section 12.9.

3.5 Initial Foundation Funding.

3.5.1 Legacy Health Foundation, which exists and has ongoing operations as of the Execution Date, has entered or shall enter, at or prior to the Execution Date, into a Memorandum of Understanding in the form attached hereto as Exhibit F (the "**MOU**"). At or prior to the Closing, Legacy Health Foundation shall consummate the transactions contemplated by the MOU, subject to the requirements of this Agreement.

3.5.2 [redacted]

[redacted]

3.5.3 The positive difference between the amount set forth in Section 3.5.2(a) and the amount set forth in Section 3.5.2(b), if any (i.e., the positive difference between clause (a) of Section 3.5.2 and the sum of the subclauses of clause (b) of Section 3.5.2), is the "**Initial Foundation Funding Amount**." Notwithstanding the foregoing, costs for defeasing, refinancing, retiring or paying off outstanding debt of the Legacy Health Entities for which such defeasance, refinancing, retiring or paying off is not required pursuant to the terms of such debt in order to consummate the Transaction will not reduce the Initial Foundation Funding Amount, or be deducted therefrom. The Initial Foundation Funding Amount shall be based on Legacy Health's consolidated balance sheet as of the month immediately prior to the Closing, which balance sheet shall be consistent with year-end GAAP reporting and subject to post-Closing audit (on an agreed-upon procedures basis and by an independent auditor selected jointly by Legacy Health Foundation and OHSU) and (if necessary) a true-up payment between OHSU and Legacy Health Foundation based on such audit. An example calculation of the Initial Foundation Funding Amount as of December 31, 2023 is attached hereto as Exhibit H.

3.5.4 [redacted]

3.5.5 [redacted]

3.6 Legacy Health Foundation Governance. Legacy Health Foundation will be operated by a Board that is independent of the OHSU System and Legacy Health Foundation will not be an Affiliate of OHSU or Legacy Health. Legacy Health Foundation's mission will be to promote health (including physical, mental, and social determinants of health) and health equity in the community, solely through the Foundation Unrestricted Assets, the Initial Foundation Funding Amount, the Tranche Payment Amounts, the PacificSource membership interest and the proceeds thereof, grants, unsolicited gifts, and investment returns on the foregoing (i.e., Legacy Health Foundation will not engage in fundraising). Legacy Health Foundation (a) will not make grants to any hospital-based health system that is in competition with the OHSU System for purposes of engaging in activities that are competitive with the OHSU System, in whole or in part, as opposed to the purpose of addressing community health needs and otherwise furthering the mission of Legacy Health Foundation; and (b) will allow OHSU to compete for grants from Legacy Health Foundation on an equal footing with other organizations. Prior to the Execution Date, OHSU and Legacy Health agreed on the initial Legacy Health Foundation governance documents. [redacted]

[redacted] The new post-Closing name and branding of Legacy Health Foundation will be determined by Legacy Health prior to Closing, shall not include the name "Legacy" (so as to avoid any public confusion regarding its independence from the combined Health System) and shall require the advance approval of OHSU. Any changes to such naming and branding following Closing to include any of the words identified on Schedule 3.6(b) shall require the advance approval of both Legacy Health Foundation and OHSU.

3.7 Existing Foundations. Good Samaritan Foundation, Salmon Creek Hospital Foundation, Silverton Health Foundation, and Randall Children's Hospital Foundation will remain intact at Closing and for at least two (2) years thereafter (unless otherwise mutually determined by the leaders of both the OHSU existing foundations and applicable Legacy Health existing foundation), although OHSU and Legacy Health will evaluate their respective current foundation activity to determine opportunities for alignment and possible consolidation, consistent with prevailing Legal Requirements. The wishes of donors shall at all times be respected (e.g., donations earmarked by the donor for the support of a particular legal entity, facility or project will be used solely for such purpose) for assets donated to Legacy Health foundations, including Legacy Health Foundation. The leaders of both the OHSU and Legacy Health existing foundations will work in good faith to ensure any post-Closing operations and leadership transitions for the existing foundations support the mission of each of the existing foundations and minimize disruption to the work of the existing foundations.

3.8 PacificSource [redacted].

3.8.1 There shall be no restrictions under this Agreement on PacificSource's health plan business and operations, including any health plan business and operations that may be competitive to the combined OHSU System.

3.8.2 [redacted]

3.9 Physicians and Advanced Practice Providers.

3.9.1 Subject to any existing separation agreements or arrangements which restrict OHSU from re-hiring certain employees, initially following Closing, all current Legacy Health and OHSU physician and advanced practice provider ("**APP**") structures, relationships and arrangements shall be maintained.

3.9.2 OHSU and Legacy Health will discuss, with the involvement of a provider steering committee with representatives from each Party, consistent with Legal Requirements, both before and after Closing, the potential integration of their physician and APP arrangements and structures over time, including without limitation, as feasible and appropriate: (a) merging their employed-physician groups (as applicable); (b) merging their respective clinically integrated networks; (c) advancing service line structures across the combined system; and/or (d) developing system-wide methodologies for physician and APP compensation. Notwithstanding the involvement of a provider steering committee with representatives from each Party, OHSU will have the ultimate authority to make all decisions regarding physician and APP integration, arrangements and structure following the Closing.

3.9.3 Notwithstanding any such future integration, the combined system shall provide opportunities for physicians and APPs to join the OHSU System as employed faculty or through OHSU's existing non-academic track, as members of system-sponsored or system-owned provider networks (which could include Legacy Health Partners, LLC and/or other networks that leverage Legacy Health's expertise in operating clinically integrated networks) or as fully independent physicians or APPs with medical staff privileges at OHSU System facilities. However, as presently, all OHSU faculty will continue to be employed by OHSU.

3.9.4 Prior to or soon after the Closing Date, the Medical Staff Bylaws of all combined Health System facilities shall be reviewed and amended, as necessary, to reflect that all facilities are now a part of the combined OHSU System. The combined Health System shall use commercially reasonable efforts to implement reasonably uniform Medical Staff Bylaws for (a) all hospitals that are part of the Regional and Ambulatory Division; and (b) for all hospitals that are part of the Portland Division, although there may be differences between the Medical Staff Bylaws for these two categories of hospitals. In an effort to retain and support the existing physician and APP base, no physician or APP who is in good standing (i.e., not subject to final corrective action within the last twelve months) on the medical staff of any Legacy Health or OHSU hospital at Closing shall lose his or her medical staff membership or clinical privileges, or have such agreements materially altered, as a result of the Transaction.

3.10 Other Employees.

3.10.1 Subject to any existing separation agreements or arrangements which restrict OHSU from re-hiring certain employees, at Closing, all other (i.e., non-physician and non-APP) employees of Legacy Health, OHSU and their respective Affiliates who are in good standing (i.e., not subject to final corrective action within the last six months) shall remain employed by their current employer and remain subject to the terms of their existing collective bargaining agreements, as applicable; consequently, all such employees shall retain their benefits and seniority at Closing, as applicable. The Parties furthermore acknowledge that, over time, the combined Health System may desire to consolidate certain benefit plans across the combined Health System to enhance Health System effectiveness and operational integration and therefore, prior to Closing and consistent with Legal Requirements, OHSU and Legacy Health shall discuss in good faith (but OHSU shall ultimately determine) which benefit plans, if any, shall be consolidated initially (i.e., at or shortly following the Closing).

3.10.2 The Parties acknowledge that, over time, some employees may migrate to a different employer within the combined Health System, or to a different location or job function, to enhance Health System effectiveness and operational integration. Prior to Closing and consistent with Legal Requirements, OHSU and Legacy Health shall discuss in good faith (but OHSU shall ultimately determine) which employees, if any, shall be so migrated initially (i.e., at or shortly following the Closing). Subject to the terms of applicable collective bargaining agreements, any employee who is moved from one combined Health System entity to another shall receive service credit for the time spent at his or her then-current (i.e., prior to migration) employer and OHSU shall use reasonable best efforts to ensure that any such changes do not result in a material loss of compensation or a material reduction in aggregate benefits for the affected employee.

3.10.3 Subject to the results of OHSU's due diligence review of Legacy Health, including without limitation an evaluation of Legacy Health's turn-around plan and results as of Closing, OHSU shall not make any reductions in workforce for at least the first six (6) months following the Closing of any personnel who at Closing are actively employed in good standing (i.e., not subject to final corrective action within the last six months) by a Legacy Health Entity (and assuming due conduct and performance of job duties in material compliance with applicable policies), provided that any such reductions within the first (6) months following the Closing would be subject to any contractual arrangements with personnel, as applicable. Any future reductions shall comply with applicable Legal Requirements and the terms of any applicable collective bargaining agreements.

3.10.4 Further, to the extent that synergistic decisions ultimately result in the elimination of non-physician or non-APP positions, those shall be reviewed on a case-by-case basis by OHSU with a focus on prioritizing redeployment elsewhere within the combined Health System. Any employee who, over time, is subject to job elimination as a result of integration efforts shall (a) be given severance in accordance with their employing entity's then-existing severance policies; and (b) be given priority consideration for vacancies within the combined Health System, in each case subject to applicable Legal Requirements and the terms of applicable collective bargaining agreements.

3.10.5 Health System management shall provide recommendations to the OHSU Board and sub-Board committees and bodies regarding the feasibility and appropriateness of moving to integrated system-wide employment policies over time, possibly including a single compensation system and mirror employee benefits across all combined system entities, subject to applicable Legal Requirements and the terms of collective bargaining agreements.

3.11 [redacted] OHSU and Legacy Health intend to enhance and accelerate their ability to engage in a broad range of value-based contracting for the benefit of payors, patients and the combined Health System, subject to and consistent with the need to maintain the financial viability of the combined clinical enterprise. [redacted]

[redacted]

3.12 Academic Affiliations, Sponsored Research and Clinical Trials. The Parties intend that at least some of the existing (as of Closing) Legacy Health Entity facilities will become additional rotational sites for OHSU students, residents and fellows, and that at least some of the existing (as of Closing) OHSU facilities will become additional rotational sites for Legacy Health students, residents and fellows (as applicable). No employed Legacy Health Entity physician who does not already have undergraduate medical education, graduate medical education or other similar teaching duties specified in their existing contracts and/or job descriptions at the time of the Closing will be required to hold a faculty appointment, participate in teaching activities, or perform other additional academic work. The Parties similarly intend that the expanded OHSU System will offer greater opportunities to participate in government sponsored grants and industry-sponsored clinical trials. Subject to due diligence and the need to coordinate research administration, technology transfer and similar activities, The Legacy Research Institute will play a role in the expanded sponsored research and clinical trial enterprise of the combined OHSU System. More generally, OHSU and Legacy Health intend that their combination will result in greater opportunities for education, training and research across a broader spectrum of facilities and patient populations.

3.13 Non-Solicitation. The Parties each acknowledge the interests of the other Party in retaining talented personnel, and therefore, from the Execution Date through the Closing Date or the earlier termination of this Agreement: (i) none of the Legacy Health Entities, and their respective officers, directors, trustees, employees, principals, agents, representatives, Affiliates and advisors shall directly or indirectly solicit or hire any officer, director, employee or independent contractor of OHSU or any of its Affiliates, except pursuant to a general solicitation which is not directed specifically to any such individuals, and (ii) none of OHSU, its Affiliates and their respective officers, directors, trustees, employees, principals, agents, representatives, Affiliates and advisors shall directly or indirectly solicit or hire any officer, director, employee or independent contractor of any Legacy Health Entity, except pursuant to a general solicitation which is not directed specifically to any such individuals. From the Execution Date through the Closing Date or the earlier termination of this Agreement, Legacy Health will withhold its approval, to the extent it is able to do so (on both a legal basis and otherwise), of any of the actions set forth in subsection (i) above by the Specified Legacy Health JVs.

4. REPRESENTATIONS AND WARRANTIES OF LEGACY HEALTH.

Except as set forth in the Legacy Health Disclosure Schedules, as of the Execution Date and as of the Closing Date, Legacy Health hereby represents and warrants on behalf of itself and the other Legacy Health Entities the following to and for the benefit of OHSU:

4.1 Organization and Good Standing of the Legacy Health Entities.

4.1.1 Each Legacy Health Entity is duly organized and validly existing under the laws of its state of incorporation or formation (as applicable), and has all requisite corporate power and authority to own, lease and operate its properties and to carry on its businesses as now being conducted. Legacy Health has delivered to OHSU true, correct, current and complete copies of the Organizational Documents of each Legacy Health Entity. No Legacy Health Entity is in material default under or in material violation of its Organizational Documents. Each Legacy Health Entity is duly qualified, licensed or registered to do business in each of the jurisdictions in which the nature of the business being presently conducted by it or its assets and properties makes such qualification, licensing or registration legally required.

4.1.2 Section 4.1.2 of the Legacy Health Disclosure Schedules sets forth a true, correct and complete list of each Legacy Health Entity and each Partial Subsidiary, including for each: (a) the issued and outstanding equity securities of such Entity owned by Legacy Health or another Legacy Health Entity, (b) its jurisdiction of organization, (c) its tax-exempt status (exempt or non-exempt) and, if applicable, the section of the Code under which the Internal Revenue Service (the "**IRS**") recognizes such tax-exempt status, (d) if applicable, its status as a public charity or private foundation under Section 509(a) of the Code, and (e) if applicable, its status as a public charity or private foundation under Section 509(a) of the Code.

4.1.3 Legacy Health or another Legacy Health Entity, as applicable, is the sole owner or member of record of all equity and membership interests, including shares of capital stock or other ownership or participating interests, as applicable, directly or indirectly, of the Legacy Health Entities (other than Legacy Health). There are no outstanding options, warrants, rights (including conversion or preemptive rights and rights of first refusal or similar rights) or agreements, orally or in writing, to purchase or acquire from any Legacy Health Entity, any equity, membership interest or other ownership or participating interest, or any securities convertible into or exchangeable for equity or membership interests or other ownership or participating interests, of any Legacy Health Entity under any circumstances, including a Change of Control. As of the Closing, OHSU will acquire valid marketable title to all of the membership interests of Legacy Health, free and clear of any and all Liens.

4.1.4 Except as provided in Section 4.1.4 of the Legacy Health Disclosure Schedules and except for any interests held through publicly-traded markets, no Legacy Health Entity owns or holds any common stock, partnership interests, membership interests of or other ownership or participating interests, in or with respect to, any Entity other than the Legacy Health Entities and Partial Subsidiaries.

4.2 Powers; Consents; Absence of Conflicts with Other Agreements. Legacy Health has the requisite corporate power and authority to execute, deliver, and perform this

Agreement and all other Transaction Documents to which Legacy Health is a party. The consummation of the Transactions, and the entry into this Agreement and the other Transaction Documents, by the Legacy Health Entities, as applicable:

4.2.1 Are within the corporate powers and authority of Legacy Health to perform on its behalf and on behalf of the other Legacy Health Entities, and will not result in a breach of the terms of the Organizational Documents of any Legacy Health Entity;

4.2.2 Have been (or will be, as of the Closing Date) duly authorized by all necessary or appropriate corporate actions of the Legacy Health Entities, which actions remain in full force and effect;

4.2.3 Except as provided in Section 4.2.3 of the Legacy Health Disclosure Schedules, do not require any approval or consent of, or filing with, any Government Entity, including with respect to any Material Permit;

4.2.4 Will not result in a material violation of any of the terms or requirements of, or give any Government Entity the right to revoke, withdraw, suspend, cancel, terminate, or modify, any Material Permit;

4.2.5 Will not result in a material breach of, or give rise to a right of termination, cancellation, modification, acceleration or to the loss of a benefit thereunder, or the creation of any material Lien under, any Material Contract; and

4.2.6 Except as provided in Section 4.2.6 of the Legacy Health Disclosure Schedules, will not result in a material violation of any federal, state or local laws to which Legacy Health or any Legacy Health Entity is subject.

4.3 Binding Agreement. This Agreement and all other Transaction Documents to which any Legacy Health Entity is a party are and will constitute (assuming due authorization, execution and delivery by OHSU) valid and legally binding obligations of such Legacy Health Entity, and are and will, upon receipt of the approvals set forth in Sections 4.2.3 and 4.2.6 of the Legacy Health Disclosure Schedules, be enforceable against it in accordance with the respective terms hereof or thereof, except as such enforceability may be limited by: (a) general principles of equity, regardless of whether enforcement is sought in a proceeding in equity or at law; and (b) bankruptcy, insolvency, reorganization, moratorium or other similar laws or Legal Requirements of general application now or hereafter in effect, relating to or affecting the enforcement of creditors' rights generally. Legacy Health represents and warrants to OHSU that to the Knowledge of Legacy Health, the Disclosure Schedules are accurate and complete as of the Execution Date.

4.4 Legal and Regulatory Compliance. Except as set forth on Section 4.4 of the Legacy Health Disclosure Schedules:

4.4.1 *Compliance Generally*. Except as provided in Section 4.4.3 of the Legacy Health Disclosure Schedules, without limiting the specific representations and warranties set forth in the subsequent subsections of this Section 4.4 or other Sections of this Agreement, the operations of each Legacy Health Entity are, and for the past three (3) years have been, in material compliance with all applicable Legal Requirements, including all Health Care Laws. Except as provided in Section 4.4.3 of the Legacy Health Disclosure Schedules, to the extent any Legacy Health Entity internal or external audit conducted by or on behalf of any Legacy Health Entity or any third party was initiated or conducted in the past three (3) years and remains open, in whole or in part, or any audit finding remains un-remediated, no such audit (or part thereof) or un-remediated finding would reasonably be expected to result in a negative financial effect on the Legacy Health Entities, taken as a whole, in excess of Twenty Million Dollars ($20,000,000).

4.4.2 *Violations and Exclusions*. During the past three (3) years, no Legacy Health Entity, nor, to the Knowledge of Legacy Health, any of their respective officers, directors, trustees, agents or employees: (a) has been convicted of, pled guilty or nolo contendere to, formally charged with, or, to the Knowledge of Legacy Health, investigated by any Government Entity for any crime or violation or with respect to any conduct for which such Person would reasonably be expected to (i) be excluded, suspended, or debarred from participating, or otherwise determined to be ineligible to participate, in any Government Program; (ii) have their billing privileges with respect to that Government Program terminated, revoked or suspended; or (iii) result in such Person being subjected to a civil monetary penalty or criminal penalty under Sections 1128A or 1128B of the Social Security Act or any similar law; (c) has been convicted of, pled guilty or nolo contendere to, or formally charged with, or to the Knowledge of Legacy Health, has been investigated for, any violation of laws related to fraud, theft, embezzlement, breach of fiduciary duty or responsibility, financial misconduct, or obstruction of an investigation; (d) is or has been excluded, suspended, or debarred from participation, or otherwise determined to be ineligible to participate, in any Government Programs, including but not limited to being listed on the General Services Administration's System for Award Management's list of parties excluded from federal procurement programs and non-procurement programs, or on the Office of Inspector General ("**OIG**") of the United States Department of Health and Human Services' ("**HHS**") List of Excluded Individuals and Entities, or (e) has been subject to an involuntary termination or nonrenewal of any material contract with any Third Party Payor, initiated by the Third Party Payor.

4.4.3 *Proceeding or Investigation*. Except as set forth in Section 4.4.3 of the Legacy Health Disclosure Schedules, for the past three (3) years, no written notice has been received by any Legacy Health Entity, and no actions have been or are currently pending against any Legacy Health Entity, or, to the Knowledge of Legacy Health, threatened against any Legacy Health Entity, alleging any breach or violation of, non-compliance with, or default under, any Health Care Law in any material respect. Except as set forth in Section 4.4.3 of the Legacy Health Disclosure Schedules, during the past three (3) years, to the Knowledge of Legacy Health, no Person has filed or has made any oral or written threat to file a claim against any Legacy Health Entity under any federal or state whistleblower statute, including under the Federal False Claims Act, 31 U.S.C. §§ 3729-3733. In the past three (3) years, no Legacy Health Entity, nor, to the Knowledge of Legacy Health, any of their respective officers, directors, trustees, agents, or employees, while acting in such roles, has knowingly presented or caused to be presented any false or fraudulent claim for payment or approval, or any false record or statement material to same, to any Government Entity.

4.4.4 *Arrangements with Pharmaceutical Companies*. For the past three (3) years, each Legacy Health Entity's material arrangements, whether written or otherwise, with pharmaceutical manufacturers, group purchasing organizations, pharmacy benefit managers, rebate aggregators, or any other entity involved in the negotiation, exchange, aggregation, or administration of discounts, rebates (whether or not referred to as such), administrative fees, or other price concessions, including those calculated on the basis of utilization of a pharmaceutical manufacturer's prescription drug products have materially complied with all applicable Health Care Laws.

4.4.5 *Legacy Health Entity Leases*. Except as set forth in Section 4.4.5 of the Legacy Health Disclosure Schedules, for the past three (3) years, all leases entered into by any Legacy Health Entity, or a contractor of any Legacy Health Entity, in each case where the lessor is directly or indirectly a physician employee or contractor of any Legacy Health Entity, or otherwise in a position to refer patients or business to any Legacy Health Entity, have materially complied with all applicable Health Care Laws.

4.4.6 *Legacy Health Physician Compensation*. Except as set forth in Section 4.4.6 of the Legacy Health Disclosure Schedules, for the past three (3) years, all compensation paid to physicians by any Legacy Health Entity, whether employed or otherwise contracted, has at all times materially complied with all applicable Health Care Laws.

4.5 Financial Statements. Legacy Health has delivered to OHSU true and correct copies of the following consolidated and consolidating financial statements of Legacy Health and the other Legacy Health Entities (collectively, the "**Financial Statements**"):

4.5.1 Unaudited balance sheet (the "**Interim Balance Sheet**") dated as of March 31, 2024 (the "**Interim Balance Sheet Date**");

4.5.2 Unaudited statement of income and unaudited statement of cash flows for the period beginning April 1, 2023, and ending on the Interim Balance Sheet Date; and

4.5.3 Audited balance sheet and audited statement of income and audited statement of cash flows for the fiscal years ended March 31, 2021, March 31, 2022 and March 31, 2023.

Legacy Health will deliver, at least five (5) business days prior to the Closing Date, to OHSU true and correct copies of the following consolidated and consolidating financial statements of Legacy Health and the other Legacy Health Entities (collectively, the "**Closing Financial Statements**"):

4.5.4 Unaudited balance sheet (the "**Closing Balance Sheet**") dated as of a date that is no more than 30 days prior to the Closing Date (the "**Closing Balance Sheet Date**");

4.5.5 Unaudited statement of income and unaudited statement of cash flows for the period beginning at the beginning of the then-current fiscal year of Legacy Health and the other Legacy Health Entities, and ending on the Closing Balance Sheet Date; and

4.5.6 Audited balance sheet and audited statement of income and audited statement of cash flows for the previous three fiscal years of Legacy Health and the other Legacy Health Entities.

Subject to the absence of footnotes and year-end adjustments with respect to any unaudited Financial Statements and unaudited Closing Financial Statements and except as set forth in Section 4.5 of the Legacy Health Disclosure Schedules: (a) the Financial Statements have been (and the Closing Financial Statements will have been) prepared in accordance with GAAP, consistently applied throughout the period indicated; (b) the Financial Statements are (and the Closing Financial Statements will be) based on or derived from the books and records of the Legacy Health Entities; (c) the balance sheets included in the Financial Statements and the Closing Financial Statements present fairly in all material respects the financial condition of the Legacy Health Entities at and as of the dates indicated thereon; and (d) the statements of income and statements of cash flows included in the Financial Statements and the Closing Financial Statements present fairly in all material respects the results of operations and cash flows of the Legacy Health Entities for the periods indicated. Except for (i) liabilities and obligations reflected or reserved against in the Interim Balance Sheet and the Closing Balance Sheet; and (ii) liabilities and obligations incurred in the ordinary course of business consistent with past practice since the Interim Balance Sheet Date, the Legacy Health Entities have no material liabilities or obligations of any nature whatsoever that would be required to be reflected on a balance sheet prepared in accordance with GAAP.

4.6 Absence of Certain Changes. Except as contemplated to occur after the date hereof pursuant to and in connection with this Agreement or as set forth in Section 4.6 of the Legacy Health Disclosure Schedules, since the Interim Balance Sheet Date, there has not been any:

4.6.1 Damage, destruction, or loss not covered by property insurance affecting (a) any Owned Real Property, or (b) any Leased Real Property to the extent such Legacy Health Entity is obligated under the terms of the applicable Lease to carry property insurance for such Leased Real Property, that has or would reasonably be expected to result in losses in excess of One Million Dollars ($1,000,000) at any one individual facility;

4.6.2 Transaction entered into by any of the Legacy Health Entities pertaining to any Real Property that would materially impair such Real Property for its current use;

4.6.3 Material change in the condition (financial or otherwise) of the business, or in the results of operations of any Legacy Health Entity, including any closure of any Legacy Health Entity facilities, or any closure or material reduction in any material line of service at any Legacy Health Entity facilities;

4.6.4 Actual or, to the Knowledge of Legacy Health, threatened union organizing campaign, employee strike, work stoppage, or labor dispute pertaining to any Legacy Health Entity and its respective Employees;

4.6.5 Actual or, to the Knowledge of Legacy Health, threatened legal claims (other than routine claims for benefits) by any Employee against any Legacy Health Entity involving an amount in excess of One Million Dollars ($1,000,000);

4.6.6 Sale, assignment, transfer, or disposition of any item of personal property, any fixtures, or any equipment owned by any Legacy Health Entity with a fair market value per item that is greater than One Million Dollars ($1,000,000), except in the ordinary course of business and consistent with past practices;

4.6.7 Except in the ordinary course of business and consistent with past practices, changes in the compensation payable by any Legacy Health Entity to any Employees or Independent Contractors or any change in, or institution of, any "stay bonus," retention bonus or similar incentive payment, severance, insurance, pension, profit-sharing or other benefit plan, remuneration or arrangements made to, for or with such Employees in the amount of One Hundred Thousand Dollars ($100,000) individually or in an aggregate amount exceeding One Million Dollars ($1,000,000);

4.6.8 Changes in the composition of the Legacy Health Medical Staff, or any changes in the list of physicians employed by the Legacy Health Entities, in each case except in the ordinary course of business and consistent with past practices;

4.6.9 Any negotiations regarding, amendments to, or terminations of existing collective bargaining agreements;

4.6.10 Material amendments to Material Contracts, including material changes to the rates charged or received by any Legacy Health Entity for its services under any Material Contracts, other than those made in the ordinary course of business and consistent with past practices;

4.6.11 Material changes in corporate allocations or corporate charges imposed by Legacy Health on any other Legacy Health Entity, except as necessary to reflect the fair market value of the underlying goods or services covered by such allocations or charges;

4.6.12 Any impairment (other than a Real Property Third Party Lease or Permitted Lien) of a Legacy Health asset, unrecorded or potential liability, or unrecorded obligation, with a probable financial impact in any single case of more than Two Hundred Fifty Thousand Dollars ($250,000);

4.6.13 Material adjustments or material write-offs of accounts receivable or reductions in reserves for accounts receivable of any Legacy Health Entity outside the ordinary course of business;

4.6.14 Material changes in the accounting methods or practices employed by any Legacy Health Entity other than those due to changes in or as required by applicable Legal Requirement or accounting professional rules;

4.6.15 Any deferral of any previously planned material routine or non-routine capital expenditures by a Legacy Health Entity; or

4.6.16 Any event or condition that would reasonably be expected to result in a Material Adverse Change.

4.7 Permits.

4.7.1 Section 4.7.1 of the Legacy Health Disclosure Schedules sets forth an accurate and complete list of all Permits of each Legacy Health Entity that are material to the operation of such Legacy Health Entity and necessary to carry on the business of such Legacy Health Entity as currently conducted (collectively, the "**Material Permits**"); provided, that, even though material certificates of occupancy and other real estate use permits are included in the definition of Material Permits, Section 4.7.1 of the Legacy Health Disclosure does not set forth such certificates of occupancy and other real estate use permits. Section 4.7.1 of the Legacy Health Disclosure Schedules includes the license or credential number, and expiration dates for each Material Permit. The pharmacies, laboratories, and all other ancillary departments located at each Legacy Health Entity facility that are required to be specially licensed are duly licensed by the State of Oregon, Washington State or other appropriate licensing or certifying agency (the "**State Health Agency**"). Legacy Health has made available to OHSU (a) accurate and complete copies of each Material Permit set forth on Section 4.7.1 of the Legacy Health Disclosure Schedules, all of which are valid and currently in effect, (b) copies of written notices, citations, fines, penalties, violations, or rulings within the last three (3) years by any Government Entity relating to any Legacy Health Entity's failure to materially comply with Legal Requirements applicable to the Material Permits, and (c) a description of the current status of any pending federal, state or local governmental audits, inspections, investigations, requests for documents of the Legacy Health Entities relating to the Material Permits, of which Legacy Health has Knowledge, and, with respect to matters responsive to (b) and (c), that, in any individual case, have resulted or are reasonably likely to result in a material adverse effect on the operation or revenues or expenses of any Legacy Health Entity or any Material Permit.

4.7.2 Legacy Health has made available to OHSU complete and accurate copies of all material accreditation (including, without limitation, The Joint Commission) survey reports occurring in the past three (3) years for any accredited Legacy Health Entity. Each Legacy Health Entity has prepared and submitted timely all corrective action plans required to be prepared or submitted by it in response to any notice of non-compliance or request for remedial action, and has implemented, in all material respects, all of the material corrective actions described in such corrective action plans.

4.7.3 To the Knowledge of Legacy Health, each Employee or any other Person who is providing services at a Legacy Health Entity facility for or on behalf of any Legacy Health Entity, and who is required by applicable Legal Requirements to hold a Permit or other qualification to deliver services to patients, holds such Permit or other qualification (and such Permit or other qualification is active and is not subject to any restriction or encumbrance) and, in the course and scope of their employment or other duties, is performing only those services which are permitted by such Permit or other qualification. To the Knowledge of Legacy Health, with respect to health care professionals who provide health care services on behalf of any Legacy

Health Entity at a Legacy Health Entity facility, each such health care professional holds all Permits that are required by the applicable Legal Requirements of each state or territory (a) in which the health care professional practices; and (b) in which patients to whom the health care professional provides health care services are located. To the Knowledge of Legacy Health, no health care professional who is currently employed by, contracted with, or on the medical staff of, any Legacy Health Entity is not in good standing with or is under investigation by any Government Entity, including any state medical board.

4.8 Medicare Participation/Accreditation; Third-Party Payor Claims.

4.8.1 Each Legacy Health Entity that bills or otherwise submits claims for health care services is currently participating in the Government Programs as set forth on Section 4.8.1 of the Legacy Health Disclosure Schedules. Except as set forth on Section 4.8.1 of the Legacy Health Disclosure Schedules, with respect to each such Legacy Health Entity's participation in the Government Programs listed: (a) is not subject to any suspension, revocation proceedings, or other limitation on such participation status; (b) has a current and valid provider or supplier contract with such Government Programs; (c) is in compliance in all material respects with the conditions of participation or coverage in such Government Programs; (d) except as disclosed to OHSU, has made claims for provider-based reimbursement with respect to services furnished at off-campus outpatient locations only if eligible therefore in compliance with Health Care Laws; (e) has not received written notice from any such Government Program regarding a proposed or actual reduction in standing or any limitation on its participation in any such Government Program within the past three (3) years; and (f) has not received written notice from the Centers for Medicare & Medicaid Services ("**CMS**") regarding a reduction in a Legacy Health Entity's (or any such Legacy Health Entity's facilities') quality star rating within the past three (3) years.

4.8.2 Except as set forth in Section 4.8.2 of the Legacy Health Disclosure Schedules, the billing practices of the Legacy Health Entities with respect to all direct or Third Party Payors are currently and have been for the past three (3) years in material compliance with all applicable Health Care Laws. Except as set forth in Section 4.8.2 of the Legacy Health Disclosure Schedules, for the past three (3) years, no Legacy Health Entity has knowingly presented or caused to be presented to any Third Party Payor any claim for payment for an item or service in violation of any Health Care Law or under the common law or administrative theories of recoupment, unjust enrichment, disgorgement, conversion, breach of contract or fraud. Except as set forth in Section 4.8.2 of the Legacy Health Disclosure Schedules, to the Knowledge of Legacy Health, no Legacy Health Entity has, in the past three (3) years, knowingly billed, or received and retained, any payment or reimbursement in excess of amounts allowed by: (a) applicable Health Care Laws, (b) the applicable reimbursement rates established from time to time by Government Programs; or (c) the terms of each participating provider or supplier agreement or similar contract or arrangements with Third Party Payors, except for routine billing errors in individual patient bills that are (i) not part of a pattern or practice; (ii) immaterial in amount and significance (including legal significance); and (iii) for which any corresponding overpayment has been timely returned to, or recouped by, the applicable Third Party Payor programs.

4.8.3 No Legacy Health Entity has any material outstanding liabilities to any Third Party Payor for the recoupment of any material amounts previously paid to such Legacy Health Entity by any such Third Party Payor, other than those that may arise and be resolved in the ordinary course of business without resulting in any material adverse effect on the financial condition or operations of any Legacy Health Entity.

4.8.4 Each Legacy Health Entity has timely filed all claims required to be filed in connection with its participation with its Third Party Payors in the ordinary course of business, all of which are complete and correct in all material respects. Except as set forth in Section 4.8.4 of the Legacy Health Disclosure Schedules, there are no claims, actions or appeals pending before any commission, board or agency, including the Provider Reimbursement Review Board, CMS, any State Health Agency, or other Government Entity, with respect to any Government Program claims filed by any Legacy Health Entity with any Third Party Payor, nor have there been any disallowances by any commission, board or agency in connection with any audit inquiry or review of such claims which are not recorded on Legacy Health's financials and in the aggregate exceed Two Hundred Fifty Thousand Dollars ($250,000). No Legacy Health Entity has within the past three (3) years received written notice from the HHS-OIG, or other Government Program, or any contractor to any Government Program challenging such Legacy Health Entity's right to reimbursement as billed, which, if determined adversely to such Legacy Health Entity would materially and adversely affect the operation or revenues or expenses of such Legacy Health Entity. To the Knowledge of Legacy Health, no event has occurred in the past three (3) years which with the giving of notice, the passage of time, or both would result in or would provide the basis for termination of (a) any Legacy Health Entity's (as applicable) Medicare or Medicaid provider or supplier agreement; or (b) any participating provider agreement or similar contract or arrangements between any Legacy Health Entity and its respective Third Party Payors.

4.8.5 The Legacy Health Entities have timely filed all required cost reports required to be filed for all of the last three (3) fiscal years through and including the fiscal year ended March 31, 2023, and all such cost reports were prepared in material compliance with all applicable Health Care Laws. All such cost reports accurately reflect the material information required to be included therein and such cost reports do not claim, and no Legacy Health Entity has knowingly claimed, received, or retained reimbursement in any amount in excess of the amounts provided by applicable Legal Requirements or any applicable agreement. Section 4.8.5 of the Legacy Health Disclosure Schedules indicates those cost reports of the Legacy Health Entities that have not been audited and finally settled and describes all notices of program reimbursement, proposed or pending audit adjustments, self-identified errors, disallowances, appeals of disallowances, credit balances, and any other material unresolved claims or disputes in respect of such cost reports, and the estimated value of any such adjustment, error, disallowance, appeal, credit balance, unresolved claim or other dispute. The Legacy Health Entities have established reserves, consistent with GAAP and with the past practices of the Legacy Health Entities, to cover all potential reimbursement obligations that the Legacy Health Entities may have in respect of any such third-party cost reports, and such reserves are set forth in the Financial Statements.

4.8.6 Each applicable Legacy Health Entity that has utilized the program under section 340B of the Public Health Service Act (the "**340B Program**") has been for the past three (3) years and is in material compliance with all applicable requirements as to purchasing, dispensing, use, accounting, billing, and other requirements of such program. Section 4.8.6 of the Legacy Health Disclosure Schedules list all material manufacturer audits, all audits performed by applicable Legacy Health Entities at the request of a manufacturer, all self-audits performed by applicable Legacy Health Entities as part of their own compliance or related activities and all audits performed by the Health Resources and Services Administration within the HHS, in each case limited to those audits (i) conducted within the past three (3) years; (ii) relating to the participation of any Legacy Health Entity in the 340B Program and/or any associated refunds to manufacturers; and (iii) involving a repayment in excess of One Hundred Thousand Dollars ($100,000). Section 4.8.6 of the Legacy Health Disclosure Schedules sets forth (a) the date the audit was requested and commenced; (b) the manufacturer or other entity conducting or initiating the audit; (c) the period covered by the audit; (d) the current status of the audit (e.g., ongoing, completed, under appeal, etc.); (e) any amounts that the manufacturer has requested to be repaid, to date; and (f) any amounts actually repaid to the manufacturer by the Legacy Health Entity to date, directly or indirectly.

4.9 Data Privacy.

4.9.1 Each Legacy Health Entity has all rights, authority, consents and authorizations, or permitted waivers of the same, necessary to receive, access, use, disclose and otherwise process, in each case in material compliance with applicable Information Privacy and Security Laws, the Personal Information in their possession or under their control in connection with the operation of their business as presently conducted. Each Legacy Health Entity has made all material disclosures required to process Personal Information, in connection with the operation of their business as presently conducted, in material compliance with applicable Information Privacy and Security Laws.

4.9.2 Each Legacy Health Entity's receipt, collection, monitoring, maintenance, creation, transmission, use, analysis, disclosure, storage, disposal and security of Personal Information has at all times during the last three (3) years materially complied with, and currently complies, with (a) any contracts to which such Legacy Health Entity is a party, except where it would not give rise to a material and adverse effect on any of the Legacy Health Entities, (b) all applicable Information Privacy and Security Laws, and (c) all consents and authorizations that apply to such Legacy Health Entity's receipt, access, use or disclosure of such Personal Information.

4.9.3 Where applicable and required, each Legacy Health Entity has entered into Business Associate agreements, as defined under HIPAA, with each third party (a) for which such Legacy Health Entity acts as a Business Associate (as defined under HIPAA) or (b) that acts as a Business Associate to such Legacy Health Entity, in each case as required by, and in material conformity with, applicable Information Privacy and Security Laws. No Legacy Health Entity (i) is, to the Knowledge of Legacy Health, under investigation by any Government Entity for a violation of any Information Privacy and Security Law; or (ii) in the past five (5) years has received any written notices from the HHS Office for Civil Rights, the DOJ, the FTC, or the Attorney General of any state or territory of the United States relating to any such violations.

4.9.4 Except as provided in Section 4.9.4 of the Legacy Health Disclosure Schedules, employees of the Legacy Health Entities who have access to Personal Information have received documented training (in accordance with industry standards) to the extent required by applicable Information Privacy and Security Laws.

4.9.5 Each Legacy Health Entity has adopted policies and procedures with respect to privacy, data protection, security, processing, collection, disclosure and use of Personal Information gathered, used, disclosed or accessed in the course of the operations of such Legacy Health Entity, and those policies and procedures are in material compliance with applicable Information Privacy and Security Laws.

4.9.6 Each Legacy Health Entity has implemented and maintains an information security program that: (a) materially complies with all applicable Information Privacy and Security Laws and is reasonable and appropriate given the nature of the Personal Information maintained by, and the operations of, each respective Legacy Health Entity; (b) includes processes for identifying internal and external risks to the security of any Personal Information; (c) includes measures that monitor and protect Personal Information and all IT Assets against unauthorized use, access, interruption, modification or corruption; (d) implements, monitors, and maintains administrative, organizational, technical, and physical safeguards to protect its Personal Information and IT Assets that are commercially reasonable and appropriate given each respective Legacy Health Entity's operations; and (e) maintains incident response and notification procedures in material compliance with applicable Information Privacy and Security Laws.

4.9.7 To the extent required by applicable Information Privacy and Security Laws, during the past three (3) years, each Legacy Health Entity has performed a security risk assessment that materially meets (a) the standards set forth at 45 C.F.R. § 164.308(a)(1)(ii)(A), including an assessment as described at 45 C.F.R. § 164.306(d)(3), taking into account factors set forth in 45 C.F.R. § 164.306(a)–(c), and (b) any requirements to perform security assessments under any applicable Information Privacy and Security Law (collectively, each a "**Security Risk Assessment**"). Except as set forth on Section 4.9.7 of the Legacy Health Disclosure Schedules, each Legacy Health Entity has addressed and remediated all high or critical risk threats and deficiencies, and has addressed and remediated or is in the process of remediating all medium risk threats and deficiencies, identified in each such Security Risk Assessment.

4.9.8 To the Knowledge of Legacy Health, each Legacy Health Entity has protected the confidentiality, integrity and security of its Personal Information and all IT Assets in conformance in all material respects with applicable Information Privacy and Security Laws.

4.9.9 Except as set forth in Section 4.9.9 of the Legacy Health Disclosure Schedules, during the past three (3) years, there has been no data security breach or unauthorized access, control, use, modification or destruction of any IT Asset, or unauthorized access, use, acquisition or disclosure of any Personal Information owned, used, stored, received, or controlled by or on behalf of any Legacy Health Entity, including any unauthorized access, use or disclosure of Personal Information that would constitute a breach for which notification to individuals and/or any Government Entity is required under any applicable Information Privacy and Security Laws (collectively, "**Data Breaches**"). With respect to any such Data Breaches identified on Section 4.9.9 of the Legacy Health Disclosure Schedules, the applicable Legacy Health Entity has made all notifications/disclosures to affected individuals and Government Entities mandated by applicable Information Privacy and Security Laws and has taken all other remedial measures mandated by applicable Information Privacy and Security Laws. Section 4.9.9 of the Legacy Health Disclosure Schedules (a) lists all fines, penalties and other sanctions imposed or, to the Knowledge of Legacy Health, threatened by any Government Entity in connection with any such

Data Breaches; and (b) identifies all Data Breaches that have been disclosed to Government Entities and which remain “open” or “unresolved” by such Government Entity.

4.9.10 Each Legacy Health Entity has identified, documented, investigated, and materially contained, remediated and eradicated each known “security incident” (as defined in 45 C.F.R. § 164.304) related to any IT Asset or Personal Information of such Legacy Health Entity.

4.9.11 In the past three (3) years, no Action has been commenced against any Legacy Health Entity, nor is any Action pending or, to the Knowledge of Legacy Health, threatened against any Legacy Health Entity or its “workforce” (as defined in 45 C.F.R. § 160.103) regarding or relating to any Legacy Health Entity’s processing of Personal Information.

4.10 Real Property.

4.10.1 A Legacy Health Entity is the sole owner and holds good and marketable fee simple title to each of the real properties listed in Section 4.10.1 of the Legacy Health Disclosure Schedules, together with all Improvements thereon and all appurtenances and rights thereto, (the “**Owned Real Property**”), free and clear of any and all Liens except for Permitted Liens.

4.10.2 A Legacy Health Entity holds a good and valid leasehold interest in each of the real properties listed in Section 4.10.2 of the Legacy Health Disclosure Schedules (the “**Leased Real Property**” and, together with the Owned Real Property, the “**Real Property**”), free and clear of any and all Liens except for Permitted Liens. No Legacy Health Entity owns or leases any real property other than the Real Property. Legacy Health has delivered to OHSU true, correct and complete copies, in all material respects, of each lease, sublease, license or other occupancy agreement in its possession pursuant to which it leases, subleases, licenses or otherwise occupies any Leased Real Property and all amendments and guaranties related thereto.

4.10.3 With respect to the Real Property, except as set forth in Section 4.10.3 of the Legacy Health Disclosure Schedules:

4.10.3.1 No Legacy Health Entity has entered into or is a party to any Lease with any Person (other than another Legacy Health Entity) for such Person to occupy any portion of any of the Real Property, other than pursuant to third party tenant leases and subleases with expected payments in excess of Five Hundred Thousand Dollars ($500,000) per year described in Section 4.10.3.1 of the Legacy Health Disclosure Schedules (“**Real Property Third Party Leases**”); accurate, in all material respects, copies of such Real Property Third Party Leases in the possession of Legacy Health have been made available to OHSU;

4.10.3.2 Except pursuant to the terms of any Real Property Third Party Leases, no Legacy Health Entity has granted any outstanding options, rights of first offer, rights of first refusal to purchase, or other contractual rights of possession to occupy, purchase, acquire, license, lease or use the Real Property, or any portion thereof or interest therein;

4.10.3.3 No Legacy Health Entity has granted, and to the Knowledge of Legacy Health, there are no contractual restrictions that preclude or restrict the ability of the applicable Legacy Health Entity to use the Real Property as currently used, and, to the Knowledge of Legacy Health, there are no material defects or material adverse physical conditions affecting the Real Property that would preclude or restrict the ability of the applicable Legacy Health Entity to use the Real Property as currently used. Except as disclosed in Section 4.10.3.3 of the Legacy Health Disclosure Schedules, all Improvements and Fixtures on the Owned Real Property, and to the Knowledge of Legacy Health on the Leased Real Property, are adequately maintained in the ordinary course of business of the Legacy Health Entities, consistent with past practice, and are in good operating condition and repair (ordinary wear and tear excepted), and are fit for the purposes for which such Improvements and Fixtures are currently being used;

4.10.3.4 No Legacy Health Entity has entered into, and to the Knowledge of Legacy Health, except for the Permitted Liens, there are no unrecorded documents, agreements or other instruments containing covenants, conditions, or restrictions that materially affect the Owned Real Property. To the Knowledge of Legacy Health, the Owned Real Property is in compliance in all material respects with all CC&Rs. To the Knowledge of Legacy Health, there are no pending or proposed amendments to any such CC&Rs, and, during the past twelve (12) months, the Legacy Health Entities have not received written notice that any portion of the Owned Real Property is in violation of any CC&Rs that remains uncured;

4.10.3.5 During the past twelve (12) months, no Legacy Health Entity has received written or posted notice of condemnation of any existing or proposed plans to modify or realign any street or highway, or any existing or proposed eminent domain proceeding by any Government Entity in connection with any of the Owned Real Property that have not otherwise been revoked or abandoned, or consummated;

4.10.3.6 During the past twelve (12) months, no Legacy Health Entity has received any written notice of any unsatisfied requests for repairs, restorations or Improvements to any Owned Real Property from any Government Entity;

4.10.3.7 To the Knowledge of Legacy Health, all Owned Real Property is in material compliance with all applicable zoning ordinances and other Legal Requirements (including with respect to adequacy of parking and compliance with applicable transportation management plans). Neither Legacy Health nor any other Legacy Health Entity has received any written notice from any Government Entity of any material violation of any applicable zoning ordinance or other Legal Requirement relating to the operation of the Owned Real Property (including with respect to adequacy of parking and access to transportation). To the Knowledge of Legacy Health, there is no Action pending to materially change the zoning or building ordinances or any other Legal Requirements affecting the Owned Real Property and, during the past twelve (12) months, neither Legacy Health nor any other Legacy Health Entity has received any written notice from any Government Entity regarding any such proposed change;

4.10.3.8 During the past twelve (12) months, neither Legacy Health nor any other Legacy Health Entity has received any written notice from any insurance company that has issued a policy with respect to any Owned Real Property requiring performance of any structural or other material repairs or alterations to such Owned Real Property, which repairs or alterations have not been substantially completed;

4.10.3.9 During the past twelve (12) months, neither Legacy Health nor any other Legacy Health Entity has received any written notice of any proposed new assessment or levy (or increase in assessment or levy) from any Government Entity with jurisdiction over all or any part of the Owned Real Property;

4.10.3.10 (a) to the extent applicable based on the current uses thereof and activities conducted thereon, adequate water, sanitary sewer, storm sewer, drainage, electric, telephone, gas and other public utility systems are available to the Real Property; and (b) neither Legacy Health nor any other Legacy Health Entity has received any written threat or notice of termination from providers of the foregoing utility systems during the past twelve (12) months; and

4.10.3.11 All real estate taxes and assessments, except for Permitted Liens, levied against the Owned Real Property and due and payable on or before the Effective Time have been paid.

4.11 Employee Benefit Plans.

4.11.1 Section 4.11.1 of the Legacy Health Disclosure Schedules sets forth a true and complete list of each "employee benefit plan" (as such term is defined in Section 3(3) of ERISA), whether or not subject to ERISA, and other similar plan, policy, contract, commitment, understanding or arrangement, whether written or unwritten, for the benefit of any current or former employee or independent contractor of any Legacy Health Entity, including each profit sharing plan, money-purchase pension plan, defined benefit pension plan, tax-sheltered or other annuity plan, non-qualified deferred compensation plan, multiemployer (union) pension plan, multiple employer pension plan, supplemental retirement plan, excess benefit plan, and any other type of tax-qualified or other form of retirement plan, policy, contract, commitment, understanding or arrangement, each medical, surgical, hospital or other healthcare plan/insurance plan, dental, vision or hearing benefits plan, short-term disability, sick leave or other form of salary continuation plan/insurance plan relating to injury or illness, long-term disability plan, long-term care plan, employee assistance plan, group term or whole life insurance plan, business travel, accident coverage or accidental death and dismemberment coverage plan, prepaid legal services plan, severance pay plan or arrangement, layoff or unemployment benefits plan, day care center or other dependent care assistance plan, educational assistance or tuition reduction plan, vacation, personal days or other paid time-off program, cafeteria plan, flexible spending account, union-sponsored welfare plan, business expense reimbursement or employee discount arrangement, and any other type of welfare benefit or fringe benefit plan, policy, contract, commitment, understanding or arrangement, and each continuation pay or termination pay plan, change of control or retention plan, incentive compensation or executive compensation plan, equity or equity-based compensation plan, or employment or consulting agreement or other similar plan, policy, contract, commitment, understanding or arrangement, in each case that is maintained by, contributed to or sponsored by any Legacy Health Entity or any ERISA Affiliate, or with respect to which any Legacy Health Entity or any ERISA Affiliate is a party or has any obligations or liability (contingent, secondary or otherwise) including, if applicable, a plan contributed to or sponsored by an ERISA Affiliate to which any Legacy Health Entity has any liability, or under which any Employees benefit, or have benefited, by reason of their employment by any Legacy Health Entity or any ERISA Affiliate (collectively, the "**Plans**") have been made available to OHSU. Neither any Legacy Health Entity nor any ERISA Affiliate has made any written commitment to establish any new Plan or to materially modify any Plan (except to the extent required by Legal Requirements).

4.11.2 For the past three (3) years, each Plan (and each related trust, insurance contract or fund) has been established, maintained and administered, in all material respects, in accordance with its terms and with the applicable requirements of ERISA, the Code, COBRA and all other applicable Legal Requirements.

4.11.3 All contributions (including all employer contributions and employee salary reduction contributions), expenses and unfunded liabilities for prior Plan years that are due under the terms of any Plan or applicable Legal Requirements have been made within the time periods prescribed by ERISA, the Code, and applicable Legal Requirements with respect to each Plan, and all contributions for any period ending on or before the Closing Date that are not yet due have been paid to each Plan (or related trust) or have been accrued in accordance with GAAP or other local law accounting requirements.

4.11.4 Legacy Health, on behalf of itself and the other Legacy Health Entities, has made available to OHSU true, current and complete copies of the following for each Plan, to the extent applicable: (a) the plan documents constituting each Plan and all amendments thereto (or, if a Plan is not written, a description thereof); (b) the most recent summary plan description together with the summaries of material modifications thereto, if any, required under ERISA; (c) the three most recent Annual Reports (Forms 5500) with all accompanying schedules and attachments filed with the U.S. Department of Labor ("**DOL**"); (d) the most recent actuarial valuation or financial statement; (e) all related trust agreements, insurance contracts, and other funding arrangements; (f) the most recent plan year's discrimination test results; (g) as to any vacation, salary continuation, personal days or other paid time-off program, the total dollar amount accrued under each such program to date; and (h) all material Plan-related correspondence with a Government Entity related to potential non-compliance with applicable Legal Requirements during the past three (3) years.

4.11.5 Except as disclosed in <u>Section 4.11.5</u> of the Legacy Health Disclosure Schedules, neither any Legacy Health Entity nor any ERISA Affiliate currently maintains, sponsors, contributes to, has, in the last three (3) years, maintained, sponsored, or contributed to, or has any liability (contingent, secondary or otherwise) under (or with respect to) any "defined benefit plan" (as defined in Section 3(35) of ERISA), or any "multiemployer plan" (as defined in Section 3(37) of ERISA), or otherwise has any liability (contingent, secondary or otherwise) under Title IV of ERISA. Except as disclosed in <u>Section 4.11.5</u> of the Legacy Health Disclosure Schedules, there has been no application for or waiver of the minimum funding standards imposed by Section 302 of ERISA and Section 412 of the Code with respect to any Plan; no Plan has an "accumulated funding deficiency" within the meaning of Section 412 or Section 431 of the Code or "aggregate unpaid minimum required contributions" within the meaning of Section 412 of the Code; there has been no "reportable event" (within the meaning of Section 4043 of ERISA) with respect to any Plan for which notice has been required to the Pension Benefit Guaranty Corporation ("**PBGC**"), and sufficient accruals for all contributions and other payments for any period ending on or before the Closing that are not yet due are duly and fully provided for in the Financial Statements.

4.11.6 There have been no material non-exempt prohibited transactions (as defined in Section 406 of ERISA or Section 4975 of the Code) with respect to any Plan; no fiduciary (as defined in Section 3(21) of ERISA) has any material liability for any breach of fiduciary duty or any other failure to act or comply in connection with the administration nor investment of the assets of any Plan; and no Action by or on behalf of any Plan, by any Person or beneficiary covered under any such Plan that relates to any such Plan, or otherwise involving any such Plan (other than routine claims for benefits) is pending or, to the Knowledge of Legacy Health, threatened.

4.11.7 Except as disclosed in Section 4.11.7 of the Legacy Health Disclosure Schedules, except as required under COBRA, neither any Legacy Health Entity nor any ERISA Affiliate has any obligation to provide medical, health, or life insurance or other welfare type benefits to Employees or Independent Contractors (or their beneficiaries) beyond their termination of employment or service. Neither any Legacy Health Entity nor any ERISA Affiliate has maintained or contributed to a trust that is subject to Section 501(c)(9) of the Code.

4.11.8 All insurance premiums owed by any Legacy Health Entity have been paid in full, subject only to normal retrospective adjustments in the ordinary course, with respect to the Plans for plan or contract years ending on or before the Closing Date. All insurance premiums due or payable by any Legacy Health Entity with respect to the periods from the end of the most recent plan or contract year to and including the Closing Date have been paid or accrued in the consolidated Financial Statements in accordance with GAAP.

4.11.9 Except as disclosed in Section 4.11.9 of the Legacy Health Disclosure Schedules, no Plan maintained by any Legacy Health Entity is currently, or within the last three (3) years has been, under audit, inquiry, or investigation by the IRS, DOL or PBGC, and, to the Knowledge of Legacy Health, there are no outstanding items or investigations with reference to such Plans pending before any Government Entity; other than routine claims for benefits, there are no Actions pending or, to the Knowledge of Legacy Health, investigations pending or Actions threatened against or with respect to any such Plans or the assets of any such Plan; and there are no pending or, to the Knowledge of Legacy Health, threatened claims by or on behalf of such Plans or by any Employee alleging a breach or breaches of fiduciary duties or violations of other applicable Legal Requirements that could result in material liability on the part of any Legacy Health Entity or the Plans under any applicable Legal Requirement.

4.11.10 The consummation of any or all of the contemplated Transactions hereunder will not (either alone or upon the occurrence of any additional or subsequent events):

4.11.10.1 Accelerate the time of payment, funding or vesting, trigger any payment of compensation or benefits or forgiveness of indebtedness under, increase the amount payable under or trigger any other obligation pursuant to, any of the Plans;

4.11.10.2 Increase the amount of compensation due to any current or former employee or independent contractor of any Legacy Health Entity;

4.11.10.3 Result in any "disqualified individual" receiving any "excess parachute payment" (each such term as defined in Section 280G of the Code);

4.11.10.4 Limit or restrict the right of any Legacy Health Entity to amend, terminate or transfer the assets of any Plan on or following the Closing Date;

4.11.10.5 Result in a violation of the terms of any of the Plans; or

4.11.10.6 Cause any Legacy Health Entity to be required to transfer or set aside any assets to fund any benefits under any Plan.

4.11.11 No condition exists that would prevent the amendment or termination, to the extent permissible under applicable Legal Requirements, of any Plan assumed or continued by OHSU pursuant to the Transactions contemplated by this Agreement without material liability, other than the (a) obligation for ordinary benefits accrued prior to the termination of such Plan; and (b) the payment of any insurance premiums and plan administration fees for the remaining term of the applicable contract.

4.11.12 Any fidelity bond required to be obtained under ERISA with respect to any Plan has been properly obtained and is in full force and effect.

4.11.13 Except as disclosed in Section 4.11.13 of the Legacy Health Disclosure Schedules, no Legacy Health Entity is a party to, or otherwise obligated under, any contract, plan or arrangement that provides for a "*gross-up*," make-whole or similar payment in respect of any Tax that may become payable under Section 409A or Section 4999 of the Code.

4.11.14 Each Plan that is a non-qualified deferred compensation plan subject to Section 409A of the Code has been maintained and administered in material compliance with, and complies in all material respects in form and operation with, the applicable requirements of Section 409A of the Code.

4.11.15 Each Plan that is also a "group health plan" for purposes of the Patient Protection and Affordable Care Act of 2010 (Pub. L. No. 111-148) and the Health Care and Education Reconciliation Act of 2010 (Pub. L. No. 111-152) (collectively, the "**Affordable Care Act**") is in compliance with the applicable terms of the Affordable Care Act. The Legacy Health Entities offer minimum essential health coverage, satisfying affordability and minimum value requirements, to its full-time Employees sufficient to prevent liability for assessable payments under Section 4980H of the Code.

4.12 Litigation. Section 4.12 of the Legacy Health Disclosure Schedules sets forth an accurate list of all pending Actions with respect to any Legacy Health Entity or to which any Legacy Health Entity is a party (other than Actions that are not reasonably expected to result in judgments or settlement amounts of One Million Dollars ($1,000,000) or less). No Legacy Health Entity is in material default under any order of any Government Entity wherever located. Other than those included in Section 4.12 of the Legacy Health Disclosure Schedules, there are no (a) Actions pending or, to the Knowledge of Legacy Health, threatened in writing against any Legacy Health Entity, or (b) Actions pending or, to the Knowledge of Legacy Health, threatened in writing against a third party in which any Legacy Health Entity is the claimant or plaintiff, in either case at law or in equity, or before or by any Government Entity wherever located. The Legacy Health Entities have at all times in the past three (3) years been in compliance with each judgment, decree, order, corporate integrity agreement or governmental restriction to which any of them is or has been subject. To the Knowledge of Legacy Health, no event has occurred or circumstance exists that could constitute or result in (with or without notice or lapse of time) a violation of, or failure to comply with, any judgment, decree, order, corporate integrity agreement or governmental restriction to which any Legacy Health Entity is subject.

4.13 Environmental Laws.

4.13.1 Except as provided in Section 4.13.1 of the Legacy Health Disclosure Schedules, the Legacy Health Entities comply with and, for the last three (3) years have complied with, all Environmental Laws in all material respects.

4.13.2 (a) Except as provided in Section 4.13.2(a) of the Legacy Health Disclosure Schedules, the Legacy Health Entities have timely applied for and currently maintain all material Environmental Permits necessary to own and operate the business and assets of the Legacy Health Entities as currently owned and operated, including the facilities of the Legacy Health Entities and the Real Property, and no Action is pending or, to the Knowledge of Legacy Health, threatened, to revoke, modify, suspend or terminate any such material Environmental Permit. (b) A true and correct list of all such material Environmental Permits is set forth in Section 4.7 of the Legacy Health Disclosure Schedules.

4.13.3 Except as provided in Section 4.13.3 of the Legacy Health Disclosure Schedules, during the past three (3) years, no Legacy Health Entity has received any written information request arising under any Environmental Law from a Government Entity or any written citation, directive, notice, order, summons, claim, lien, complaint, demand, potentially responsible party letter, warning, or any other written communication regarding material Environmental Liabilities of or a violation of any applicable Environmental Law by a Legacy Health Entity.

4.13.4 Except as provided in Section 4.13.4 of the Legacy Health Disclosure Schedules, no Legacy Health Entity has (a) caused any Release of, exposed any person to, or arranged, by contract, arrangement, or otherwise for the treatment or disposal of any Hazardous Materials, or (b) to the Knowledge of Legacy Health, owned, operated or leased any property or facility where a Release of Hazardous Materials has occurred, and, in each case of (a) and (b), which would reasonably be expected to result in material Environmental Liabilities for any Legacy Health Entity.

4.13.5 Except as provided in Section 4.13.5 of the Legacy Health Disclosure Schedules, no Legacy Health Entity has any material Environmental Liabilities, and other than as may be provided in lease agreements for the Legacy Health Entities, no Legacy Health Entity has assumed any obligation or liability under Environmental Laws with respect to Hazardous Materials.

4.13.6 Except as provided in Section 4.13.6 of the Legacy Health Disclosure Schedules, no Legacy Health Entity owns or operates, and to the Knowledge of Legacy Health, none of the following are present at, on, under or in the Real Property or the facilities of the Legacy Health Entities: (a) aboveground or underground storage tanks; or (b) landfills, land deposits, dumps or surface impoundments, or other units for the treatment or disposal of Hazardous Materials. To the Knowledge of Legacy Health Entities there is no asbestos, polychlorinated biphenyls, lead-based paint, or toxic mold at the Real Property or the facilities of the Legacy Health Entities.

4.13.7 Except as provided in Section 4.13.7 of the Legacy Health Disclosure Schedules, to the Knowledge of Legacy Health, no PFAS-containing Aqueous Film Forming Foam has been present or has been deployed at the Real Property.

4.13.8 Legacy Health has made available to OHSU a true, correct and complete copy of (a) all final environmental assessments and reports, including all Phase I and Phase II environmental site assessments, and all material documents related to the environmental condition of any of the Real Property or any real property formerly owned, operated or leased by any Legacy Health Entity, and (b) any final audits, reports or material documents relating to any Legacy Health Entity's compliance with Environmental Laws, in each case (with respect to both (a) and (b)) that are in the possession or control of any Legacy Health Entity.

4.14 Taxes.

4.14.1 For the past three (3) years, the Legacy Health Entities have all filed on a timely basis (subject to extensions duly obtained) all federal, state and local tax returns and reports, including applicable income, payroll, employment, withholding, information, excise, sales, real and personal property, use and occupancy, business and occupation, gross receipts, mercantile, real estate, escheats, PILOT, FBAR, capital stock and franchise or other taxes (collectively, "**Taxes**") required to be filed by them (collectively, the "**Tax Returns**"). All Tax Returns are true and correct in all material respects and accurately reflect the tax liabilities of the Legacy Health Entities. All amounts shown as due on the Tax Returns, if any, have been or will be paid on a timely basis (including any interest or penalties and amounts due to state unemployment authorities) to the appropriate tax authorities or have been adequately reserved against on the Financial Statements.

4.14.2 For the past three (3) years, the Legacy Health Entities have withheld proper and accurate amounts from their respective employees' compensation in compliance with all withholding and similar provisions of the Code, including employee withholding and social security taxes, non-resident alien withholding and reporting, and any and all Legal Requirements, and no Legacy Health Entity is liable for any arrears of any tax or penalties for failure to comply with the foregoing. All such amounts have been duly and timely remitted to the proper taxing authority or have been adequately reserved against on the Financial Statements.

4.14.3 For the past three (3) years, no material deficiencies for any Taxes have been asserted or threatened, and no audit of any Tax Returns is currently under way or threatened. There are no outstanding agreements between any Legacy Health Entity and any taxing authority for the extension of time for the assessment of any Taxes, and, to the Knowledge of Legacy Health, no Action is threatened against any Legacy Health Entity with respect to Taxes. No Legacy Health Entity has taken any position in respect of any federal, state or local Taxes that if determined to be improper would result in a materially detrimental impact to such Legacy Health Entity.

4.14.4 During the past three (3) years, no Tax Liens have been asserted or, to the Knowledge of Legacy Health, threatened against any of the assets of any Legacy Health Entity, and no Legacy Health Entity has received written notice of Tax Liens on any of the assets of the Legacy Health Entities.

4.14.5 Compensation provided by the Legacy Health Entities to their board members, officers, and employees during the past three (3) years has not been in excess of the amounts permitted by federal or state laws and regulations, including the provisions of the Code pertaining to Section 501(c)(3) tax-exempt organizations and all regulations promulgated thereunder.

4.14.6 Each Legacy Health Entity is in material compliance with the requirements under Section 501(r) of the Code and the regulations thereunder, as applicable.

4.14.7 To the Knowledge of Legacy Health, during the past three (3) years, there has not been an unauthorized conversion of any assets of the Legacy Health Entities constituting a significant diversion of assets (including, but not limited to, embezzlement or theft) within the meaning of diversions required to be reported on the applicable tax or information returns filed, or to be filed, by any Legacy Health Entity, as the case may be.

4.15 Employee Relations.

4.15.1 *Employees*. Legacy Health has delivered to OHSU a true and correct list of all Employees of the Legacy Health Entities, including for each, their (a) name or employee identification number, and job title; (b) employing entity; (c) the location of their principal place of employment; (d) date of hire; (e) whether employed on a full-time or part-time basis; (f) current base salary or hourly rate of compensation; (g) solely with respect to Employees with annual compensation in excess of Two Hundred Fifty Thousand Dollars ($250,000), any other compensation payable to them (including, but not limited to compensation payable pursuant to a bonus target, incentive compensation target, deferred compensation or commission arrangements or other compensation); (h) classification under the Fair Labor Standards Act as exempt or non-exempt; (i) immigration status if not a U.S. citizen; (j) value of accrued, unused vacation time (or equivalent); and (k) whether such Employees are active or on leave and, if on leave, the type of leave (e.g., Family and Medical Leave Act or state or local equivalent intermittent or block leave, leave per Legacy Health policy, etc.), and the anticipated return date for any block leave. Legacy Health has also delivered to OHSU a true and correct list of all Independent Contractors of the Legacy Health Entities, including for each, their (i) name and contracting entity, if applicable; (ii) date of engagement; (iii) total annual compensation for the calendar years 2021, 2022 and 2023; and (iv) a brief description of the services provided.

4.15.2 *Union Matters*. Other than as set forth in Section 4.15.2 of the Legacy Health Disclosure Schedules, (i) none of the current Employees of the Legacy Health Entities are represented in his or her capacity as an Employee of a Legacy Health Entity by any labor organization, (ii) no Legacy Health Entity is a party to any collective bargaining or other labor contract with respect to such Employees, and (iii) to the Knowledge of Legacy Health, there is no pending union organization activity involving any such Employees nor are there currently any efforts to negotiate or enter into a collective bargaining agreement. Other than as set forth in

Section 4.15.2 of the Legacy Health Disclosure Schedules, there is not presently pending and, to the Knowledge of Legacy Health, there is not threatened: (a) any strike, slowdown, picketing or work stoppage; or (b) any pending Action against the Legacy Health Entities relating to the alleged violation of any Legal Requirement pertaining to labor relations or employment matters, including, but not limited to, any charge or complaint filed by an Employee or union with the National Labor Relations Board or any Government Entity involving an amount in controversy in excess of Two Hundred Fifty Thousand Dollars ($250,000). Other than as set forth in Section 4.15.2 of the Legacy Health Disclosure Schedules, to the Knowledge of Legacy Health, there are no pending labor organization grievances against any Legacy Health Entity.

4.15.3 *Compliance.* Except as disclosed in Section 4.15.3 of the Legacy Health Disclosure Schedules, during the past three (3) years, to the Knowledge of Legacy Health, each of the Legacy Health Entities have complied in all material respects with all applicable Legal Requirements relating to employment, including but not limited to, equal employment opportunity; nondiscrimination; harassment; retaliation; fair employment practices; accommodations; disability rights or benefits; immigration; wages, hours, overtime, meals and rest breaks; classification of employees and Independent Contractors under the Fair Labor Standards Act and any similar state or local law; wages and overtime; affirmative action; collective bargaining; benefits; payment and withholding of employment, social security, and similar taxes; occupational safety and health; employee leave issues (including family and medical leave and sick leave); workers' compensation; the Immigration Reform and Control Act; the Worker Adjustment and Retraining Notification Act of 1988, as amended, and similar state and local laws (collectively, "**WARN Act**"); and any other related employment matters. In addition, except as set forth in Section 4.15.3 of the Legacy Health Disclosure Schedules: (a) no Legacy Health Entity is liable for the payment of any compensation, damages, taxes, fines, penalties, interest, or other amounts, however designated, for failure to comply with any Legal Requirements relating to employment; and (b) there are no pending, or to the Knowledge of Legacy Health, threatened complaints or claims before the Equal Employment Opportunity Commission (or any comparable state or local civil or human rights commission or other comparable Government Entity), the Occupational Safety and Health Administration (or any comparable state or local safety or health administration or other comparable Government Entity), the Office of Federal Contract Compliance Programs, or wage and hour or whistleblower complaints or claims before a Government Entity, and in each case, there have been no such complaints or claims in the past three (3) years.

4.15.3.1 *No Misclassification*. Each individual who currently is providing services or in the past three (3) years has provided services to any Legacy Health Entity that has been characterized as a secondee, consultant or independent contractor is and for the past three (3) years has been properly characterized as such. Legacy Health does not currently have any liability or owe any damages to any individual who is not currently on any Legacy Health Entity's payroll for any claim, demand or entitlement based upon employment status. To the Knowledge of Legacy Health, for the past three (3) years, no Person who is or was an employee of any Legacy Health Entity is or has been incorrectly classified as to such employee's status as exempt from overtime wages. For the past three (3) years, the Legacy Health Entities have continuously maintained accurate and complete records of all overtime hours worked by each Employee eligible for overtime compensation and have compensated all Employees in accordance with the Legal Requirements of all jurisdictions in which the Legacy Health Entities maintain Employees.

4.15.3.2 *Workplace Misconduct*. Except as set forth on Section 4.15.3.2(1) of the Legacy Health Disclosure Schedules, in the past three (3) years, there has been no written allegation, complaint, charge or claim of harassment, assault, misconduct, discrimination or similar behavior on the basis of sex, gender, gender expression, gender identity, race, ethnicity, religion or national origin (a "**Misconduct Allegation**") made against any Legacy Health Entity or any Person who is an officer, director, manager or supervisory-level Employee in such Person's capacity as such for a Legacy Health Entity. Except as set forth on Section 4.15.3.2(2) of the Legacy Health Disclosure Schedules, in the past three (3) years, no Legacy Health Entity has entered into any settlement agreement, tolling agreement, non-disparagement agreement, confidentiality agreement or non-disclosure agreement, or any contract or provision similar to any of the foregoing, relating directly to any Misconduct Allegation against any Legacy Health Entity, or any Person who is an officer, director, manager or supervisory-level Employee.

4.16 Agreements and Commitments. Section 4.16 of the Legacy Health Disclosure Schedules sets forth an accurate list of the following written contracts, leases, and agreements currently in effect, to which any Legacy Health Entity is a party or by which any Legacy Health Entity is bound (the "**Material Contracts**"):

4.16.1.1 agreements with Third Party Payors for health care items and services furnished by providers or suppliers owned and operated by any of the Legacy Health Entities, in each case with expected payments in excess of Two Million Dollars ($2,000,000) per year; provided, that Section 4.16.1.1 of the Legacy Health Disclosure Schedules only sets forth agreements with Third Party Payors with expected payments in excess of in excess of Ten Million Dollars ($10,000,000) per year;

4.16.1.2 joint venture, partnership agreements, and other similar agreements relating to any joint venture or similar arrangement with respect to which a Legacy Health Entity holds an ownership interest in any Person (other than another Legacy Health Entity);

4.16.1.3 each contract with expected payments in excess of Three Hundred Thousand Dollars ($300,000) per year with (a) a Person that is a licensed provider of health care items or services, including physician employment agreements, independent contractor agreements, or consulting agreements with a physician, physicians or a physician-owned entity; and (b) any Person that is a source of referrals to a Legacy Health Entity of healthcare services that are billed to Government Programs, or with Persons for whom a Legacy Health Entity is a source of referrals for healthcare services that are billed to Government Programs (including physicians, hospitals, skilled nursing facilities and provider networks);

4.16.1.4 each contract between Legacy Health Entity and any Employee that is not terminable at will by the Legacy Health Entity both without any penalty and without any obligation of the Legacy Health Entity to pay severance, termination, change of control or other amounts (other than accrued base salary, accrued commissions, accrued vacation pay and legally mandated benefits) in excess of One Hundred Thousand Dollars ($100,000) per year;

4.16.1.5 Leases pursuant to which any Legacy Health Entity is granted the right to use any Leased Real Property as tenant, in each case with expected payments in excess of Five Hundred Thousand Dollars ($500,000) per year (collectively, the "**Material Leases**");

4.16.1.6 equipment leases or maintenance agreements contemplating payments in excess of One Million Dollars ($1,000,000) per year;

4.16.1.7 contracts relating to Indebtedness of any Legacy Health Entity in excess of Five Million Dollars ($5,000,000) (such contracts being, the "**Material Debt Contracts**"); provided, that Section 4.16.1.7 of the Legacy Health Disclosure Schedules only sets forth contracts relating to Indebtedness of any Legacy Health Entity in excess of Fifty Million Dollars ($50,000,000);

4.16.1.8 any contract pursuant to which any Legacy Health Entity grants or acquires a right to use any Intellectual Property that is material to the business and/or operations of such Legacy Health Entity, other than (a) intercompany agreements between Legacy Health Entities, or (b) non-exclusive off-the-shelf licenses for software that contemplates payments by a Legacy Health Entity of less than Five Hundred Thousand Dollars ($500,000) per year;

4.16.1.9 any contract that restricts the right of any Legacy Health Entity to use any Owned Intellectual Property in any material respect;

4.16.1.10 any collective bargaining agreements;

4.16.1.11 all contracts containing non-competition or non-solicitation provisions restricting the conduct of the Legacy Health Entities in any geographic area and which contemplate payments by or to the Legacy Health Entities in excess of Two Million Dollars ($2,000,000) per year; provided, that Section 4.16.1.11 of the Legacy Health Disclosure Schedules only sets forth contracts containing non-competition or non-solicitation provisions restricting the conduct of the Legacy Health Entities in any geographic area and which contemplate payments by or to the Legacy Health Entities in excess of Six Million Dollars ($6,000,000) per year;

4.16.1.12 all contracts granting any exclusive rights, most favored nation rights, rights of first refusal, rights of first negotiation or similar rights to any Person, including, but not limited to, the grant to any Person of any option, right of first refusal or preferential or similar right to purchase any of the assets of the Legacy Health Entities which contemplate payments by or to the Legacy Health Entities in excess of Two Million Dollars ($2,000,000) per year; provided, that Section 4.16.1.12 of the Legacy Health Disclosure Schedules only sets forth contracts granting any exclusive rights, most favored nation rights, rights of first refusal, rights of first negotiation or similar rights to any Person, including, but not limited to, the grant to any Person of any option, right of first refusal or preferential or similar right to purchase any of the assets of the Legacy Health Entities which contemplate payments by or to the Legacy Health Entities in excess of Six Million Dollars ($6,000,000) per year;

4.16.1.13 any corporate integrity agreements that are still in effect and/or pursuant to which the applicable Legacy Health Entity has outstanding obligations;

4.16.1.14 any settlement agreement with a Government Entity for which there are unfulfilled requirements or obligations, including corrective action plans;

4.16.1.15 any severance agreements, retention agreements and agreements prohibiting or requiring payments in excess of Two Hundred Fifty Thousand Dollars ($250,000) per year to a person upon a Change of Control of Legacy Health; and

4.16.1.16 any other contract of any Legacy Health Entity which contemplates annual payments in excess of Two Million Dollars ($2,000,000) in any year; provided, that Section 4.16.1.16 of the Legacy Health Disclosure Schedules only sets forth any other contracts of any Legacy Health Entity which contemplates annual payments in excess of Six Million Dollars ($6,000,000) in any year.

4.16.2 Each Material Contract constitutes a valid and legally binding obligation of the Legacy Health Entity or Legacy Health Entities party thereto and is enforceable against such Legacy Health Entity or Legacy Health Entities, as applicable, in accordance with its terms, except as enforceability may be limited by: (a) general principles of equity, regardless of whether enforcement is sought in a proceeding in equity or at law; and (b) bankruptcy, insolvency, reorganization, moratorium or other similar laws of general application now or hereafter in effect relating to or affecting the enforcement of creditors' rights generally. Each Legacy Health Entity (in each case, to the extent a party thereto) is in material compliance with the terms and conditions of each Material Contract and, since the Interim Balance Sheet Date, no Legacy Health Entity has provided, or received from, any other Person that is a party to and bound by a Material Contract any written notice or other written communication regarding any actual or, to the Knowledge of Legacy Health, threatened violation or breach of, or default under, any Material Contract. To the Knowledge of Legacy Health, no other party to any Material Contract is in material breach thereof or default thereunder. As of the date that is six (6) months after the Execution Date, Legacy Health has made available to OHSU copies of each Material Contract, provided that any Material Contract entered into thereafter shall be made available to OHSU promptly after execution.

4.16.3 Except as set forth on Section 4.16.3 of the Legacy Health Disclosure Schedules, the consummation of the Transactions will not result in any material breach, termination right, liability, penalty, premium or variation of the rights, remedies, benefits or obligations of any party under any of the Material Contracts, or require the consent of or notice to any counterparty to any of the Material Contracts.

4.17 Related Party Transactions. Except as set forth in Section 4.17 of the Legacy Health Disclosure Schedules, to the Knowledge of Legacy Health: (a) no director, officer or Employee of, or physician employed by or under contract with any Legacy Health Entity currently has any interest in (i) any property or assets owned by any Legacy Health Entity, (ii) any interest in the Leased Real Property, (iii) any interest in any Affiliate or Partial Subsidiary of any Legacy Health Entity, or (iv) any interest in any vendor or supplier of any Legacy Health Entity; and (b) during the past three (3) years, other than employment-related agreements, no director or officer legally deemed an "insider" (under the Code) of any Legacy Health Entity has engaged in any transaction, indebtedness (including Indebtedness) or other arrangements with any Legacy Health Entity.

4.18 Insurance. Each Legacy Health Entity maintains and has maintained without interruption during the past five (5) years, insurance and/or actuarily sound self-insurance covering its property, operations, employees and liabilities with the types, coverages and amounts of insurance as are commercially reasonable and customary for comparable non-profit organizations operating in the same or similar lines of business in the communities within Oregon and Washington State where the applicable Legacy Health Entity operates. Section 4.18 of the Legacy Health Disclosure Schedules contains an accurate schedule of the insurance policies and self-insurance funds currently maintained by or on behalf of the Legacy Health Entities (the "**Insurance Policies**"), indicating the type of insurance, policy numbers, identity of insurers and insureds, amounts, and coverage. The Insurance Policies are in full force and effect with no premium arrearage. The Legacy Health Entities have given in a timely manner to their insurers all notices required to be given under the Insurance Policies with respect to all of the claims and actions to be covered by such insurance. The Legacy Health Entities have not received any notice or other written communication from any such insurance company canceling, non-renewing or materially amending any of the Insurance Policies, and no such cancellation, non-renewal or amendment is pending or, to the Knowledge of Legacy Health, threatened. The reserves set forth on the books of the Legacy Health Entities as of the Closing will be adequate and have been prepared in accordance with GAAP to cover all liabilities with respect to any self-insurance or co-insurance programs.

4.19 Medical Staff and Employed Physician Matters. Legacy Health has provided to OHSU true, correct, and complete copies of the bylaws, rules and regulations of the Legacy Health Medical Staff and other licensed health care facilities operated by the Legacy Health Entities, as well as a list of all current members of the Legacy Health Medical Staff, and all employed or contracted physicians or advanced practice clinicians. Except as set forth on Section 4.19 of the Legacy Health Disclosure Schedules, since the Interim Balance Sheet Date no Legacy Health Medical Staff members had their privileges at any Legacy Health Entity revoked or suspended or placed on hold, nor has any Legacy Health Medical Staff member resigned during the pendency of any investigation or proceeding that could lead to such actions. Except as set forth on Section 4.19 of the Legacy Health Disclosure Schedules, within the past three (3) years, all applicable Legacy Health Entities have materially complied with all applicable Legal Requirements (including without limitation applicable Health Care Laws) relating to required reports to the National Practitioner Data Bank, state medical boards and/or other Government Entities of disciplinary and other actions taken against any Legacy Health Medical Staff member or reportable events with respect to any Legacy Health Medical Staff member.

4.20 Intellectual Property; Computer Software.

4.20.1 Section 4.20.1(a) of the Legacy Health Disclosure Schedules lists all Owned Intellectual Property that is issued, registered or is the subject of an application for registration by or with any Government Entity or authorized private registrar in any jurisdiction (the "**Registered Intellectual Property**"), in each case listing (a) the jurisdiction in which such item of Registered Intellectual Property has been registered or filed and the applicable application, registration, or serial number and date of application and registration; and (b) the record owner and, if different, the legal owner and beneficial owner of such Registered Intellectual Property. Section 4.20.1(b) of the Legacy Health Disclosure Schedules lists each material unregistered

Trademark owned or purported to be owned by any Legacy Health Entity. None of the Registered Intellectual Property is the subject of any Action filed with the United States Patent and Trademark Office or any other Government Entity or authorized private registrar in any jurisdiction and none of the Registered Intellectual Property has lapsed, expired, or been abandoned or withdrawn. The Legacy Health Entities have taken all necessary measures to maintain the Registered Intellectual Property.

4.20.2 Except as set forth on Section 4.20.2 of the Legacy Health Disclosure Schedules, during the past three (3) years, to the Knowledge of Legacy Health, the conduct of the business of the Legacy Health Entities has not materially infringed upon, misappropriated, or otherwise violated, and is not materially infringing upon, misappropriating, or otherwise violating, the Intellectual Property rights of any third party. No Actions have been instituted, are pending or, to the Knowledge of Legacy Health, are threatened, that challenge the validity of the Legacy Health Entities' ownership or right to use the Owned Intellectual Property and, to the Knowledge of Legacy Health, there is no basis therefor.

4.20.3 Except as set forth on Section 4.16.1.9 of the Legacy Health Disclosure Schedules, the Legacy Health Entities have not granted any third party any right or license to use the Owned Intellectual Property, other than non-exclusive licenses granted in the ordinary course of business. During the past three (3) years, there have been no Actions brought, nor are there any Actions pending or threatened, by any Legacy Health Entity alleging infringement, misappropriation, or violation of any such Owned Intellectual Property by any other Person.

4.20.4 Except as set forth on Section 4.20.1 of the Legacy Health Disclosure Schedules, the Legacy Health Entities solely and exclusively own all right, title, and interest in and to all Owned Intellectual Property, free and clear of all Liens, other than Permitted Liens, and possess adequate and enforceable licenses or other rights to use all other Intellectual Property that is used or held for use by the Legacy Health Entities. The Owned Intellectual Property and the Intellectual Property licensed to a Legacy Health Entity pursuant to an Intellectual Property Agreement (collectively, the "**Legacy Health Intellectual Property**") constitutes all of the Intellectual Property used in the operation of the business of the Legacy Health Entities as currently conducted. The Owned Intellectual Property is valid, enforceable, and subsisting and is not subject to any outstanding Action, contract, or proceeding adversely affecting or that could reasonably be expected to adversely affect any Legacy Health Entities' ownership or use of any Owned Intellectual Property in any material respect. Except as set forth in Section 4.20.4 of the Legacy Health Disclosure Schedules, no Legacy Health Entity has granted to any Person or authorized any Person to retain any rights in any Owned Intellectual Property. To the extent that any Intellectual Property that is material to the business and/or operations of any Legacy Health Entity has been developed or created by an Employee, any current or former consultant or contractor of any of the Legacy Health Entities, or any other Person for or on behalf of any Legacy Health Entity, either such Person has executed a valid and enforceable agreement (that materially conforms to the form(s) made available to OHSU) that conveys to the applicable Legacy Health Entity full, effective, and exclusive ownership of all rights in such Intellectual Property (an "**IP Assignment Agreement**") or all ownership rights in such Intellectual Property are held by the applicable Legacy Health Entity by operation of law.

4.20.5 Other than the Intellectual Property Agreements, no licenses or other consents are required from any Person to permit any Legacy Health Entity to use the Legacy Health Intellectual Property in the conduct of the business as currently conducted. The consummation of the Transactions will not result in the loss of, or material impairment of, any ownership rights of any Legacy Health Entity in any Owned Intellectual Property or result in the material breach or termination of any Intellectual Property Agreement.

4.20.6 Except as set forth on Section 4.20.6 of the Legacy Health Disclosure Schedules, to the Knowledge of Legacy Health, no Legacy Health Entity is in default under or material breach of, any Intellectual Property Agreement and, to the Knowledge of Legacy Health, no event has occurred, and no circumstance or condition exists that will or could reasonably be expected to (i) constitute a material breach of, or default under any Intellectual Property Agreement by any Legacy Health Entity; or (ii) give any Person the right to terminate (except by non-renewal) or declare a default or otherwise exercise any remedy under any Intellectual Property Agreement.

4.20.7 The Legacy Health Entities have taken reasonable steps to maintain the confidentiality of and otherwise protect and enforce their rights in all Trade Secrets and any confidential information owned by any Person to whom the applicable Legacy Health Entity has a confidentiality obligation and, to the Knowledge of Legacy Health, no such Trade Secret or confidential information has been disclosed to any third party except pursuant to a binding confidentiality agreement. To the Knowledge of Legacy Health, there has not been any breach by any Employee, any current or former contractor or consultant of the Legacy Health Entities, or other Person of any confidentiality obligation to any Legacy Health Entity. Except as set forth on Section 4.20.7 of the Legacy Health Disclosure Schedules, all Employees and current and former independent contractors and consultants of the Legacy Health Entities who have had access to confidential or proprietary information of any Legacy Health Entity have entered into confidentiality agreements with such Legacy Health Entity in the forms made available to OHSU.

4.20.8 None of the source code owned or purported to be owned by a Legacy Health Entity ("**Legacy Health Source Code**") has been published, disclosed, or put into escrow by any Legacy Health Entity for any reason. To the Knowledge of Legacy Health, no Person has unauthorized access to any of the Legacy Health Source Code. No Legacy Health product or Proprietary Software contains any Open Source Software.

4.20.9 To the Knowledge of Legacy Health, all IT Assets are free of any virus, malware, spyware, or other device or code ("**Malicious Code**") that could reasonably be expected to disrupt, disable, or otherwise impair the normal operation of, or provide unauthorized access to, any IT Assets, or damage, destroy, or prevent access to or use of any data or file. The Legacy Health Entities have used commercially reasonable efforts to take steps to prevent the introduction of any Malicious Code into any IT Assets. The IT Assets are reasonably sufficient for the immediate and anticipated needs of the business as currently conducted. The IT Assets are in sufficiently good working condition to perform all information technology operations necessary for the conduct of the business as currently conducted. To the Knowledge of Legacy Health, there has been no unauthorized access, use, intrusion, breach of security, material failure, or other material adverse event affecting any IT Assets, in each case, that has caused or would reasonably be expected to affect the use, functionality, or performance of such IT Asset(s) or any product or system containing or used in conjunction with such IT Asset(s); cause any unauthorized access to or use of any of the IT Assets; or cause any other loss, unauthorized disclosure, or use of any sensitive or confidential information. The Legacy Health Entities have used commercially reasonable efforts to take actions to protect the integrity and security of the IT Assets and the data and other information stored or processed thereon. The Legacy Health Entities maintain and adhere to commercially reasonable backup and data recovery, disaster recovery, and business continuity plans, procedures, and facilities.

4.21 Research.

4.21.1 Section 4.21.1 of the Legacy Health Disclosure Schedules sets forth any active and ongoing material sponsored research or clinical trial agreements of a Legacy Health Entity with life science or other companies, or with non-profit organizations, universities, colleges, or other educational institutions or governmental sponsors of research (collectively, "**Research Sponsors**"). There are no pending or outstanding material disputes concerning any Legacy Health Entity's involvement in the conduct of any such research or clinical trials, or compliance with any requirements of any Research Sponsor or applicable Institutional Review Board ("**IRB**"), approved research protocols, or, where applicable, the United States Federal Food, Drug, and Cosmetic Act of 1938 (21 U.S.C. §§ 301 – 399h) ("**FDCA**"), 2 C.F.R. 200, and 45 C.F.R. Part 46 (collectively, "**Research Requirements**").

4.21.2 Except as set forth on Section 4.21.2 of the Legacy Health Disclosure Schedules, in the past three (3) years, no sponsored research or clinical trials of a Legacy Health Entity with any Research Sponsor has been suspended or terminated nor has received any fines, penalties, or cost disallowances due to non-compliance by the applicable Legacy Health Entity with any Research Requirements, or for patient safety issues.

4.21.3 Except as set forth on Section 4.21.3 of the Legacy Health Disclosure Schedules, in the past three (3) years, no Legacy Health Entity has made any voluntary or mandatory disclosures to any Government Entity with respect to any material irregularity, misstatement, significant overpayment or violation of applicable Research Requirements or, to the Knowledge of Legacy Health, has been investigated for non-compliance with applicable Research Requirements, or for the performance of any research procedures or studies conducted where such research procedures or studies were allegedly either not authorized by a Government Entity, or where the conduct of the research protocol was not approved by or not conducted in accordance with the requirements of an IRB.

4.21.4 Each Legacy Health Entity is currently, and at all times during the last three (3) years has been, in material compliance with the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (2 C.F.R. 200) ("**Uniform Guidance**") and applicable agency supplements, the FDCA and 45 C.F.R. Part 46, as applicable, the design and approval, as applicable, by the IRB of the protocol for research, obtaining of any required informed consent, the conduct of research, billing of project costs to sponsors, use and dissemination of data, publications and rights in Intellectual Property, as applicable, and is in material compliance with the applicable clinical trial agreement or document of similar applicability. All Persons who have engaged in human subjects research on behalf of any of the Legacy Health Entities were properly trained or qualified to do so, and no research has been conducted by a Legacy Health Entity other than in material compliance with the approved protocol and the Uniform Guidance and the FDCA and 45 C.F.R. Part 46, as applicable.

4.22 Compliance Program and Related Matters.

4.22.1 Each Legacy Health Entity has implemented and, for the past three (3) years, has maintained, a Compliance Program, which program includes at least the following elements as applicable to each Legacy Health Entity: a compliance officer and compliance committee (including regular reporting by the compliance officer to, and direct access by the compliance officer to, the Legacy Health Board and the applicable Legacy Health Entity Board), written policies and procedures, auditing and monitoring (including auditing and monitoring work plans, training and education), open avenues for reporting of compliance concerns, including an anonymous compliance reporting hotline, mechanisms for investigating and responding to issues identified via auditing and/or monitoring and reports of non-compliance and a policy of non-retaliation against employees and contractors who report compliance issues in good faith. Each Legacy Health Entity has conducted its operations during the past three (3) years in accordance with its Compliance Program. Any and all material issues with respect to each Legacy Health Entity's compliance with such Compliance Program or any Health Care Law that were brought to the attention of Legacy Health's or the applicable Legacy Health Entity's compliance officer (or other Compliance Program official), General Counsel (or other legal department official) during the past three (3) years have been fully and timely investigated and corrective actions have been promptly taken to ensure compliance with all applicable Health Care Laws and the Compliance Program applicable to the relevant Legacy Health Entity, where appropriate. Legacy Health has provided OHSU access to all material current Compliance Program materials for the Legacy Health Entities, including but not limited to principal program descriptions, compliance officer and committee descriptions, compliance policies, training and education materials, representative auditing and monitoring protocols, reporting mechanisms, complaint/investigation logs for the past three (3) years (including descriptions of the resolution of each such report and related investigation), disciplinary policies, and any work product generated in the process of investigating any material issue identified by the Compliance Program.

4.22.2 Except as set forth on Section 4.22.2 of the Legacy Health Disclosure Schedules, no Legacy Health Entity during the past three (3) years, nor any of their respective current directors, managers, officers or employees, nor, to Legacy Health's Knowledge, any other authorized Person acting for or on behalf of any Legacy Health Entity, has made or has Knowledge that Legacy Health or any Legacy Health Entity is required to make a voluntary disclosure of potential or actual non-compliance with any Health Care Law to any Government Entity with respect to the Legacy Health Entities, including a voluntary disclosure pursuant to the HHS OIG self-disclosure protocol or the CMS self-referral disclosure protocol. For the past three (3) years, no Legacy Health Entity is or has been: (a) a party to a corporate integrity agreement with HHS OIG; (b) subject to any compliance-related reporting obligations pursuant to any settlement agreement entered into with any Government Entity; (c) to the Knowledge of Legacy Health, the subject of any Government Program investigation conducted by any federal or state enforcement agency; (d) a defendant in any unsealed qui tam/False Claims Act litigation or received any written credible threat to file any qui tam/False Claims Act litigation; and/or (e) served with or received any search warrant, subpoena, criminal investigative demand or civil investigative demand by or from any federal or state enforcement agency or authority.

4.22.3 Legacy Health has provided to OHSU all reports prepared internally or by external Employees, contractors or consultants within the past three (3) years regarding any estimated financial exposure related to the CMS Recovery Audit Contractor program, Zone Program Integrity Coordinator, other CMS auditing contractor, or other material reimbursement-related repayment exposure.

4.22.4 Subject to preservation of the applicable peer review privilege, Legacy Health has also provided to OHSU a list of all known CMS, HHS-OIG, State Health Agency, or other state or federal Government Entity investigations of employed or non-employed physicians that have furnished services at any hospital or other health care facility or site operated by any Legacy Health Entity during the past three (3) years.

4.23 Endowment and Restricted Funds. Section 4.23 of the Legacy Health Disclosure Schedules (a) lists all of the endowment and/or restricted funds held by each Legacy Health Entity; and (b) describes each endowment and/or restricted fund and any applicable written restrictions imposed on each. In its management and use of endowment or restricted funds, the Legacy Health Entities are and have at all times in the past three (3) years been in material compliance with applicable Legal Requirements related to endowment spending and with the requirements of the applicable donative instruments, and have received no written objection or claim to the contrary from any donor with the right to object, or by any Government Entity, and there is not now pending or in writing threatened litigation against any Legacy Health Entity concerning any of the foregoing. Each Legacy Health Entity is currently and at all times during the last three (3) years has been in material compliance with all Legal Requirements applicable to its fundraising practices.

4.24 Tax-Exempt and Public Charity Status. Each tax-exempt Legacy Health Entity is in material compliance with all provisions of the Code pertaining to the maintenance of such Entity's status as an organization described in Section 501(c)(3) of the Code and as a public charity (and not a "private foundation") within the meaning of Section 509(a) of the Code, and the IRS has not (a) taken, or to the Knowledge of Legacy Health, proposed to take, any action to revoke the tax-exempt or public charity status of any Legacy Health Entity that has such status; (b) notified any tax-exempt Legacy Health Entity of any inquiry or jeopardy concerning such Entity's tax-exempt or public charity status; or (c) to the Knowledge of Legacy Health, determined in writing or, proposed to announce, that any tax-exempt Legacy Health Entity is a "private foundation" within the meaning of Section 509(a) of the Code. There has been no material change in the organization or operation of any Legacy Health Entity that would result in a loss by any tax-exempt Legacy Health Entity of its status as an organization described in Section 501(c)(3) of the Code or as a public charity (and not a "private foundation") within the meaning of Section 509(a) of the Code. Except as set forth in Section 4.24 of the Legacy Health Disclosure Schedules, to the Knowledge of Legacy Health, since the time of the determination by the IRS that each tax-exempt Legacy Health Entity is an organization described in Section 501(c)(3) of the Code and is a public charity (and not a "private foundation") within the meaning of Section 509(a) of the Code, no event or condition has occurred which could reasonably be expected to jeopardize the status of such Legacy Health Entity as an organization described in Section 501(c)(3) of the Code or as a public charity (and not a "private foundation") within the meaning of Section 509(a) of the Code, or expose such Legacy Health Entity to liability for any unpaid unrelated business income tax or excise tax.

4.25 Statutory Funds. Neither any Legacy Health Entity, nor, to the Knowledge of Legacy Health, any of their predecessors that owned or operated the facilities currently owned or operated by the Legacy Health Entities, has received any loans, grants, loan guarantees, donations, monies, or other financial assistance pursuant to the Hill-Burton Act program, Pub. L. 79-725, the Health Professions Educational Assistance Act, Pub. L. 88-129, 77 Stat. 164, the Nurse Training Act, Pub. L. 92-158, the National Health Planning and Resources Development Act, Pub. L. 93-641, 88 Stat. 2226, or the Community Mental Health Centers Act, Pub. L. 92-211, as amended, or similar Legal Requirements relating to health care facilities that remain unpaid or which impose any restrictions on them or their assets that have not yet been fully discharged.

4.26 COVID-19 Relief Funds Received and Applied For.

4.26.1 Section 4.26.1 of the Legacy Health Disclosure Schedules sets forth an accurate list of and all significant details relating to (including amounts and dates received) each fund, grant, loan, advance (including Medicare payment advances), or payment received to date, and each fund, grant, loan, advance or payment applied for but not yet received to date, by any Legacy Health Entity from any Government Entity relating to or arising from the COVID-19 declared nationwide emergency (pandemic) or its impacts or consequences, including without limitation COVID-19 relief programs (e.g., CARES Act stimulus, Payroll Protection Program funds, provider relief funds, Federal Emergency Management Administration funds, Administration for Strategic Preparedness & Response funds or federal, state or local grants or subsidies, etc.) and similar programs (the "**COVID-19 Relief Funds**").

4.26.2 All applications to Government Entities by any Legacy Health Entity for, and all filings made to Government Entities by any Legacy Health Entity in connection with, any COVID-19 Relief Funds have been true and correct in all material respects. To the Knowledge of Legacy Health, any Legacy Health Entity that received any COVID-19 Relief Funds was and remains eligible under the terms of the applicable governmental program to receive and retain all of the funds so received (except for any such funds that have been returned to the applicable Government Entity, as set forth on Section 4.26.2 of the Legacy Health Disclosure Schedules). Any COVID-19 Relief Funds received by any Legacy Health Entity that were loans have been timely repaid by the Legacy Health Entity with all applicable interest (to the extent repayment has been required as of the Execution Date and as of the Closing Date, as applicable, under the terms of the applicable program).

4.27 Personal Property. Except as disclosed in the Financial Statements, all material personal property owned, leased or used in connection with the business of the Legacy Health Entities, including all material equipment, Fixtures, machinery, vehicles, and leasehold improvements, has been maintained in a manner consistent with past practice, is in good operating condition and repair except for ordinary wear and tear and, as of the Closing, will be free and clear of Liens, other than the Permitted Liens.

4.28 Inventory. The Inventory is (in quantity, quality and merchantability) sufficient to conduct the operations of the Legacy Health Entities in the ordinary course of business consistent with past practice. The Inventory existing on the Execution Date will exist on the Closing Date, except for Inventory exhausted or added in the ordinary course of business, consistent with past practice, between the Execution Date and the Closing Date. "**Inventory**" means all usable inventory and supplies held or used in the business of the Legacy Health Entities.

4.29 Debt. Except as set forth in Section 4.29 of the Legacy Health Disclosure Schedules, the Legacy Health Entities are in material compliance with the terms and conditions of all of the Material Debt Contracts, and to the Knowledge of Legacy Health, no event or condition exists that constitutes an event of default under any the Material Debt Contracts or that, with the passing of time or the giving of notice, or both, would constitute an event of default under the Material Debt Contracts.

4.30 Brokers and Finders. No Legacy Health Entity, nor any officer or director or trustee thereof, has engaged any finder, broker or investment adviser in connection with the Transactions contemplated hereunder.

5. REPRESENTATIONS AND WARRANTIES OF OHSU.

As of the Execution Date and as of the Closing Date, OHSU hereby represents and warrants the following to and for the benefit of Legacy Health:

5.1 Organization and Valid Existence. OHSU is a statutory public corporation, duly organized and validly existing under the laws of the State of Oregon and each other OHSU Entity is duly organized and validly existing under the laws of its state of incorporation or formation (as applicable) and each of OHSU and each other OHSU Entity has all requisite statutory power and authority to own, lease and operate its properties and to carry on its businesses as now being conducted. OHSU has delivered to Legacy Health true, correct, current and complete copies of the Organizational Documents of each OHSU Entity. No OHSU Entity is in material default under or in material violation of its Organizational Documents. Each OHSU Entity is duly qualified, licensed or registered to do business in each of the jurisdictions in which the nature of the business being presently conducted by it or its assets and properties makes such qualification, licensing or registration legally required.

5.2 Powers; Consents; Absence of Conflicts with Other Agreements. OHSU has the requisite power and authority to execute, deliver, and perform this Agreement and all other Transaction Documents to which OHSU is a party. The consummation of the Transactions, and the entry into this Agreement and the other Transaction Documents, by the OHSU Entities, as applicable:

5.2.1 Are within the statutory powers and authority of OHSU to perform on its behalf and on behalf of the other OHSU Entities, and will not result in a material breach of the Organizational Documents of any OHSU Entity;

5.2.2 Have been (or will be, as of the Closing Date) duly authorized by all necessary or appropriate corporate actions of the OHSU, which actions remain in full force and effect;

5.2.3 Except as provided in Sections 6.6.1 or 6.6.2, or Schedule 7.4, do not require any approval or consent of, or filing with, any Government Entity;

5.2.4 Will not result in a material breach of (whether after the giving of notice, lapse or time or both), or give rise to a right of termination, cancellation, modification, acceleration or to the loss of a benefit thereunder, or the creation of any material Lien under, any material contract to which OHSU is a party or by which OHSU is bound; and

5.2.5 Will not result in a material violation of any federal, state or local laws to which OHSU or any OHSU Entity is subject.

5.3 Binding Agreement. This Agreement and all other Transaction Documents to which any OHSU Entity is a party are and will constitute (assuming the due authorization, execution and delivery by Legacy Health) valid and legally binding obligations of such OHSU Entity, and are and will, upon receipt of the approvals set forth in Schedule 7.4, be enforceable against it in accordance with the respective terms hereof or thereof, except as such enforceability may be limited by: (a) general principles of equity, regardless of whether enforcement is sought in a proceeding in equity or at law; and (b) bankruptcy, insolvency, reorganization, moratorium or other similar laws or Legal Requirements of general application now or hereafter in effect, relating to or affecting the enforcement of creditors' rights generally.

5.4 Violations and Exclusions. During the past three (3) years, no OHSU Entity, nor, to the Knowledge of OHSU, any of their respective officers, directors, trustees, agents or employees: (a) has been convicted of, pled guilty or nolo contendere to, formally charged with, or, to the Knowledge of OHSU, investigated by any Government Entity for any crime or violation or with respect to any conduct for which such Person would reasonably be expected to (i) be excluded, suspended, or debarred from participating, or otherwise determined to be ineligible to participate, in any Government Program, (ii) have their billing privileges with respect to that Government Program terminated, revoked or suspended, or (iii) result in such Person or Entity being subjected to a civil monetary penalty or criminal penalty under Sections 1128A or 1128B of the Social Security Act or any similar law; (c) has been convicted of, pled guilty or nolo contendere to, or formally charged with, or to the Knowledge of OHSU, has been investigated for, any violation of laws related to fraud, theft, embezzlement, breach of fiduciary duty or responsibility, financial misconduct, or obstruction of an investigation; (d) is or has been excluded, suspended, or debarred from participation, or otherwise determined to be ineligible to participate, in any Government Programs, including but not limited to being listed on the General Services Administration's System for Award Management's list of parties excluded from federal procurement programs and non-procurement programs, or on the HHS-OIG's List of Excluded Individuals and Entities; or (e) has been subject to an involuntary termination or nonrenewal of any material contract with any Third Party Payor, initiated by the Third Party Payor.

5.5 Litigation. No OHSU Entity is in material default under any order of any Government Entity wherever located. The OHSU Entities have at all times in the past three (3) years been in material compliance with each judgment, decree, order, corporate integrity agreement or governmental restriction to which any of them is or has been subject. To the Knowledge of OHSU, no event has occurred or circumstance exists that could constitute or result in (with or without notice or lapse of time) a violation of, or failure to comply with, any material judgment, decree, order, corporate integrity agreement or governmental restriction to which any OHSU Entity is subject.

5.6 Tax Status. OHSU is a political subdivision of the State of Oregon within the meaning of Treasury Regulations Section 1.103-1(b) and a governmental unit within the meaning of Section 170(c)(1) of the Code. OHSU and each of its tax-exempt Affiliates are in material compliance with all provisions of the Code pertaining to the maintenance of such Entity's status as an organization as in the Code, and the IRS has not (a) taken, or to the Knowledge of OHSU, proposed to take, any action to revoke the tax status of OHSU or any of its Affiliates that has such status; or (b) notified OHSU or any of its Affiliates of any inquiry or jeopardy concerning such Entity's tax status. There has been no material change in the organization or operation of OHSU or any of its Affiliates that would result in a loss by OHSU or any Affiliates of its tax status.

5.7 Legal Proceedings. As of the Execution Date, there are no actions, suits, proceedings, orders, judgments, decrees, claims, audits or investigations pending or, to the Knowledge of OHSU, threatened against or by OHSU or any Affiliate of OHSU that challenge or seek to prevent, enjoin or otherwise delay the Transaction contemplated by this Agreement and the other Transaction Documents.

5.8 Solvency. Immediately after giving effect to the Transactions contemplated by this Agreement at Closing, OHSU shall be solvent and shall: (a) be able to pay its debts as they become due; (b) own property that has a fair saleable value greater than the amounts required to pay its debts (including a reasonable estimate of the amount of all contingent liabilities); and (c) have adequate capital to carry on its business. No transfer of property is being made and no obligation is being incurred in connection with the Transactions contemplated hereby with the intent to hinder, delay or defraud either present or future creditors of OHSU. In connection with the Transactions contemplated hereby, OHSU has not incurred, nor plans to incur, debts beyond its ability to pay as they become absolute and matured.

5.9 Brokers and Finders. Neither OHSU, nor any officer, director, manager or trustee thereof, has engaged any finder, broker or investment adviser in connection with the Transactions contemplated hereunder.

6. PRE-CLOSING COVENANTS.

6.1 Legacy Health Pre-Closing Operations. From the date of execution of this Agreement through the Closing Date or the earlier termination of this Agreement, except as (a) otherwise specifically permitted by this Agreement or set forth at Schedule 6.1, (b) required by Legal Requirements as determined in the opinion of legal counsel to Legacy Health and set forth in reasonable detail in prior written notice to OHSU, or (c) with the prior written consent of OHSU (which consent shall not unreasonably be withheld, conditioned or delayed, and which OHSU agrees shall be provided or withheld within five (5) business days of any request for such consent), Legacy Health shall, and shall cause each other Legacy Health Entity to (i) continue to operate in the ordinary course of business consistent with past practice and (ii) not undertake any of the following actions:

6.1.1 Make any material change in accounting principles and practices employed by any Legacy Health Entity other than in compliance with Legal Requirements, or as required by GAAP;

6.1.2 Make any material capital expenditures outside the ordinary course of business consistent with past practice other than in accordance with the approved budget of Legacy Health or the applicable Legacy Health Entity as provided to OHSU prior to the Execution Date, or in connection with a casualty or condemnation;

6.1.3 Mortgage, sell, or lease any material assets of the Legacy Health Entities, other than any mortgage, sale or lease in the ordinary course of business consistent with past practice (including any lease or sublease of any of the Real Property in the ordinary course of business);

6.1.4 Create or increase any material Liens on any portion of the assets or revenues of the Legacy Health Entities, other than Permitted Liens and other than Liens created in the ordinary course of business consistent with past practice;

6.1.5 Except to the extent otherwise permitted by Sections 6.1.7 or 6.1.8 below, voluntarily terminate (which shall not include expirations) or materially amend any Material Contract except in the ordinary course of business consistent with past practice;

6.1.6 Enter into, modify, or terminate any labor or collective bargaining agreement, or, through negotiations or otherwise, any commitment or liability to any labor organization or similar third party, except where required as a matter of law or where required to avoid a violation of applicable Legal Requirements;

6.1.7 Except to the extent otherwise permitted by Section 6.1.8 below and contracts relating to the transactions described on Exhibit G, enter into any contract that would be a Material Contract if entered into prior to the Execution Date with (a) a term exceeding thirty (30) months (unless it is terminable by the applicable Legacy Health Entity without cause on not more than one hundred twenty (120) days' prior notice); or (b) an aggregate value exceeding Five Million Dollars ($5,000,000); or (c) a covenant not to compete, most favored nations clause, exclusivity requirement or right of first refusal that, following Closing, would materially restrict the activities of any Legacy Health Entity or its Affiliates;

6.1.8 Enter into or renew any material physician employment agreement, agreement with any referral source, medical director agreement or professional services agreement except in the ordinary course of business consistent with Legacy Health's Compliance Program and applicable current (as of the Execution Date) compensation plans and processes;

6.1.9 Except for the transactions described on Exhibit G, purchase, sell, or donate any Real Property having a value in excess of One Million Dollars ($1,000,000);

6.1.10 Except as may be required by any Plan or Legal Requirement, (a) enter into, adopt, materially amend or terminate any Plan, (b) increase the compensation payable or to become payable or the benefits provided to Employees or Independent Contractors under any Plan, employment agreement, contractor agreement, offer letter, or other similar plan, policy, contract, commitment, understanding or arrangement (except for normal merit and cost of living increases in salaries or wages of the Employees or Independent Contractors consistent with past practice or as mandated by applicable contracts, collective bargaining agreements, or Legal Requirements), or (c) grant any severance or termination payment to, or pay, loan or payroll advance any amount to any Employee or Independent Contractor (except any such payments or advances made consistent with past practice or as required by applicable contracts, collective bargaining agreements, or Legal Requirements);

6.1.11 With respect to executives of the Legacy Health Entities, enter into any amendments or extensions to such Employee's employment agreement or enter into any new executive employment agreement; in addition, in the event that Legacy Health undertakes a search for a new Chief Executive Officer prior to Closing, OHSU shall have input and access to information rights that are consistent with the rights of Legacy Health with respect to the OHSU Health System Chief Executive Officer search referenced in the applicable Transaction Documents;

6.1.12 Make any offer of employment to, or enter into any contract or consulting agreement for the services of, any individual whose annual compensation exceeds Three Hundred Thousand Dollars ($300,000) per year, except in the ordinary course of business consistent with (a) with respect to physicians and APPs, Legacy Health's current (as of the Execution Date) compensation plans and processes; and (b) with respect to all other employees, contractors and/or consultants, applicable past practices;

6.1.13 Make any changes to the Organizational Documents of any Legacy Health Entity, except as contemplated by this Agreement;

6.1.14 Except as may be required by any Legal Requirement or accreditation requirements, make any material changes to the bylaws of the Legacy Health Medical Staff;

6.1.15 Make any material change in rates, pricing, or payment methodology for services except (a) as required by Legal Requirements or by automatic adjustments under the terms of the applicable Third Party Payor agreement; (b) in the ordinary course of business consistent with prior practice; or (c) as a reasonable and competitive response to market conditions;

6.1.16 Incur any Indebtedness or guarantee any Indebtedness outside the ordinary course of business consistent with past practice;

6.1.17 Acquire by purchase of a substantial portion of the assets or membership interest or stock of, or by any other manner, any business or any Person for consideration in excess of One Million Dollars ($1,000,000);

6.1.18 Initiate or settle any individual material Action with a value exceeding (or reasonably expected to exceed) Two Million Dollars ($2,000,000), except in the ordinary course of business consistent with past practice;

6.1.19 Make charitable contributions to other organizations exceeding One Million Dollars ($1,000,000);

6.1.20 Make a filing for reorganization, insolvency or bankruptcy protection;

6.1.21 Issue or sell any shares of capital stock or equity interests or membership interests of any Legacy Health Entity, or any options, warrants, convertible securities or other rights of any kind to acquire such shares or equity or membership interests, except as may be required by the Organizational Documents of such Legacy Health Entity;

6.1.22 Declare, set aside, make or pay any dividends or other distributions (whether in cash, stock, property or otherwise) with respect to any of the capital stock or membership interests of any Legacy Health Entity, except (i) in the ordinary course of business consistent with past practice, or (ii) as may be required by the Organizational Documents of such Legacy Health Entity;

6.1.23 Reclassify, combine, split, subdivide, redeem, purchase or otherwise acquire, directly or indirectly, any of its capital stock or membership interest or make any other change with respect to its capital and membership structure, except as may be required by the Organizational Documents of such Legacy Health Entity;

6.1.24 Adopt a plan of complete or partial liquidation, dissolution, merger, conversion, consolidation or other Change of Control (regardless of the form) of Legacy Health or any other Legacy Health Entity;

6.1.25 Effectuate any change in federal or state tax status of Legacy Health or any other Legacy Health Entity;

6.1.26 Make any grants of more than One Million Dollars ($1,000,000);

6.1.27 Make any material change to Legacy Health's or any other Legacy Health Entity's investment policies or any material changes in the composition of its investment portfolio (including but not limited to asset allocation), other than changes in the ordinary course of business consistent with past practice;

6.1.28 Materially change or close any program or service line or apply for permission or approvals to do so;

6.1.29 Seek to materially change the terms of any license from a Government Entity; or

6.1.30 Enter into any new, or materially amend any existing, material academic or research affiliation agreement with any third party.

From the Execution Date through the Closing Date or the earlier termination of this Agreement, Legacy Health will withhold its approval, to the extent it is able to do so (on both a legal basis and otherwise), of any of the actions set forth in Sections 6.1.1 to 6.1.30 above by the Specified Legacy Health JVs, except as (a) otherwise specifically permitted by this Agreement or set forth at Schedule 6.1, (b) required by Legal Requirements as determined in the opinion of legal counsel to Legacy Health and set forth in reasonable detail in prior written notice to OHSU, or (c) with the prior written consent of OHSU (which consent shall not unreasonably be withheld, conditioned or delayed, and which OHSU agrees shall be provided or withheld within five (5) business days of any request for such consent).

6.2 OHSU Pre-Closing Operations. From the Execution Date through the Closing Date or the earlier termination of this Agreement, except as (a) otherwise specifically permitted by this Agreement or set forth at Schedule 6.2, (b) required by Legal Requirement as determined in the opinion of legal counsel to OHSU and set forth in reasonable detail in prior written notice to Legacy Health, or (c) with the prior written consent of Legacy Health (which consent shall not unreasonably be withheld, conditioned or delayed), OHSU shall not and shall cause each of the other OHSU Entities not to undertake any of the following actions:

6.2.1 Enter into any transaction (regardless of form) involving the Change of Control of OHSU;

6.2.2 Effectuate any material change in federal or state tax status of OHSU; or

6.2.3 Make a filing for reorganization, insolvency or bankruptcy protection.

6.3 Notifications; Disclosure Updates.

6.3.1 Prior to the Closing, Legacy Health will, on the date that is three (3) months following the Execution Date and on each three (3) month anniversary thereafter, and finally at least five (5) business days before the Closing Date, deliver to OHSU written notice (each a "**Disclosure Schedules Update**") updating the Legacy Health Disclosure Schedules to (a) reflect any event first occurring or fact, circumstance or condition first arising after the Execution Date (any such occurrence, fact, circumstance or condition being referred to as a "**Subsequent Event**") that, if such Subsequent Event had occurred or arisen before or on the Execution Date, would have been required to be disclosed in the Legacy Health Disclosure Schedules (or that in the absence of inclusion in the Legacy Health Disclosure Schedules, would have resulted in any of the representations and warranties contained in Article 4 not being true and correct as of the Execution Date), or (b) correct any existing inaccuracy or deficiency in the Legacy Health Disclosure Schedules based on any event that occurred or fact, circumstance or condition that existed before or on the Execution Date (together with the Subsequent Events, the "**Updated Events**").

6.3.2 Upon the receipt of any Disclosure Schedules Update, OHSU shall not have the right thereafter to terminate this Agreement unless the requirements of this Section 6.3.2 are satisfied. Upon the receipt of any Disclosure Schedules Update, OHSU may give prompt written notice given to Legacy Health (the "**Disclosure Schedule Termination Notice**") (but in any event within ten (10) business days after OHSU's receipt of the Disclosure Schedule Update (such ten (10) business day period being referred to as the "**Update Review Period**")), if OHSU determines in its reasonable discretion that the Updated Event(s) disclosed therein, either alone or in combination with any related failure of the representations and warranties set forth in Article 4 to be true and correct, would reasonably be expected to result, individually or in the aggregate, in Damages of One Hundred Million Dollars ($100,000,000) or more to OHSU after full recovery under all insurance policies covering any such Damages or from third parties responsible for any such Damages. The Disclosure Schedule Termination Notice shall set forth a summary of OHSU's calculation of such Damages and any potential recoveries. Upon receipt of a Disclosure Schedule Termination Notice from OHSU during the Update Review Period, Legacy Health shall be permitted to deliver an objection notice (an "**Disclosure Schedule Termination Objection Notice**") within ten (10) business days after receipt of such Disclosure Schedule Termination Notice. If Legacy Health does not provide a Disclosure Schedule Termination Objection Notice within such timeframe, OHSU shall be permitted to terminate this Agreement. If Legacy Health does deliver a Disclosure Schedule Termination Objection Notice within such timeframe, then the matter shall be submitted by the Parties to Veralon Partners, Inc. (the "**Independent Firm**") within three (3) business days thereafter. The Independent Firm shall then have thirty (30) business days to determine whether the applicable Updated Event(s), either alone or in combination with any related failure of the representations and warranties set forth in Article 4 to be true and correct, would reasonably be expected to result, individually or in the aggregate, in Damages of One Hundred Million Dollars ($100,000,000) or more to OHSU after full recovery under all insurance policies covering any such Damages or from third parties responsible for any such Damages. The Independent Firm shall render its determination in a written report to the Parties. If the Independent Firm concludes in such report that such Updated Event(s) meet such requirements, OHSU shall be permitted to terminate this Agreement.

6.3.3 In the event OHSU does not exercise its right to terminate the Agreement under Section 6.3.2, then (a) any Disclosure Schedules Update shall be deemed to modify the Legacy Health Disclosure Schedules with respect to the Updated Events disclosed therein and to accordingly qualify the representations and warranties in this Agreement corresponding to such Legacy Health Disclosure Schedules (as modified by the Disclosure Schedules Update) and for purposes of determining under Section 8.1 whether there is any inaccuracy in or breach of any of the representations or warranties of Legacy Health contained in this Agreement; and (b) if OHSU determines in its reasonable discretion that an Updated Event would reasonably be expected to cause Damages to any OHSU Indemnified Parties either upon or following the Closing, OHSU shall have the right to treat such Updated Event as an indemnifiable matter under Section 11.2.1(d) for purposes of this Agreement (but subject to Sections 11.2.3.2 and 11.2.5).

6.4 Exclusivity.

6.4.1 From the Execution Date until the Closing Date (or the earlier termination of this Agreement), the Legacy Health Entities shall not, without the prior written consent of OHSU, which consent may be withheld or granted in OHSU's sole and absolute discretion: (a) offer, for sale or lease all, substantially all or any material part of, any Legacy Health Entity's assets or any ownership or membership interest in any Legacy Health Entity, or any other Change of Control of any Legacy Health Entity; (b) solicit offers to buy or lease all, substantially all or any material part of the assets or any ownership or membership interest in any Legacy Health Entity, or for any other Change of Control of any Legacy Health Entity; (c) hold discussions with any Person (other than OHSU or its Affiliates) with respect to, or consider, any such offer; (d) do any of the foregoing with respect to any transaction that would be reasonably likely to prevent or delay the consummation of the Transactions in accordance with the terms hereof; or (e) enter into any agreement with any Person (other than OHSU or its Affiliates) with respect to any such offer. From the Execution Date through the Closing Date or the earlier termination of this Agreement, Legacy Health will withhold its approval, to the extent it is able to do so (on both a legal basis and otherwise), of any of the actions set forth in this Section 6.4.1 by the Specified Legacy Health JVs,

6.4.2 From the Execution Date until the Closing Date (or the earlier termination of this Agreement), OHSU shall not, and shall cause its officers, directors, trustees, employees, principals, agents, representatives, Affiliates and advisors not to, directly or indirectly, solicit, negotiate, participate or continue any discussion, or enter into any agreements, arrangements or understandings relating to any other proposal that (i) would effectively preclude it from undertaking the Transactions and fulfilling its obligations under the Transaction Documents, (ii) would include any provisions relating to third party seats on the OHSU Board if such provisions would impair any rights of Legacy Health or the Legacy Health Foundation under the Transaction Documents; (iii) would include any provisions that would dilute Legacy Health's majority on the Health System Board (as defined in the applicable Transaction Documents) until the earlier of the sixth (6^{th}) anniversary following the Closing or such time as the Capital Commitment is fully spent or fully earmarked for spending on specific projects, whichever is earlier; or (iv) is for a transaction involving the acquisition by, or a Change of Control in favor of, OHSU or its applicable Affiliates of another multi-hospital based health system.

6.5 Investigation Notices. From the Execution Date until the Closing Date (or the earlier termination of this Agreement), Legacy Health shall promptly notify OHSU, in writing, of any material Actions or investigations (internal or external) threatened or asserted in writing, or commenced against (a) any Legacy Health Entity, (b) to Legacy Health's Knowledge, any of the officers, directors, trustees, employed physicians or members of any Legacy Health Entity, involving in any way any Legacy Health Entity, or (c) to Legacy Health's Knowledge, any of the Specified Legacy Health JVs or any of their respective officers, directors, trustees, employed physicians or members, involving in any way the applicable Specific Legacy Health JV.

6.6 Completion of Governmental Entity Processes.

6.6.1 To the extent applicable, each of the Parties shall, as promptly as practical, and in any case within forty-five (45) calendar days following the Execution Date, take all steps required to give notice of the Transactions to the Oregon Health Authority ("**OHA**") to the extent required by the OHA Health Care Market Oversight ("**HCMO**") process (the "**HCMO Process**"), on forms required by OHA. In the event that OHA requests any supplemental information in connection therewith, the Parties shall submit complete responses as soon as practicable and, in any event, within fifteen (15) calendar days following the receipt of such a request, unless a later date is mutually agreed to by the Parties and OHA.

6.6.2 The Parties shall exercise reasonable best efforts to complete the OHA HCMO Process and to obtain OHA approval on terms mutually agreeable to both Parties within the 180-day review period contemplated by ORS 415.501(7)(a). Any voluntary extension of the HCMO review period shall require mutual consent of the Parties.

6.6.3 To the extent applicable, each of the Parties shall, as promptly as practical, take all steps required to give notice of the Transactions to the Washington State Attorney General (the "**WAG**") as required by the WAG, and any supplemental information requested in connection therewith.

6.6.4 The Parties shall, as promptly as practical, take all steps required to either (a) obtain a certificate of need approval from the Washington State Department of Health with respect to the Transactions or (b) obtain a determination from the Washington State Department of Health that the Transactions are not subject to review.

6.6.5 The Parties agree that no filing with the United States Federal Trade Commission ("**FTC**") and the United States Department of Justice (the "**DOJ**") pursuant to the HSR Act is required in connection with the Transactions.

6.6.6 Each of the Parties shall cooperate, coordinate and consult with one another fully, and consider in good faith the view of one another, in connection with the preparation and submission of all documents and information necessary to obtain the Governmental Approvals (defined below). The Parties agree to mutually develop and implement strategies for any (i.e., non-ministerial) material filings, submissions, and written communications with the applicable Government Entity, related to the Governmental Approvals. Such cooperation and mutual development and implementation of strategies shall include, but not be limited to, each Party:

6.6.6.1 Delivering to the other Party such information and assistance as may be necessary to complete any filing or respond to any inquiry from a Government Entity related to a Governmental Approval;

6.6.6.2 To the greatest extent practical and reasonable, including the other Party's designated representative in or on all material correspondence, discussions, meetings and other interactions involving the Parties related to the Governmental Approvals;

6.6.6.3 Promptly notifying the other Party's designated representative of any material communications, whether written or oral, from any Government Entity related to the Governmental Approvals and furnishing copies (if written) or summaries (if oral) thereof;

6.6.6.4 Giving the other Party's designated representative notice of and the opportunity to participate in any material meeting, conference, hearing, or listening session with or involving any Government Entity related to the Governmental Approvals;

6.6.6.5 Timely providing to the other Party's designated representative drafts of all proposed material filings, responses, correspondence and other submissions to any Government Entity in connection with any Governmental Approval, and considering in good faith any proposed additions or edits to such submissions; and

6.6.6.6 Obtaining consent of the other Party prior to making any representation, proposal, offer, commitment or concession to any Government Entity regarding the terms under which such Government Entity would or might approve the Transactions, subject to OHSU's right to terminate this Agreement in the event of a Restrictive Government Obligation Determination.

6.6.7 Each Party shall use reasonable best efforts to take, in order to consummate the Transactions by the Outside Date, all actions necessary to (a) obtain all authorizations, clearances, consents, expiration or termination of a waiting period, orders or approvals of a Government Entity necessary for the consummation of the Transactions contemplated by this Agreement, and (b) resolve any objections asserted with respect to the Transactions raised by any Government Entity, including executing any reasonable pre-litigation settlements, undertakings, consent decrees, stipulations, or other agreements with any Government Entity. Each of the Parties hereto agrees to cooperate and use its reasonable best efforts to vigorously contest and resist any Action or proceeding under any state or federal Legal Requirements, including any administrative action or proceeding, and to have vacated, lifted, reversed or overturned any decree, judgment, injunction, order or other Action (whether temporary, preliminary or permanent) that is in effect and that restricts, materially conditions, prevents or prohibits consummation of the Transactions in accordance with the terms contemplated by this Agreement, including reasonably pursuing administrative appeal (any such decree, judgment, injunction, order or other Action, a "**Restrictive Government Obligation Determination**"). Each Party shall respond to and use its reasonable best efforts to resolve as promptly as possible any objections asserted by any Government Entity with respect to the Transactions; <u>provided</u>, <u>however</u>, that if OHSU, in its reasonable discretion, determines that any such Restrictive Government Obligation Determination would impose obligations or restrictions that would (i) materially alter or impede OHSU's post-Closing operations, strategy or mission, and (ii) result in costs or lost revenues from Third Party Payors associated with the execution of such obligations or restrictions that exceed in the aggregate Two Hundred Million Dollars ($200,000,000) over a five year period following the Closing Date as determined in the reasonable discretion of OHSU (a Restrictive Government Obligation Determination that meets the requirements of such subsections (i) and (ii), a "**Material Restrictive Government Obligation Determination**"), it shall have the rights set forth in this <u>Section 6.6.7</u>. If OHSU determines that a Material Restrictive Government Obligation Determination has occurred, OHSU shall give prompt written notice to Legacy Health (the "**Restrictive Obligation Termination Notice**") (but in any event within ten (10) business days after OHSU's receipt of notice of the Restrictive Government Obligation Determination). The Restrictive Obligation Termination Notice shall set forth a summary of OHSU's calculation of the costs or lost revenues from Third Party Payors associated with the execution of the obligations and restrictions of the Material Restrictive Government Obligation Determination. Upon receipt of a Restrictive Obligation Termination Notice from OHSU, Legacy Health shall be permitted to deliver an objection notice (an "**Restrictive Obligation Termination Objection Notice**") within ten (10) business days after receipt of such Restrictive Obligation Termination Notice. If Legacy Health does not provide a Restrictive Obligation Termination Objection Notice within such timeframe, OHSU shall not be obligated to (and it may require that Legacy Health and Legacy Health Foundation not) contest such decree, judgment, injunction, order or other Action or consummate the Transactions and such Restrictive Government Obligation Determination shall be a Material Restrictive Government Obligation Determination for purposes of <u>Section 10.1.7.1</u>. If Legacy Health does deliver a Restrictive Obligation Termination Objection Notice within such timeframe, then the matter shall be submitted by the Parties to the Independent Firm within three (3) business days thereafter. The Independent Firm shall then have thirty (30) business days to determine whether the applicable Restrictive Government Obligation Determination would reasonably be expected to result in costs or lost revenues from Third Party Payors associated with the execution of the obligations or restrictions set forth in the Restrictive Government Obligation Determination that exceed in aggregate Two Hundred Million Dollars ($200,000,000) over a five year period following the Closing Date. The Independent Firm shall render its determination in a written report to the Parties. If the Independent Firm concludes in such report that obligations or restrictions set forth in the Restrictive Government Obligation Determination meet such requirements, OHSU shall not be obligated to (and it may require that Legacy Health and Legacy Health Foundation not) contest such decree, judgment, injunction, order or other Action or consummate the Transactions and such Restrictive Government Obligation Determination shall be a Material Restrictive Government Obligation Determination for purposes of Section 10.1.7.1.

6.6.8 The Parties may, as they deem advisable and necessary, designate any competitively sensitive materials provided to the other under this Section 6.6 as "outside counsel only." Such materials and the information contained therein shall be given only to outside counsel of the recipient and will not be disclosed by such outside counsel to anyone other than the reasonably mutually agreed "clean room team" without the advance written consent of the Party providing such materials.

6.6.9 Prior to submitting any document or information to any Government Entity regarding the Transactions, the Parties shall mutually agree on the designation or non-designation of such documents and information as confidential, non-public, and exempt from public disclosure under ORS 192.311 to 192.478 or other Legal Requirements. Neither Party may authorize any Government Entity to disclose any documents or information designated as confidential, non-public, and exempt from public disclosure without the prior consent of the other Party, except as mandated by Legal Requirements. Notwithstanding the foregoing, either Party may release its own confidential documents or information to a Government Entity without the prior written consent of the other Party (so long as such release does not include any confidential documents or information of the other Party).

6.7 Efforts to Close. Except as otherwise expressly set forth herein, each Party shall use its commercially reasonable efforts and attempt in good faith to satisfy all of the conditions precedent set forth in Articles 7 and 8 to its obligations under this Agreement.

6.8 Other Required Approvals and Consents. In addition to the filings described in Section 6.6, each Party shall use its reasonable best efforts to secure, as promptly as practicable before the Closing Date, all other consents, approvals, authorizations, clearances and licenses required to be obtained by such Party under applicable Legal Requirement or this Agreement from any Government Entity in order to carry out the Transactions and to cause all of its covenants and agreements to be performed, satisfied and fulfilled. Legacy Health shall use its reasonable best efforts to secure as promptly as possible and in any event prior to the Closing Date, consents from each counterparty to any contract identified in Schedule 7.6, and any other contract if OHSU determines, with the prior written consent of Legacy Health (which may be by e-mail and which shall not be unreasonably withheld, conditioned or delayed), between the Execution Date and not less than 10 business days prior to the Closing Date, that such contract is a Material Contract under which, without the consent of such counterparty, the Transactions would constitute a breach or other contravention of the rights of such counterparty or the terms of such Material Contract, or would violate applicable Legal Requirements.

6.9 Cooperation. In addition to (and without limiting) the efforts required under Sections 6.6 through 6.8, each Party shall use its commercially reasonable efforts and reasonably cooperate with each other Party and its representatives and attorneys: (a) in complying with all notice requirements and in obtaining all consents, approvals, authorizations, clearances, Permits and licenses required to carry out the Transactions (including those of governmental and regulatory authorities, and other parties) or which are necessary or appropriate in accordance with the terms hereof; (b) in the amendment of any Material Contracts between any Legacy Health Entity and other parties which are necessary or appropriate to amend in order to consummate and implement the Transactions in accordance with the terms herein; and (c) in the preparation of any document or other material which may be required or requested by any Government Entity or other authority as a predicate to or result of the Transactions.

6.10 Access to Information; Due Diligence.

6.10.1 Upon execution of this Agreement, and as consistent with applicable Legal Requirements and applicable agreements in place between the Parties, the Legacy Health Entities shall continue to afford to OHSU and its Affiliates and representatives (attorneys, auditors, agents, consultants and bankers), during normal business hours and upon reasonable advance notice, prompt and full access to and the right to inspect and evaluate, the facilities, properties, books, accounts, records and all other relevant documents and information with respect to the assets, liabilities and business of the Legacy Health Entities, including the ownership and operation thereof, including access to the Real Property, and reasonable access to Legacy Health management personnel. OHSU's right of access and inspection shall be exercised in such a manner as not to interfere unreasonably with the operation of the Legacy Health Entities' businesses. OHSU and its Affiliates and representatives shall not, prior to the Closing Date, have any contact with respect to any Legacy Health Entity or with respect to the Transactions with any Legacy Health partner, lender, lessor, lessee, vendor, patient, supplier or Employee, except in consultation with Legacy Health and then only with the prior approval of Legacy Health, which approval shall not be unreasonably withheld, conditioned or delayed. Access pursuant to this Section 6.10 shall include the right, but not the obligation, to conduct environmental sampling, with prior approval of Legacy Health, which approval shall not be unreasonably withheld, conditioned or delayed.

6.10.2 OHSU shall continue to provide Legacy Health with reasonable access to, and the right to inspect and evaluate, all books, agreements, papers, records and other information that materially affect the ability of OHSU to fulfill its obligations under this Agreement or the Transactions that are reasonably requested by Legacy Health or its representatives, subject to applicable Legal Requirements.

6.11 Attorney-Client Privilege. All communications prior to the Closing between or among any of the Legacy Health Entities, and any of the attorneys or law firms representing any of the Legacy Health Entities (the "**Attorneys**") made in connection with the negotiation, preparation, execution and delivery of this Agreement and the consummation of the Transactions (the "**Privileged Communications**") shall be deemed to be attorney-client privileged and the expectation of client confidence relating thereto shall not pass to or be claimed by OHSU or any of its Affiliates from and after the Closing. Accordingly, neither OHSU nor its Affiliates shall have access to any Privileged Communications or to the files of any of the Attorneys. Without limiting the generality of the foregoing, from and after the Closing, (i) Legacy Health Foundation shall be the sole holder of the attorney-client privilege with respect to the Privileged Communications, (ii) to the extent that files of any of the Attorneys constitute property of any of the Legacy Health Entities, only Legacy Health Foundation shall hold such property rights and (iii) none of the Attorneys shall have any duty whatsoever to reveal or disclose the Privileged Communications or files to OHSU or any of its Affiliates by reason of any attorney-client relationship between or among any of the Legacy Health Entities and any of the Attorneys. Notwithstanding the foregoing, in the event that a dispute arises between OHSU or any of its Affiliates, on the one hand, and a third party other than Legacy Health Foundation, on the other hand, OHSU or any of its Affiliates may assert the attorney-client privilege to prevent disclosure of the Privileged Communications to such third party; provided, however, that neither OHSU nor its Affiliates may waive such privilege without the prior written consent of Legacy Health Foundation. In the event that OHSU or any of its Affiliates is legally required to access or obtain a copy of all or a portion of the Privileged Communications, to the extent permitted by Legal Requirements, then OHSU shall promptly (and, in any event, within 3 business days) notify Legacy Health Foundation in writing so that Legacy Health Foundation can seek a protective order.

6.12 Continuation of Insurance. Following the Closing Date, with respect to the material insurance policies and self-insurance funds identified on Section 4.18 of the Legacy Health Disclosure Schedules, OHSU shall arrange for or provide continuing coverage substantially equivalent to the coverage provided by such policies or funds through renewals, replacements, or by adding the Legacy Health Entities to existing and ongoing OHSU coverage of the same kind in commercially reasonable amounts.

7. CONDITIONS PRECEDENT TO OBLIGATIONS OF LEGACY HEALTH

Notwithstanding anything herein to the contrary, the obligations of Legacy Health to consummate the Transactions are subject to the fulfillment, on or prior to the Closing Date, of the following conditions precedent unless (but only to the extent) waived in writing by Legacy Health at Closing; provided, however, that none of Legacy Health or any other Legacy Health Entity may rely on the failure of any condition set forth in this Article 7 to be satisfied if such failure was caused by Legacy Health or another Legacy Health Entity's failure to act diligently and in good faith to comply with this Agreement; and provided further, that Legacy Health may not rely on the failure of the condition set forth in Section 7.9 to be satisfied if such failure was caused by Legacy Health or the Legacy Health Foundation's failure to act diligently and in good faith to execute the Grant Agreement (as defined below):

7.1 Representations/Warranties. The representations and warranties of OHSU contained in Article 5 shall be true and correct in all material respects as of the Closing Date (except to the extent that any such representation and warranty speaks as of a specified date, in which case such representation and warranty (as so read) shall be true and correct as of such specified date).

7.2 Performance of Covenants. OHSU shall have performed in all material respects all of the obligations and covenants required to be performed or complied with by it on or prior to the Closing Date.

7.3 OHSU Material Adverse Change. Since the Execution Date, there shall not have occurred any event, change or circumstance that constitutes an OHSU Material Adverse Change.

7.4 OHSU Governmental Approvals. All material notices, consents, authorizations, orders and approvals of any Government Entity required of OHSU in connection with the execution, delivery and performance of this Agreement as set forth on Schedule 7.4 (collectively, the "**OHSU Governmental Approvals**") shall have been given or obtained (which may include reasonable written assurances from appropriate Government Entities that any such material licenses, permits and authorizations not actually issued as of the Closing will be issued following Closing, when so required), except for any documents required to be filed, or consents, authorizations, orders or approvals required to be issued after the Closing Date.

7.5 LH Governmental Approvals. All material notices, consents, authorizations, orders and approvals of any Government Entity required of Legacy Health or any other Legacy Health Entity in connection with the execution, delivery and performance of this Agreement as set forth on Schedule 7.5 (collectively, the "**LH Governmental Approvals**", and together with the OHSU Governmental Approvals, the "**Governmental Approvals**") shall have been given or obtained (which may include reasonable written or oral assurances from appropriate Government Entities that any such material licenses, permits and authorizations not actually issued as of the Closing will be issued following Closing, when so required), except for any documents required to be filed, or consents, authorizations, orders or approvals required to be issued after the Closing Date.

7.6 Required Consents. All consents, approvals, waivers, and estoppels of third parties that are listed on Schedule 7.6 and that are required to effect the Transactions shall have been obtained and shall be in form and substance reasonably satisfactory to Legacy Health.

7.7 Actions/Proceedings. No court shall have issued, unless subsequently vacated, an order prohibiting the Transactions.

7.8 Legacy Health Foundation Funding. On or before the Closing Date: (a) Legacy Health Foundation shall be funded with the Initial Foundation Funding Amount, subject to the possible post-Closing audit of such amount pursuant to Section 3.5 and subject also to the provisions of Section 10.1.7.2 regarding possible reductions to such amount; and (b) Legacy Health shall not have terminated this Agreement and the Transactions as a result of a Restrictive Government Obligation Determination pursuant to Section 10.1.7.2.

7.9 Grant Agreement. On or before the Closing Date, the Grant Agreement referenced in the MOU (the "**Grant Agreement**") shall be duly executed by authorized officers of Legacy Health and Legacy Health Foundation.

7.10 New Credit Rating for Combined Health System. On or before the Closing Date, OHSU shall not have received a new credit rating for the combined Health System of below "A3" by Moody's or below "A-" by S&P.

7.11 PacificSource Interest Transfer. On or before the Closing Date, Legacy Health shall have transferred its interest in PacificSource to Legacy Health Foundation in accordance with the provisions of the Transaction Documents.

7.12 Items to be Delivered by OHSU on or Prior to Closing. On or before the Closing Date, OHSU shall deliver or cause to be delivered to Legacy Health the following, duly executed by an authorized officer of OHSU, as appropriate:

7.12.1 A certificate of the Chief Executive Officer or any authorized officer of OHSU certifying, as of the Closing Date, to Legacy Health: (a) satisfaction of the conditions in Sections 7.1 and 7.2; and (b) that all conditions contained in Article 8 have been satisfied except those, if any, waived in writing by OHSU;

7.12.2 A certificate of the corporate Secretary of OHSU certifying, as of the Closing Date, to Legacy Health (a) the incumbency of the officers of OHSU on the Closing Date and bearing the authentic signatures of all such officers who shall execute documents required at Closing by this Agreement; and (b) the due adoption and text of the resolutions of the Board or other authorized body of OHSU authorizing (i) the Transactions, and (ii) the execution, delivery and performance of this Agreement and all ancillary documents and instruments required herein by OHSU, and that such resolutions have not been amended or rescinded and remain in full force and effect on the Closing Date;

7.12.3 Copies of any written consents of Government Entities set forth on Schedules 7.4 and 7.5 and of third parties set forth on Schedule 7.6 (as executed by such Government Entities and third parties); and

7.12.4 Such other instruments, certificates, consents or other documents as Legacy Health reasonably requests and are reasonably necessary to consummate the Closing of the Transactions contemplated by this Agreement.

8. CONDITIONS PRECEDENT TO OBLIGATIONS OF OHSU.

Notwithstanding anything herein to the contrary, the obligations of OHSU to consummate the Transactions are subject to the fulfillment, on or prior to the Closing Date, of the following conditions precedent unless (but only to the extent) waived in writing by OHSU at Closing; provided, however, that OHSU may not rely on the failure of any condition set forth in this Article 8 to be satisfied if such failure was caused by OHSU's or any of its Affiliates' failure to act diligently and in good faith to comply with this Agreement:

8.1 Representations/Warranties. The representations and warranties of Legacy Health contained in Article 4 shall be true and correct as of the Closing Date (except to the extent that any such representation and warranty speaks as of a specified date, in which case such representation and warranty (as so read) shall be true and correct as of such specified date), provided, however, if any such representations and warranties of Legacy Health contained in Article 4 shall not be true and correct as of the Closing Date, it shall be a condition to the obligations of OHSU to consummate the Transactions under this Section 8.1 only if OHSU determines in its reasonable discretion that any such representation and warranty, either alone or in combination with any other related representations and warranties of Legacy Health contained in Article 4 that are not true and correct as of the Closing Date (the "**Applicable Representations**"), would reasonably be expected to result, individually or in the aggregate, in Damages of One Hundred Million Dollars ($100,000,000) or more to OHSU after full recovery under all insurance policies covering any such Damages or from third parties responsible for any such Damages. Upon receipt of notice of such determination from OHSU to Legacy Health (a "**R&W Condition Notice**"), Legacy Health shall be permitted to deliver an objection notice (a "**R&W Condition Objection Notice**") within ten (10) business days after receipt of such R&W Condition Notice. If Legacy Health does not provide a R&W Condition Objection Notice within such timeframe, OHSU shall be permitted to determine the condition set forth in this Section 8.1 has not been satisfied for purposes of Section 10.1.3. If Legacy Health does deliver a R&W Condition Objection Notice within such timeframe, then the matter shall be submitted by the Parties to the Independent Firm within three (3) business days thereafter. The Independent Firm shall then have thirty (30) business days to determine whether the fact the Applicable Representations are not true and correct would reasonably be expected to result, individually or in the aggregate, in Damages of One Hundred Million Dollars ($100,000,000) or more to OHSU after full recovery under all insurance policies covering any such Damages or from third parties responsible for any such Damages. The Independent Firm shall render its determination in a written report to the Parties, and if the Independent Firm concludes in such report that the requirements in the immediately preceding sentence have been met, OHSU shall be permitted to determine the condition set forth in this Section 8.1 has not been satisfied for purposes of Section 10.1.3.

8.2 Performance of Covenants. Legacy Health, the Legacy Health Foundation and the other Legacy Health Entities shall have performed in all material respects all of the obligations and covenants required to be performed or complied with by them on or prior to the Closing Date.

8.3 Legacy Health Material Adverse Change. Since the Execution Date, there shall not have occurred any event, change or circumstance that constitutes a Material Adverse Change of Legacy Health.

8.4 Governmental Approvals. All Governmental Approvals shall have been given or obtained (which may include reasonable written or oral assurances from appropriate Government Entities that any such material licenses, permits and authorizations not actually issued as of the Closing will be issued following Closing, when so required), except for any documents required to be filed, or consents, authorizations, orders or approvals required to be issued after the Closing Date.

8.5 Actions/Proceedings. No court shall have issued, unless subsequently vacated, an order prohibiting the Transactions.

8.6 Disclosure Schedules. The Update Review Period shall have expired with respect to any Disclosure Schedules Update provided by Legacy Health to OHSU pursuant to Section 6.3

and shall not have resulted in OHSU terminating this Agreement in accordance with Section 6.3. and Section 10.1.6.

8.7 Required Consents. All consents, approvals, waivers, and estoppels of third parties that are listed on Schedule 7.6 and that are required to effect the Transactions shall have been obtained and shall be in form and substance reasonably satisfactory to OHSU.

8.8 PacificSource Interest Transfer. On or before the Closing Date, Legacy Health shall transfer (or have transferred) its interest in PacificSource to Legacy Health Foundation.

8.9 Material Restrictive Government Obligation Determination. OHSU shall not have terminated this Agreement and the Transactions as a result of a Material Restrictive Government Obligation Determination pursuant to Section 10.1.7.1.

8.10 Availability of Holdback Amounts. At the Closing, the sum of the amounts described in Section 3.5.2(a), less the sum of the amounts described in Section 3.5.2(b) (excluding clauses (vi) and (vii) of Section 3.5.2(b)), is greater than [redacted], such that Legacy Health has sufficient unrestricted cash to remit to OHSU at Closing the [redacted] Holdback Amount and the [redacted] Holdback Amount.

8.11 Grant Agreement. On or before the Closing Date, the Grant Agreement shall be duly executed by authorized officers of Legacy Health and Legacy Health Foundation.

8.12 New Credit Rating for Combined Health System. On or before the Closing Date, OHSU shall not have received a new credit rating for the combined Health System of below "A3" by Moody's or below "A-" by S&P.

8.13 Items to be Delivered by Legacy Health on or Prior to Closing. On or before the Closing Date, Legacy Health shall deliver or cause to be delivered to OHSU the following, duly executed by an authorized officer of Legacy Health or the applicable Legacy Health Entity, as applicable:

8.13.1 On or before the Closing Date, to be effective as of the Effective Time, (a) Legacy Health shall file the Amended Legacy Health Articles with the Oregon Secretary of State; and (b) Legacy Health shall adopt the Amended Legacy Health Bylaws, in each case in accordance with Section 1.2;

8.13.2 A certificate of the Chief Executive Officer of Legacy Health certifying, as of the Closing Date, to OHSU: (a) confirming satisfaction of the conditions in Sections 8.1, 8.2 and 8.3; and (b) that all conditions contained in Article 7 have been satisfied except those, if any, waived in writing by Legacy Health;

8.13.3 A certificate of the Secretary of Legacy Health certifying, as of the Closing Date, to OHSU (a) the incumbency of the officers of Legacy Health and the other Legacy Health Entities on the Closing Date and bearing the authentic signatures of all such officers who shall execute any documents required at Closing by this Agreement and (b) the due adoption and text of the resolutions of the Board or other authorized body of Legacy Health, each applicable

Legacy Health Entity, and each applicable Specified Legacy Health JV authorizing (i) the Transactions, including the Amended Legacy Health Articles, the Amended Legacy Health Bylaws and other Legacy Health Entity Organizational Documents as described in Section 1.2, and (ii) the execution, delivery and performance of this Agreement and all ancillary documents and instruments required herein by Legacy Health and each other applicable Legacy Health Entity, and that such resolutions have not been amended or rescinded and remain in full force and effect on the Closing Date;

8.13.4 Copies of any written consents of Government Entities set forth on Schedules 7.4 and 7.5 and third parties set forth on Schedule 7.6 (as executed by such Government Entities and third parties);

8.13.5 A duly executed copy of the grant agreement referenced in the MOU memorializing the transfer of Legacy Health's interest in PacificSource to Legacy Health Foundation; and

8.13.6 Such other instruments, certificates, consents or other documents as OHSU reasonably requests and are reasonably necessary to consummate the Closing of the Transactions contemplated by this Agreement.

9. DISPUTE RESOLUTION.

9.1 Disputes. In the event of any dispute between any of the Parties and Legacy Health Foundation relating to this Agreement or any other Transaction Document (the "**Dispute Process Parties**"), the following process shall be followed. For purposes of the processes set forth in this Section 9.1 and in Section 9.2, following the Closing, Legacy Health Foundation shall have and exercise all rights of Legacy Health.

9.1.1 The applicable Dispute Process Parties shall attempt in good faith to resolve any dispute within sixty (60) days of any Dispute Process Party's first written notification of the dispute. The written notification shall be authorized by action of the complaining Dispute Process Party's Board (which, after the Closing, shall be Legacy Health Foundation's Board with respect to Legacy Health), and shall include a clear written statement of the dispute. The applicable Dispute Process Parties' respective executives shall meet and use good faith efforts to resolve the matter.

9.1.2 If the Parties' respective executives are unable to resolve a dispute within such sixty (60) day period, any applicable Dispute Process Party may escalate the dispute to the full OHSU Board which shall attempt in good faith to work with OHSU management and each non-OHSU Dispute Process Party's Board (which, after the Closing, shall be Legacy Health Foundation's Board with respect to Legacy Health) to resolve the dispute for an additional sixty (60) days.

9.1.3 If the OHSU Board is unable to resolve the dispute to the mutual satisfaction of OHSU and the applicable Dispute Process Party within such sixty (60) day period, each applicable Dispute Process Party may pursue any other means of resolving the dispute, except that any proceeding brought in a court of law must be done so in accordance with Section 9.1.4 below.

9.1.4

9.1.4.1 ANY LEGAL SUIT, ACTION OR PROCEEDING PURSUED BY A DISPUTE PROCESS PARTY PURSUANT TO SECTION 9.1.3 SHALL BE INSTITUTED IN THE FEDERAL COURTS OF THE UNITED STATES OF AMERICA OR THE COURTS OF THE STATE OF OREGON, IN EACH CASE LOCATED IN THE CITY OF PORTLAND AND COUNTY OF MULTNOMAH, AND EACH DISPUTE PROCESS PARTY IRREVOCABLY SUBMITS TO THE EXCLUSIVE JURISDICTION OF SUCH COURTS IN ANY SUCH SUIT, ACTION OR PROCEEDING. SERVICE OF PROCESS, SUMMONS, NOTICE OR OTHER DOCUMENT BY MAIL TO SUCH DISPUTE PROCESS PARTY'S ADDRESS SET FORTH HEREIN SHALL BE EFFECTIVE SERVICE OF PROCESS FOR ANY SUIT, ACTION OR OTHER PROCEEDING BROUGHT IN ANY SUCH COURT. THE DISPUTE PROCESS PARTIES IRREVOCABLY AND UNCONDITIONALLY WAIVE ANY OBJECTION TO THE LAYING OF VENUE OF ANY SUIT, ACTION OR PROCEEDING IN SUCH COURTS AND IRREVOCABLY WAIVE AND AGREE NOT TO PLEAD OR CLAIM IN ANY SUCH COURT THAT ANY SUCH SUIT, ACTION OR PROCEEDING BROUGHT IN ANY SUCH COURT HAS BEEN BROUGHT IN AN INCONVENIENT FORUM.

9.1.4.2 EACH DISPUTE PROCESS PARTY ACKNOWLEDGES AND AGREES THAT ANY LEGAL SUIT, ACTION OR PROCEEDING PURSUED BY A DISPUTE PROCESS PARTY PURSUANT TO SECTIONS 9.1.3 AND 9.1.4.1 IS LIKELY TO INVOLVE COMPLICATED AND DIFFICULT ISSUES AND, THEREFORE, EACH SUCH DISPUTE PROCESS PARTY IRREVOCABLY AND UNCONDITIONALLY WAIVES ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY SUCH LEGAL SUIT, ACTION OR PROCEEDING. EACH CERTIFIES AND ACKNOWLEDGES THAT (A) NO REPRESENTATIVE OF ANY OTHER DISPUTE PROCESS PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER DISPUTE PROCESS PARTY WOULD NOT SEEK TO ENFORCE THE FOREGOING WAIVER IN THE EVENT OF A LEGAL SUIT, ACTION OR PROCEEDING, (B) SUCH DISPUTE PROCESS PARTY HAS CONSIDERED THE IMPLICATIONS OF THIS WAIVER, (C) SUCH DISPUTE PROCESS PARTY MAKES THIS WAIVER VOLUNTARILY AND (D) SUCH DISPUTE PROCESS PARTY HAS BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION.

9.1.5 The Parties hereby acknowledge and agree that nothing in this Agreement shall be deemed to limit, restrict, waive or terminate any rights of notice or redress of any Dispute Process Party existing under applicable Legal Requirements with any governmental agency, bureau, commission or department.

9.2 Equitable Relief. Notwithstanding anything to the contrary in this Agreement, the Parties acknowledge that a breach or threatened breach of this Agreement or any other Transaction Document by a Dispute Process Party would cause the non-breaching Dispute Process Party or Dispute Process Parties to suffer immediate and irreparable harm which could not be fully remedied with the payment of monetary damages. As such, in addition to any other remedies available, the non-breaching Dispute Process Party or Dispute Process Parties shall be entitled to specific performance, preliminary and permanent injunctive relief, and other available equitable remedies to prevent, restrain or cure a breach or threatened breach of this Agreement or other Transaction Document by another Dispute Process Party, either pending or following a trial on the merits, without the need to post bond or other security. For avoidance of doubt, any Dispute Process Party may seek to obtain injunctive (but not other) relief to prevent a threatened or ongoing breach of this Agreement or other Transaction Document without first pursuing the dispute resolution process set forth in Section 9.1.

9.3 Exclusive Process and Remedies. THE PARTIES AGREE THAT THE PROCEDURES SET FORTH IN THIS ARTICLE 9 SHALL BE THE SOLE AND EXCLUSIVE PROCEDURES FOR RESOLVING DISPUTES ARISING UNDER THIS AGREEMENT OR REGARDING THE TRANSACTIONS.

10. TERMINATION.

10.1 Termination Prior to Closing. This Agreement and the Transactions may be terminated at any time prior to Closing under any one of the following circumstances:

10.1.1 *Mutual Consent*. By mutual written consent of OHSU and Legacy Health.

10.1.2 *Material Adverse Change*. By OHSU or Legacy Health, upon thirty (30) days' prior written notice to the other Party, if there has been a Material Adverse Change (in the case of OHSU's right to terminate) or OHSU Material Adverse Change (in the case of Legacy Health's right to terminate) with respect to such other Party; provided, that such Material Adverse Change or OHSU Material Adverse Change (or the circumstances or conditions creating the anticipated Material Adverse Change or OHSU Material Adverse Change) is not remedied within such thirty (30) day notice period.

10.1.3 *Material Breach by Legacy Health*. By OHSU if there has been a material breach by Legacy Health of any covenant, agreement, representation or warranty contained in this Agreement which has prevented or would prevent the satisfaction of any condition to the obligations of OHSU at the Closing set forth in Article 8, and (a) such breach has not been waived by OHSU, (b) OHSU has provided written notice to Legacy Health of such breach and (c) such breach has not been cured within thirty (30) calendar days after Legacy Health's receipt of such written notice from OHSU; provided, however, that OHSU shall not have the right to terminate this Agreement pursuant to this Section 10.1.3 if OHSU is then in material breach of any of its covenants, obligations, representations or warranties set forth in this Agreement which has prevented or would prevent the satisfaction of any condition to the obligations of Legacy Health at the Closing set forth in Article 7.

10.1.4 *Material Breach by OHSU*. By Legacy Health if there has been a material breach by OHSU of any covenant, agreement, representation or warranty contained in this Agreement which has prevented or would prevent the satisfaction of any condition to the obligations of Legacy Health at the Closing set forth in Article 7, and (a) such breach has not been waived by Legacy Health, (b) Legacy Health has provided written notice to OHSU of such breach and (c) such breach has not been cured within thirty (30) calendar days after OHSU's receipt of such written notice from Legacy Health; provided, however, that Legacy Health shall not have the right to terminate this Agreement pursuant to this Section 10.1.4 if Legacy Health is then in material breach of any of its covenants, obligations, representations or warranties set forth in this Agreement which has prevented or would prevent the satisfaction of any condition to the obligations of OHSU at the Closing set forth in Article 8.

10.1.5 *Failure to Obtain Requisite Approvals*. By either OHSU or Legacy Health, upon written notice to the other Party, if (i) the conditions of this Agreement set forth in Section 7.4 (OHSU Governmental Approvals), Section 7.5 (LH Governmental Approvals) or Section 8.4 (Governmental Approvals) become Impossible, or (ii) the conditions of this Agreement set forth in Section 7.6 (Required Consents) or Section 8.7 (Required Consents) become incapable of satisfaction or performance by the Outside Date; provided, however, that the right to terminate this Agreement under this Section 10.1.5 shall not be available to any Party whose failure to fulfill any obligation under this Agreement has been the cause of, or resulted in, the inability or failure to satisfy or perform such conditions.

10.1.6 *Disclosure Schedules Update*. By OHSU pursuant to, and in accordance with, Section 6.3.2.

10.1.7 *Restrictive Government Obligation Determination*.

10.1.7.1 By OHSU if a Restrictive Government Obligation Determination shall have been determined to be a Material Restrictive Government Obligation Determination pursuant to Section 6.6.7; provided, that, in the event that OHSU terminates this Agreement pursuant to this Section 10.1.7.1, OHSU shall pay Legacy Health or its designee Affiliate a termination fee of Twenty Five Million Dollars ($25,000,000). For avoidance of doubt, Section 10.1.5 shall apply, and no termination fee will be owed by OHSU to Legacy Health, if (a) the Transactions have not been approved by a Government Entity by the Outside Date and OHSU elects to terminate this Agreement pursuant to Section 10.1.5; or (b) a Government Entity has enjoined or otherwise blocked the consummation of the Transactions and such decision has not been overturned by the Outside Date. This Section 10.1.7.1 shall apply, and a termination fee will be owed by OHSU to Legacy Health, only if a Government Entity permits the Transactions to be consummated by the Outside Date but subject to conditions such that OHSU has made a Restrictive Government Obligation Determination (which shall have been determined to be a Material Restrictive Government Obligation Determination pursuant to Section 6.6.7) and OHSU terminates this Agreement as a result.

10.1.7.2 By Legacy Health if a Restrictive Government Obligation Determination shall have occurred that effects, to an extent greater than Fifty Million Dollars ($50,000,000), the obligations of OHSU pursuant to Section 3.5 or the Initial Foundation Funding Amount or the payment thereof pursuant to this Agreement. For the avoidance of doubt, in the event of a Restrictive Government Obligation Determination that effects the obligations of OHSU pursuant to Section 3.5 or the Initial Foundation Funding Amount or the payment thereof pursuant to this Agreement to an extent equal to or less than Fifty Million Dollars ($50,000,000), Legacy Health shall not have the right to terminate this Agreement and the obligations of OHSU pursuant to Section 3.5 or the Initial Foundation Funding Amount or the payment thereof pursuant to this

Agreement (in each case as applicable) shall be deemed to be revised as required by (and to conform to) such Restrictive Government Obligation Determination.

10.1.8 *Expiration*. By OHSU or Legacy Health on at least thirty (30) days' prior written notice if the Closing shall not have occurred on or before the date that is eighteen (18) months following the initial required filing with OHA for the HCMO Process, irrespective of the date on which OHA deems such filing complete or any additional filings or response submitted after such date (the "**Outside Date**"); provided, however, that the right to terminate this Agreement under this Section 10.1.8 shall not be available to any Party whose failure to fulfill any obligation under this Agreement has been the cause of, or resulted in, the inability or failure of the Closing to occur by such Outside Date.

10.2 Effects of Termination Prior to Closing. In the event that this Agreement is terminated prior to Closing pursuant to Section 10.1, this Agreement shall forthwith become null and void and have no effect, without any liability on the part of any Party, or any of their respective directors, trustees, officers, employees, partners, managers or equity holders, and all rights and obligations of any Party shall cease, except that the following provisions shall survive such termination: Article 10 (Termination), Section 12.1 (Choice of Law), Section 12.2 (Assignment), Section 12.3 (Confidentiality), Section 12.4 (Public Announcements), Section 12.5 (Waiver of Breach), Section 12.6 (Notice), Section 12.7 (Severability), Section 12.9 (Third-Party Beneficiaries and Legacy Health Foundation Enforcement Rights), Section 12.10 (Entire Agreement/Amendment) and Section 12.11 (Cost of Transactions and Transfer Taxes). Notwithstanding the foregoing, no such termination of this Agreement shall relieve any Party from liability or damages for or arising out of fraud, unlawful conduct or any breach of this Agreement prior to termination of this Agreement.

11. SURVIVAL; INDEMNIFICATION.

11.1 Survival.

11.1.1 Except as expressly set forth in this Agreement to the contrary, all of the representations and warranties of Legacy Health and OHSU, respectively, contained in this Agreement shall survive the execution and delivery of this Agreement and the Closing and continue in force and effect for a period of two (2) years after the Closing; provided, however, that the representations and warranties of Legacy Health in Section 4.1 (Organization and Good Standing of the Legacy Health Entities), Section 4.2 (Powers; Consents; Absence of Conflicts with Other Agreements), Section 4.3 (Binding Agreement), Section 4.4 (Legal and Regulatory Compliance), Section 4.7 (Permits), Section 4.8 (Medicare Participation/Accreditation; Third-Party Payor Claims), Section 4.9, (Data Privacy), Section 4.13 (Environmental Laws), Section 4.15.3 (Employee Relations/Compliance), Section 4.19 (Medical Staff and Employed Physician Matters), Section 4.21 (Research) and Section 4.22 (Compliance Program and Related Matters) shall continue in full force and effect for six (6) years after the Closing.

11.1.2 All covenants and agreements in this Agreement that contemplate performance after Closing shall survive Closing in accordance with their terms. The covenant set forth in Section 11.2.1(d) shall survive the execution and delivery of this Agreement and the Closing and continue in force and effect for a period of six (6) years.

11.2 Indemnification.

11.2.1 *Indemnification by Legacy Health*. As a material condition of OHSU's willingness to provide the financial and other commitments set forth in this Agreement, Legacy Health shall keep and save OHSU and its Affiliates, and their respective directors, trustees, officers, employees, agents and other representatives (collectively, "**OHSU Indemnified Parties**"), harmless from and shall indemnify and defend the OHSU Indemnified Parties against any and all Actions, awards, suits, proceedings, obligations, judgments, liabilities, penalties, interest, violations, fees, fines, claims, losses, costs, demands, direct damages, deficiencies, Liens, encumbrances and expenses including reasonable attorneys' fees (collectively, "**Damages**"), to the extent arising or resulting from: (a) any breach of any representation or warranty of Legacy Health under this Agreement; (b) any breach or default by Legacy Health of any covenant or agreement of Legacy Health under this Agreement to be performed on or prior to the Closing Date; (c) the intentional fraud or willful misconduct of Legacy Health or the other Legacy Health Entities, or Legacy Health Foundation, or their respective directors, trustees, officers, employees, agents and other representatives; and (d) any liabilities, known or unknown, contingent or fixed, of any Legacy Health Entity, that relate to the ownership or operation of any Legacy Health Entity, including for clarity and without limitation Legacy Health Foundation and PacificSource, prior to the Closing Date, and that are not reflected, identified or reserved for in the Financial Statements or the Closing Financial Statements.

11.2.2 *Indemnification by OHSU*. As a material condition of Legacy Health's willingness to enter into this Agreement and consummate the Transactions, OHSU shall, subject to any and all applicable limitations on liability, exclusions, and notice requirements of the Oregon Constitution and/or as set out in the Oregon Tort Claims Act (ORS 30.260 through 30.300), keep and save Legacy Health, Legacy Health Foundation and the other Legacy Health Entities, and their respective directors, trustees, officers, employees, agents and other representatives (collectively, "**Legacy Health Indemnified Parties**" and together with the OHSU Indemnified Parties, the "**Indemnified Parties**"), harmless from and shall indemnify and defend the Legacy Health Indemnified Parties against any and all Damages, to the extent arising or resulting from: (a) any breach of any representation or warranty of OHSU under this Agreement; (b) any breach or default by OHSU of any covenant or agreement of OHSU under this Agreement to be performed on or prior to the Closing Date; or (c) the intentional fraud or willful misconduct of OHSU, or its directors, trustees, officers, employees, agents and other representatives when acting within the scope and course of their employment or duties. Damages for which Indemnified Parties may be indemnified under Sections 11.2.1 or 11.2.2 are referred to herein as "**Indemnifiable Losses**."

11.2.3 *Indemnification Limitations*.

11.2.3.1 *Time Limitation*. An Indemnifying Party shall not be responsible, pursuant to Sections 11.2.1 or 11.2.2, for any Indemnifiable Losses suffered by any Indemnified Party unless a claim therefor is asserted in writing during the applicable survival period (as provided in Section 11.1), failing which such claim shall be waived and extinguished.

11.2.3.2 *Legacy Amount Limitations*. Legacy Health shall not be obligated to indemnify any OHSU Indemnified Party against Indemnifiable Losses in respect of any claim for indemnification pursuant to Section 11.2.1(a) or Section 11.2.1(d) except to the extent that the aggregate Indemnifiable Losses for which Legacy Health would, but for this Section 11.2.3.2, be liable pursuant to Section 11.2.1(a) and Section 11.2.1(d) exceed an amount equal to [redacted] (the "**Threshold**"), in which case the OHSU Indemnified Parties shall be entitled to recover for all such Indemnifiable Losses in excess of the Threshold subject to the other limitations set forth in this Article 11. The maximum aggregate liability in respect of which Legacy Health may be liable for Indemnifiable Losses pursuant to Section 11.2.1(a) and Section 11.2.1(d), after giving effect to the limitations in this Article 11, shall not exceed an amount equal to the sum of the [redacted] Holdback Amount plus [redacted] (such sum, the "**Cap**").

11.2.3.3 *OHSU Amount Limitations*. OHSU shall not be obligated to indemnify any Legacy Health Indemnified Party against Indemnifiable Losses in respect of any claim for indemnification pursuant to Section 11.2.2(a) except to the extent that the aggregate Indemnifiable Losses for which Legacy Health would, but for this Section 11.2.3.3, be liable pursuant to Section 11.2.2(a) exceed the Threshold, in which case the Legacy Health Indemnified Parties shall be entitled to recover for all such Indemnifiable Losses in excess of the Threshold subject to the other limitations set forth in this Article 11. The maximum aggregate liability in respect of which OHSU may be liable for Indemnifiable Losses pursuant to Section 11.2.2(a), after giving effect to the limitations in this Article 11, shall not exceed an amount equal to the Cap.

11.2.3.4 *Consequential Damages*. Notwithstanding anything to the contrary in this Agreement, no Party shall, in any event, be liable to any other Person for any consequential, incidental, indirect, special or punitive damages of such other Person, including loss of revenue, income or profits, diminution of value or loss of business reputation or opportunity relating to the breach or alleged breach hereof and, in particular, no "multiple of profits" or "multiple of cash flow" or similar valuation methodology shall be used in calculating the amount of any Indemnifiable Losses; provided, however, the limitations contained in this Section 11.2.3.4 shall not apply to the extent of any payments that any Party is required to make in respect of a Third Party Claim.

11.2.3.5 *Effect of Investigation*. The representations, warranties and covenants of the Indemnifying Party, and the Indemnified Party's right to indemnification with respect thereto, shall not be affected, reduced or deemed waived by reason of any investigation made by or on behalf of the Indemnified Party (including by any of its directors, trustees, officers, employees, agents and other representatives) or by reason of the fact that the Indemnified Party or any of its directors, trustees, officers, employees, agents and other representatives knew or should have known that any such representation or warranty is, was or might be inaccurate.

11.2.4 *Mitigation*. Each Indemnified Party shall use commercially reasonable efforts to mitigate Indemnifiable Losses for which indemnification may be claimed by them pursuant to this Agreement upon and after becoming aware of any event that could reasonably be expected to give rise to any such Indemnifiable Losses, including by seeking full recovery under all insurance policies covering any Indemnifiable Losses to the same extent as it would if such Indemnifiable Losses were not subject to indemnification hereunder.

11.2.5 *Fulfilling Indemnification Obligations*.

11.2.5.1 [redacted]

11.2.5.2 [redacted]

11.2.5.3 [redacted]

11.2.5.4 The Parties acknowledge and agree that Legacy Health Foundation shall have no obligations or liabilities in respect of the indemnification obligations of any Party under this Article 11 or otherwise, notwithstanding Legacy Health Foundation's status as a third party beneficiary of this Agreement and the Transaction Documents and Legacy Health Foundation's rights to enforce the provisions of such agreements.

11.2.5.5 *No Rescission*. No breach of any representation, warranty, covenant or agreement contained herein, or any other acts or omissions, shall give rise to any right on the part of any Party, after the consummation of the Transactions, to rescind this Agreement or any of the Transactions.

11.3 Insurance Proceeds. In furtherance of the provisions of Section 11.2.4, the amount of any Indemnifiable Losses shall be reduced or reimbursed, as the case may be, (a) by any amount received by the OHSU Indemnified Parties or the Legacy Health Indemnified Parties, as the case may be, with respect thereto under any insurance coverage or from any other third-party Person alleged to be responsible therefor, and (b) by the available balance of the [redacted] Holdback Amount, in the case of self-insured claims as provided for in Section 3.5.5. In the event that an insurance or other recovery is made by any Party with respect to any Indemnifiable Losses for which any such Person has been indemnified hereunder and has received funds in the amount of the Indemnifiable Losses or portion thereof, then a refund equal to the aggregate amount of the recovery shall be made promptly to the Indemnifying Party.

11.4 Notice; Defense of Claims. Any Indemnified Party may make claims for indemnification hereunder by giving prompt written notice thereof to Legacy Health and Legacy Health Foundation in the case of claims made by an OHSU Indemnified Party, or to OHSU in the case of claims made by a Legacy Health Indemnified Party. Such notice shall state all of the information then available to the Indemnified Party regarding the amount and nature of such claim and shall specify the representation, warranty, covenant or agreement in this Agreement under which the liability or obligation is asserted. Any such claim that is not sought for a claim by or in respect of a third party shall be resolved pursuant to the process set forth in Section 9.1. If indemnification is sought for a claim by or in respect of any third party, the Indemnified Party shall also give Legacy Health and Legacy Health Foundation or OHSU, as applicable, written notice of such claim as to which such Indemnified Party may request indemnification hereunder as soon as is practicable and in any event within thirty (30) days following the time that such Indemnified Party learns of such claim; provided, however, that the failure to do so shall not relieve the Party with the indemnification obligation hereunder (each an "**Indemnifying Party**" and collectively, the "**Indemnifying Parties**") from any liability except to the extent that it is materially prejudiced by the failure or delay in giving such notice. In the case of any claim for indemnification resulting from the assertion of liability by third parties (each, a "**Third Party Claim**"), the Indemnifying Party will have twenty (20) days from receipt of notice of a Third Party Claim from the Indemnified Party to give written notice to the Indemnified Party of its assumption of the defense thereof (a "**Notice of Assumption**"). If a Notice of Assumption is timely given as provided in the immediately preceding sentence, the Indemnifying Party will have the right to assume the defense of the Indemnified Party against the Third Party Claims with counsel of its choice and at the Indemnifying Party's sole cost and expense; provided, however, that the Indemnified Party is authorized to file any motion, answer or other pleading that may be reasonably necessary or appropriate to protect the interests of the Indemnified Party during such twenty (20) day period at the Indemnifying Party's cost and expense. In the event that (a) a Notice of Assumption is not timely given as provided herein, or (b) the Indemnifying Party does not offer reasonable assurances to the Indemnified Party as to the Indemnifying Party's capacity to diligently defend such claim, the Indemnified Party may, upon written notice to the Indemnifying Party (including Legacy Health Foundation, if applicable), assume the defense (with legal counsel chosen by the Indemnified Party) and dispose of the claim, at the sole cost and expense of the Indemnifying Party (subject to Legal Requirements and the other limitations contained herein). So long as the Indemnifying Party has assumed the defense of the Third Party Claim in accordance herewith: (i) the Indemnified Party may retain separate co-counsel and participate in the defense of the Third Party Claim, which retention and participation (except as provided in the next sentence) shall be at the sole cost and expense of the Indemnified Party; (ii) the Indemnified Party will not file any papers or consent to the entry of any judgment or enter into any settlement with respect to the Third Party Claim without the prior written consent of the Indemnifying Party (such prior written consent not to be unreasonably withheld or delayed); and (iii) the Indemnifying Party will not: (A) admit to any wrongdoing; or (B) consent to the entry of any judgment or enter into any settlement with respect to the Third Party Claim, in each case, without the prior written consent of the Indemnified Party (such prior written consent not to be unreasonably withheld or delayed). Notwithstanding receipt of a Notice of Assumption, the Indemnified Party shall have the right to employ its own counsel in respect of any Third Party Claim, but the fees and expenses of such counsel shall be at the Indemnified Party's own cost and expense, unless (1) the employment of such counsel and the payment of such fees and expenses shall have been specifically authorized by the Indemnifying Party in connection with the defense of such Third Party Claim, (2) the Indemnifying Party has failed to diligently defend the Third Party Claim, or (3) the Indemnified Party shall have reasonably concluded that there may be specific defenses available to the Indemnified Party that are different from or in addition to those available to the Indemnifying Party in which case the costs and expenses incurred by the Indemnified Party shall be borne by the Indemnifying Party. For purposes of the processes set forth in this Section 11.4, following the Closing, Legacy Health Foundation shall act as the exclusive representative and the express third party beneficiary of Legacy Health as contemplated by Section 12.9, and shall be entitled to all rights and be subject to all obligations of Legacy Health set forth in this Section 11.4. Notwithstanding the foregoing, OHSU's participation in the processes set forth in this Section 11.4 shall be subject in all respects to, and shall be in accordance with, the applicable provisions of the Oregon Tort Claims Act.

11.5 Exclusive Remedy. Recovery of Damages pursuant to the provisions and limitations of this Article 11 shall be the sole and exclusive remedy with respect to any and all Damages of a Party arising or resulting from the Transactions, except the applicable Party's rights to seek equitable relief pursuant to Section 9.2.

12. MISCELLANEOUS.

12.1 Choice of Law. The Parties agree that this Agreement shall be governed by and construed in accordance with the laws of the State of Oregon without regard to conflict of laws principles.

12.2 Assignment. Subject to any provisions herein to the contrary, this Agreement shall inure to the benefit of and be binding upon the Parties hereto and their respective legal representatives, successors, and permitted assigns. No Party may assign this Agreement without the prior written consent of the other Parties, and any such purported assignment shall be void. For purposes of granting or withholding consent to assignment under this Section 12.2, following the Closing, Legacy Health Foundation shall act as the exclusive representative and the express third party beneficiary of Legacy Health pursuant to Section 12.9.

12.3 Confidentiality. Notwithstanding anything herein to the contrary, the Parties acknowledge that OHSU is a public corporation and is subject to the Oregon Public Records Law (ORS 192), and any information given by a Party to OHSU, including, without limitation, the terms and conditions of this Agreement, is a public record and may be subject to disclosure under the Oregon Public Records Law. Subject to the forgoing, each Party shall hold, and shall use its commercially reasonable efforts to cause its Affiliates, and their respective officers, directors, employees and agents to hold, in strict confidence from any Person, unless (a) such disclosure is mandated by Legal Requirements, or (b) disclosed in an action or proceeding brought by a Party in pursuit of its rights or in the exercise of its remedies hereby, all documents and information concerning any other Party or any of its Affiliates (collectively, "**Confidential Information**") furnished to it by such other Party or such other Party's officers, directors and agents in connection with this Agreement or the Transactions, except to the extent that such documents or information can be shown to have been (i) previously known by the Party receiving such documents or information, (ii) in the public domain (either prior to or after the furnishing of such documents or information hereby) through no fault of such receiving Party, or (iii) later acquired by the receiving Party from another source if the receiving Party is not aware that such source is under an obligation to another Party to keep such documents and information confidential; provided, however, that following the Closing the foregoing restrictions shall not apply to OHSU's or any of its Affiliates' use of Confidential Information concerning the Legacy Health Entities (noting that Legacy Health Foundation shall not be a Legacy Health Entity) furnished by or on behalf of the Legacy Health Entities (noting that Legacy Health Foundation shall not be a Legacy Health Entity). For avoidance of doubt, the Parties acknowledge and agree that all Confidential Information of a Party constitutes sensitive business records of that Party and, moreover, this Agreement is a sensitive business record of each Party and therefore shall be deemed to be Confidential Information of each Party. If a Party receives a request, pursuant to any Legal Requirements, for disclosure of another Party's Confidential Information, and the Party receiving the request is permitted to do so, the Party receiving the request shall provide the Party whose Confidential Information is being sought with prior prompt written notice of the request and allow the Party whose Confidential Information is being sought, at its sole expense, to seek a restraining order or other appropriate relief provided, but only to the extent such attempts do not result in any Party violating its legal obligations. In the event the Transactions are not consummated, upon the request of any other Party, each Party shall, and shall cause its Affiliates, promptly (and in no event later than five (5) days after such request) to redeliver or cause to be redelivered all copies of Confidential Information furnished by the requesting Party in connection with this Agreement or the Transactions and destroy or cause to be destroyed all notes, memoranda, summaries, analyses, compilations and other writings related thereto or based thereon prepared by the Party that was furnished such Confidential Information or its officers, directors and agents; provided, however, that any of the foregoing Confidential Information may be retained (x) by any Party as necessary or appropriate to satisfy any applicable Legal Requirement; or (y) in the files of any Party's outside counsel as long as such Confidential Information is restricted from access by such Party (other than the outside counsel), provided, that such Party may have access to these documents in the case of any dispute between the Parties regarding the enforcement of any provision of this Agreement; and (z) in an archived computer system backup in accordance with such Party's security and/or disaster recovery procedures, and such Party may retain one copy of all Confidential Information prepared for archival or record retention purposes; and provided, further, that in each case under clauses (x), (y) and/or (z), such Confidential Information shall continue to be subject to the confidentiality terms of this Agreement, including those set forth in this Section 12.3. Notwithstanding the redelivery or destruction of Confidential Information, the Party originally receiving such Confidential Information shall continue to be bound by its obligations of confidentiality under this Agreement, including those set forth in this Section 12.3.

12.4 Public Announcements. Except as otherwise mandated by applicable Legal Requirements, and except with respect to OHSU (and its Affiliates) and the Legacy Health Entities following the Closing, OHSU and Legacy Health will not, and will not permit any of their respective Affiliates, representatives or advisors to, issue or cause the publication of any press release or make any other public announcement, including any general announcements to employees, customers, suppliers or providers of the Legacy Health Entities with respect to the Transactions without the consent of the other Parties, which consent shall not be unreasonably withheld, conditioned or delayed. OHSU, Legacy Health and Legacy Health Foundation shall cooperate with each other in the development and distribution of all press releases and other public announcements with respect to this Agreement and the transactions contemplated hereby, and shall furnish the other Parties with drafts of any such releases and announcements as far in advance as possible.

12.5 Waiver of Breach. Any term, covenant or condition herein may be waived at any time by a Party entitled to the benefit thereof, but only by a written notice signed by an authorized officer of such Party. The failure to enforce or the waiver by any Party of a term, provision or breach or violation of any provision of this Agreement shall not operate as, or be construed to constitute, a waiver of any subsequent breach of the same or any other provision hereof. For purposes of this Section 12.5, following the Closing, Legacy Health Foundation shall act as the exclusive representative and the express third party beneficiary of Legacy Health pursuant to Section 12.9.

12.6 Notice. Any notice, demand, or communication required, permitted, or desired to be given hereunder must be in writing and shall be deemed effectively given to the other Party on the earliest of the date (a) of delivery when personally delivered or delivered by e-mail or facsimile with confirmation of delivery, (b) three (3) business days after such notice is sent by registered U.S. mail, return receipt requested, or (c) one (1) business day after delivery of such notice into the custody and control of a nationally or internationally recognized overnight courier service for next day delivery; in each case to the appropriate address below:

OHSU: Oregon Health & Science University
Mail code: L585
3181 SW Sam Jackson Park Road
Portland, Oregon 97239
Attn: General Counsel
Email: legal@ohsu.edu
Fax: 503-494-0917

With a copy (which shall not constitute notice) to:

Hogan Lovells US LLP
390 Madison Avenue
New York, NY 10017
Attn: Jeffrey Schneider
Email: jeff.schneider@hoganlovells.com
Fax: 212-918-3100

Legacy Health: Legacy Health
1919 NW Lovejoy Street

Portland, OR 97209
Attn: Craig R. Armstrong, Chief Legal Officer
E-mail: crrarmst@lhs.org

With a copy (which shall not constitute notice) to:

Reed Smith LLP
Three Logan Square
1717 Arch Street
Philadelphia, PA 19103
Attn: Peter M. Ellis, Jonathan P. Moyer and Karl A. Thallner
E-mails: pellis@reedsmith.com, jmoyer@reedsmith.com and kthallner@reedsmith.com
Fax: 215-851-1492

or to such other address or addresses, and to the attention of such other person(s) or officer(s), as a Party may designate.

12.7 Severability. If either (a) a court of competent jurisdiction holds that any material provision or requirement of this Agreement violates any applicable Legal Requirement; or (b) a Government Entity with jurisdiction definitively advises the Parties that a feature or provision of this Agreement violates Legal Requirements over which such Government Entity has jurisdiction, then each such provision, feature or requirement shall be fully severable and: (i) this Agreement shall be construed and enforced as if such illegal, invalid, or unenforceable provision had never comprised a part hereof; (ii) the remaining provisions hereof that reasonably can be given effect apart from the invalidated provision shall remain in full force and effect and shall not be affected by the severable provision; and (iii) the Parties shall in good faith negotiate and substitute a provision as similar to such severable provision as may be possible and still be legal, valid and enforceable. For purposes of subpart (iii) in the immediately preceding sentence, following the Closing, Legacy Health Foundation shall act as the exclusive representative and the express third party beneficiary of Legacy Health pursuant to Section 12.9.

12.8 Divisions and Headings. The divisions of this Agreement into sections and subsections and the use of captions and headings in connection therewith are solely for convenience and shall have no legal effect in construing the provisions of this Agreement.

12.9 Third-Party Beneficiaries and Legacy Health Foundation Enforcement Rights.

12.9.1 Except as specifically set forth herein, the terms and provisions of this Agreement are intended solely for the benefit of the Parties to whom such terms and provisions apply, and their respective permitted successors or assigns, and it is not the intention of the Parties to confer, and this Agreement shall not confer, third-party beneficiary rights upon any other Person or Entity, as "third-party beneficiary" or otherwise.

12.9.2 The Parties hereby expressly acknowledge and agree, and shall be deemed to have acknowledged and agreed, that, notwithstanding anything to the contrary set forth in this Agreement:

12.9.2.1 Legacy Health Foundation shall be and is an express third-party beneficiary of, and pursuant to, this Agreement and the Transaction Documents with full right and authority (i) to enforce all of its rights pursuant to the terms and provisions of this Agreement and the Transaction Documents, and (ii) to enforce all of the rights of Legacy Health pursuant to the terms and provisions of this Agreement and the Transaction Documents. Each of the Parties intends that Legacy Health Foundation shall be an express third-party beneficiary as set forth in this Section 12.9.2. The Parties each hereby fully waive any rights to bring or maintain any legal suit, action or proceeding, and covenant not to bring any legal suit, action or proceeding, challenging Legacy Health Foundation's rights and standing pursuant to this Section 12.9.2. Legacy Health Foundation shall have all rights and status as an express donee beneficiary and express creditor beneficiary (as applicable) pursuant to Oregon Law, and shall not be regarded merely as an incidental beneficiary pursuant to Oregon law.

12.9.2.2 Without limiting the foregoing, on and after the Closing Date,

(a) Legacy Health Foundation shall have standing and shall have the exclusive and continuing right to enforce performance by OHSU and its Affiliates of all of OHSU's covenants, obligations and other agreements set forth in this Agreement and the Transaction Documents on behalf of Legacy Health without the need for Legacy Health any other Affiliate of OHSU to be a party to such action.

(b) Legacy Health Foundation shall have and may exercise all rights of Legacy Health pursuant Article 9 and shall be subject to all obligations and processes set forth in Article 9.

(c) After the Closing, for all reports made to or by OHA that address OHSU's compliance with its obligations pursuant to this Agreement or any of the Transaction Documents, OHSU shall promptly, and in no event more than 5 days, after such report is made, provide Legacy Health Foundation copies of and access to all such reports. Promptly upon, and in no event more than 5 days after request from Legacy Health Foundation, OHSU will provide Legacy Health Foundation any other existing public records reasonably appropriate for purposes of addressing OHSU's compliance with its obligations pursuant to this Agreement and each of the Transaction Documents. The Parties and Legacy Health Foundation will work in good faith to develop and implement mechanisms for information sharing and notices between Legacy Health Foundation and OHSU for purposes of addressing OHSU's compliance with its obligations pursuant to this Agreement and each of the Transaction Documents.

12.10 Entire Agreement/Amendment. This Agreement, including all Schedules and Exhibits attached hereto, supersedes all previous contracts or understandings (including any offers, letters of intent, proposals or letters of understanding among the Parties) and constitutes the entire agreement among the Parties regarding the matters addressed herein. As among the Parties, no oral statements or prior written material not specifically incorporated or referenced herein shall be of any force and effect. The Parties acknowledge and agree that this Agreement is intended to be consistent with the provisions of related agreements or documents entered into in connection with this Agreement and the Transactions. The Parties specifically acknowledge that, in entering into and executing this Agreement, the Parties are relying solely upon the representations, warranties, covenants and agreements contained in this Agreement and no others unless expressly referenced herein. All prior representations, warranties, covenants or agreements, whether written or oral, not expressly incorporated or referenced herein are superseded. No changes in, amendments of, or additions to this Agreement shall be recognized unless and until made in writing and signed by all Parties. For purposes of the immediately preceding sentence, following the Closing, Legacy Health Foundation shall act as the exclusive representative and the express third party beneficiary of Legacy Health pursuant to Section 12.9.

12.11 Cost of Transactions and Transfer Taxes.

12.11.1 Whether or not the Transactions shall be consummated, the Parties agree as follows: (a) Legacy Health shall pay the fees, expenses, and disbursements of Legacy Health and the other Legacy Health Entities and their agents, representatives, accountants, and legal counsel incurred in connection with the subject matter hereof and any amendments hereto; and (b) OHSU shall pay (i) the fees, expenses, and disbursements of OHSU and its agents, representatives, accountants, and legal counsel incurred in connection with the subject matter hereof and any amendments hereto; and (ii) all filing fees and other amounts payable to or at the direction of any applicable Government Entity associated with the Government Entity processes described in Section 6.6 (but no other Legacy Health-incurred costs in connection with such processes, such as consultant fees, attorneys fees or other expenses, unless the Parties expressly agree otherwise in writing with respect to particular expenses). Both prior to and after the Closing, Legacy Health Foundation shall pay the fees, expenses and disbursements of Legacy Health Foundation and its agents, representatives, accountants, and legal counsel incurred in connection with the subject matter hereof and any amendments hereto, including all costs incurred in exercising Legacy Health Foundation's rights under Section 12.9 above.

12.11.2 Any state or local real property transfer or gains tax, stamp tax, sales tax, use tax, stock transfer or other similar tax imposed (including any related penalties and interest) as a result of the Transactions ("**Transfer Taxes**") shall be paid at Closing fifty percent (50%) by OHSU and fifty percent (50%) by Legacy Health. OHSU shall timely prepare and file all tax returns with respect to Transfer Taxes. Legacy Health will cooperate with OHSU in the filing of any tax returns with respect to Transfer Taxes, including promptly supplying any information in their possession or control reasonably necessary to complete such tax returns, and the Parties will otherwise cooperate to establish any available exemption from (or otherwise reduce) such Transfer Taxes. Any portion of the Transfer Taxes payable by Legacy Health pursuant to this Section 12.11.2, shall be subtracted from the amounts payable to Legacy Health Foundation pursuant to Section 3.5.

12.12 Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original and all of which together shall constitute but one and the same instrument. Facsimile or other electronically scanned and transmitted signatures, including by email attachment, shall be deemed originals for all purposes of this Agreement. Signatures by electronic means shall have the same legal effect, validity, enforceability and admissibility as handwritten signatures.

12.13 Further Assurances and Cooperation. Legacy Health, OHSU and Legacy Health Foundation shall (and shall cause their respective Affiliates, as applicable) to execute, acknowledge and deliver to the other Parties any and all other consents, approvals, conveyances, assurances, documents and instruments as reasonably requested by the other Parties, and shall take any and all other actions as reasonably requested by the other Parties for the purpose of consummating the Transactions in the manner contemplated by this Agreement. After consummation of the Transactions, the Parties agree to reasonably cooperate with each other and take such further actions as may be necessary, appropriate or desirable to effectuate, carry out and comply with all of the terms of this Agreement, the documents referred to in this Agreement and the Transactions.

13. DEFINITIONS.

13.1 Certain Definitions. In addition to the words and terms defined elsewhere in this Agreement, for ease of reference, the words and terms set forth below as used in this Agreement shall have the following meanings.

"**340B Program**" has the meaning set forth in Section 4.8.6.

"**Action**" means any civil, criminal, administrative, regulatory or arbitration action, claim, suit, hearing, proceeding, charge or investigation or audit by or before a Government Entity.

"**Additional Capital Commitment**" has the meaning set forth in Section 3.4.2.

"**Affiliate**" means, with respect to any Person, any other Person that directly or indirectly Controls, is Controlled by, or is under common Control with, such Person.

"**Affordable Care Act**" has the meaning set forth in Section 4.11.15.

"**Agreement**" has the meaning set forth in the Preamble.

"**Amended Legacy Health Articles**" has the meaning set forth in Section 1.2.

"**Amended Legacy Health Bylaws**" has the meaning set forth in Section 1.2.

"**APP**" has the meaning set forth in Section 3.9.1.

"**Applicable Hospital Organization**" has the meaning set forth in Section 3.8.2.

"**Applicable Representations**" has the meaning set forth in Section 8.1.

"**Appointment as Member**" has the meaning set forth in Section 1.1.

"**Attorneys**" has the meaning set forth in Section 6.11.

"**Base Capital Commitment**" has the meaning set forth in Section 3.4.1.

"**Board**" means, as it pertains to any particular Entity, such Entity's board of directors, managers, or trustees, as applicable.

"**Business Associate**" shall mean a "business associate" as defined in 45 C.F.R. § 160.103.

"**Bylaws**" means the by-laws adopted by an Entity to regulate and govern itself.

"**Cap**" has the meaning set forth in Section 11.2.3.2.

"**Capital Commitment**" has the meaning set forth in Section 3.4.2.

"**CC&Rs**" means all covenants, conditions and restrictions of record or provided to Legacy Health Entities affecting the Owned Real Property.

"**CERCLA**" means the Comprehensive Environmental Response, Compensation, and Liability Act set forth at 42 U.S.C. §§ 9601 et seq., as amended.

"**Change of Control**" means (i) any reorganization, consolidation or merger of a Person with or into any other Entity or Person, or any other reorganization, other than any consolidation, merger or reorganization in which the holders of such Person's voting rights or ownership or membership interests immediately prior to such consolidation, merger or reorganization, continue to hold at least a majority of the voting power or ownership or membership interests of the surviving Entity (or, if the surviving Entity is a wholly-owned subsidiary, its parent) in substantially the same proportions immediately after such consolidation, merger or reorganization; (ii) any transaction or series of related transactions to which such Person is a party in which in excess of 50% of such Person's voting power, ownership or membership interests or rights to appoint the governing body of such Person is transferred; or (iii) a sale, lease, exclusive license or other disposition of all or substantially all of the assets of such Person.

"**Closing**" has the meaning set forth in Section 2.1.

"**Closing Balance Sheet**" has the meaning set forth in Section 4.5.4.

"**Closing Balance Sheet Date**" has the meaning set forth in Section 4.5.4.

"**Closing Date**" has the meaning set forth in Section 2.1.

"**Closing Financial Statements**" has the meaning set forth in Section 4.5.

"**CMS**" has the meaning set forth in Section 4.8.1.

"**COBRA**" means the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended, and the rules and regulations promulgated thereunder from time to time.

"**Code**" means the Internal Revenue Code of 1986, as amended, and the rules and regulations promulgated thereunder from time to time.

"**Compliance Program**" means a corporate compliance program consistent with the guidance and standards promulgated by the HHS-OIG, the DOJ and the U.S. Federal Sentencing Guidelines.

"**Confidential Information**" shall have the meaning set forth in Section 12.3.

"**Control**" or "**Controlled**" means with respect to: (a) a corporation having stock, the ownership, directly or indirectly, of more than fifty percent (50%) of the securities (as defined in Section 2(1) of the Securities Act of 1933, as amended) of any class or classes, the holders of which are ordinarily, in the absence of contingencies, entitled to elect a majority of the directors of such corporation; (b) a nonprofit corporation not having stock, having the right to elect, appoint or remove, directly or indirectly, a majority of the members of the governing body of such corporation; or (c) any other Entity: (i) the power to direct the management of such Entity through the ownership, directly or indirectly, of at least a majority of its voting securities, or (ii) the right to designate or elect at least fifty percent (50%) of the members of its governing body, by contract or otherwise.

"**COVID-19 Relief Funds**" has the meaning set forth in Section 4.26.1.

"**Damages**" has the meaning set forth in Section 11.2.1.

"**Data Breaches**" has the meaning set forth in Section 4.9.9.

"**Disclosure Schedule Termination Notice**" has the meaning set forth in Section 6.3.2.

"**Disclosure Schedule Termination Objection Notice**" has the meaning set forth in Section 6.3.2.

"**Disclosure Schedules Update**" has the meaning set forth in Section 6.3.1.

"**Dispute Process Parties**" has the meaning set forth in Section 9.1.

"**DOJ**" has the meaning set forth in Section 6.6.5.

"**DOL**" has the meaning set forth in Section 4.11.4.

"**Effective Time**" has the meaning set forth in Section 2.1.

"**Employee**" means any current employee of any Legacy Health Entity.

"**Entity**" means any corporation, partnership, trust, joint venture, limited liability company, association or other organization, whether profit, nonprofit, disregarded or pass-through in nature.

"**Environmental Laws**" means Legal Requirements, in effect on or prior to the date hereof, pertaining to pollution, protection, remediation or regulation of the environment or natural resources; or the remediation, removal, recovery, generation, production, handling, distribution, use, storage, treatment, management, reporting, transportation, Release, labeling, licensing, recycling, processing, or disposal of or exposure to any Hazardous Material, including CERCLA.

"**Environmental Liabilities**" shall mean any out of pocket cost, damages, expense, liability, losses, obligation, or other responsibility arising from or under Environmental Law with respect to Hazardous Materials, including but not limited to, those consisting of or relating to: (a) any environmental matters or conditions (including on site or off site contamination and regulation of chemical substances or products); (b) fines, penalties, judgments, awards, settlements, legal or administrative proceedings, damages, losses, claims, demands and response, investigative, remedial, or inspection costs and expenses arising under Environmental Law; (c) cleanup costs, natural resource damages, or corrective action, including any investigation, abatement, cleanup, removal, containment, or other remedial measures, response actions or mitigation with respect to any actual, suspected or threatened Release of Hazardous Materials; or (d) any other compliance, corrective, investigative, or remedial measures required under Environmental Law with respect to Hazardous Materials. The terms "removal," "remedial" and "response action" include the types of activities covered by CERCLA.

"**Environmental Permits**" means any current Permits issued, granted, given, or otherwise made available by or under the authority of any Government Entity or pursuant to Environmental Laws.

"**ERISA**" means the Employee Retirement Income Security Act of 1974, as amended, and the rules and regulations promulgated thereunder from time to time.

"**ERISA Affiliate**" means any Person that at any relevant time is considered a single employer with either Legacy Health or any of the other Legacy Health Entities under Section 414 of the Code or Section 4001 of ERISA.

"**Execution Date**" has the meaning set forth in the Preamble.

"**Exigent Circumstances**" means the occurrence of a credit rating downgrade for the Health System, occurring any time after the Closing, to below (i) "A3" by Moody's or (ii) "A-" by S&P.

"**Existing OHSU Regional and Ambulatory Facilities**" has the meaning set forth in Section 3.4.4.

"**FDCA**" has the meaning set forth in Section 4.21.1.

"**Financial Statements**" has the meaning set forth in Section 4.5.

"**Fixtures**" means the fixtures which are located at and affixed to any of the Improvements as of the Closing Date.

"**Foundation Unrestricted Assets**" has the meaning set forth in Section 3.5.2.

"**FTC**" has the meaning set forth in Section 6.6.5.

"**GAAP**" means generally accepted accounting principles in the United States, as in effect on the Execution Date or, with respect to any financial statements, the date such financial statements were prepared, consistently applied.

"**Governmental Approvals**" has the meaning set forth in Section 7.5.

"**Government Entity**" means any government or any agency, bureau, board, directorate, commission, court, department, political subdivision, tribunal or other instrumentality of any government, whether federal, state or local.

"**Government Programs**" means any federal health care program as defined in 42 U.S.C. § 1320a-7b(f), including, but not limited to, Medicare, Medicaid, TRICARE/CHAMPUS and state health care programs (as defined therein).

"**Grant Agreement**" has the meaning set forth in Section 7.9.

"**Hazardous Material**" means any substance, material, chemical, constituent, waste, pollutant or contaminant that is listed or regulated under any Environmental Law, and includes infectious waste, medical waste, bio-hazardous materials, polychlorinated biphenyls ("**PCBs**"), asbestos or asbestos containing materials, petroleum or petroleum products (including crude oil or any fraction thereof), per and poly fluoroalkyl substances ("**PFAS**"), 1,4 dioxane, radioactive materials and any "hazardous substance" as defined under CERCLA.

"**HCMO**" has the meaning set forth in Section 6.6.1.

"**HCMO Process**" has the meaning set forth in Section 6.6.1.

"**Health Care Law**" means all applicable laws of any Government Entity relating to the regulation, provision, marketing, promotion, administration of, management of, billing of, collection of or payment for, health care benefits, health care insurance coverage and/or health care products or services or any other aspect of health care, or relating to the access, use, disclosure, or exchange of health information or insurance claims, including the federal Anti-Kickback Statute (42 U.S.C. § 1320a-7b(b)), the Stark Law (42 U.S.C. § 1395nn), the Anti-Inducement Law (42 U.S.C. § 1320a-7a(a)(5)), the civil False Claims Act (31 U.S.C. § 3729 et seq.), the administrative False Claims Law (42 U.S.C. § 1320a-7b(a)), the exclusion laws (42 U.S.C. § 1320a-7), the civil monetary penalty laws (42 U.S.C. §§ 1320a-7a and 1320a-7b), the Health Insurance Portability and Accountability Act of 1996 (Pub. Law 104-191), and the regulations set forth at 45 C.F.R. Parts 160, 162 and 164, ("**HIPAA**"), as amended by Health Information Technology for Economic Clinical Health Act, Division A, Title XIII § 1301 et. seq. of the American Recovery and Reinvestment Act of 2009 ("**HITECH**"), 42 U.S.C. § 290dd-2 and the regulations set forth at 42 C.F.R. Part 2 (regarding substance use disorder patient records), Title XXX of the Public Health Service Act (42 U.S.C. § 300jj et seq.) and the regulations set forth at 45 C.F.R. Parts 170 and 171, the Medicare Prescription Drug, Improvement and Modernization Act of 2003, Medicare (Title

XVIII of the Social Security Act), the Balanced Budget Act of 1997 (Pub. L.105-33), as amended, the Patient Protection and Affordable Care Act of 2010 (Pub. L. 111-148), Medicaid (Title XIX of the Social Security Act), the Emergency Medical Treatment and Active Labor Act (42 U.S.C. § 1395dd), the Health Care and Education Reconciliation Act of 2010 (Pub. L. No. 111-152), TRICARE (10 U.S.C. Section 1071 et seq.), the Food, Drug and Cosmetic Act (21 U.S.C.§§ 301 et seq.), the Prescription Drug Marketing Act of 1987, the Deficit Reduction Act of 2005, the Controlled Substances Act (21 U.S.C. §§ 801 et seq.), Section 340B of the Public Health Services Act (42 U.S.C. § 256b), as amended, the Clinical Laboratory Improvement Amendments (42 U.S.C. § 263a, et seq.), and/or the regulations promulgated pursuant to such laws, and any other federal, state or local law, regulation, and, to the extent it has a legally binding effect, any guidance document (including subregulatory guidance), manual provision, program memorandum, opinion letter or other issuance of any Government Entity, which regulates coding, kickbacks, patient or program charges, health insurance and managed care, clinically integrated and other provider networks, pharmacy and/or other health benefits management, recordkeeping, claims submission, claims processing, health care-related documentation requirements, medical necessity, provider or patient inducements, referrals, licensure requirements, certificates of need, prohibitions on fee splitting and the corporate practice of medicine, encounter data reporting requirements, requirements for treating facilities as free-standing or provider-based (including the regulations at 42 C.F.R. § 413.65), the hiring of employees or acquisition of services or supplies from those who have been excluded from government health care programs, quality, safety, privacy, security, pharmacy practice, drug rebates, licensure, accreditation, or any other preconditions required to be met by entities that furnish items and services for payment and reimbursement from government health care programs or commercial insurers, or any other aspect of providing or billing as payment for health care.

"**Health System**" has the meaning set forth in the Recitals.

"**HHS**" has the meaning set forth in Section 4.4.2.

"**HSR Act**" means the Hart-Scott-Rodino Antitrust Improvements Act of 1976 as amended and the rules and regulations promulgated thereunder.

"**Impossible**" means, with respect to the conditions of this Agreement set forth in Section 7.4 (Governmental Approvals), Section 7.5 (Governmental Approvals), and Section 8.4 (Governmental Approvals), that the applicable Government Entity has stated in writing to the Parties that the applicable Government Entity has determined that such Governmental Approval will not be given by such Government Entity on any basis at any time, and (a) either Party in its discretion has determined not to appeal or seek to overturn such determination because that Party has determined that such action is likely to be fruitless or that the costs of such action are likely to exceed the expected benefits; or (b) all options to appeal or overturn such determination have been exhausted unsuccessfully.

"**Improvements**" means all buildings, improvements, and structures of every kind and description owned or leased by any Legacy Health Entity and located on the Real Property.

"**Indebtedness**" means with respect to any Person (i) obligations of such Person for borrowed money and accrued but unpaid interest, premiums and penalties thereon; (ii) obligations of such Person evidenced by bonds, notes, debentures or other similar debt security instruments; (iii) any guarantee by such Person of any obligations of any other Person; and (iv) reimbursement obligations of such Person relating to letters of credit, bankers' acceptances, surety or other bonds or similar instruments.

"**Indemnifiable Losses**" has the meaning set forth in Section 11.2.2.

"[redacted] **Holdback Amount**" has the meaning set forth in Section 3.5.2.

"[redacted] **Holdback Investment**" has the meaning set forth in Section 3.5.2.

"**Indemnified Parties**" has the meaning set forth in Section 11.2.2.

"**Indemnifying Party**" or "**Indemnifying Parties**" has the meaning set forth in Section 11.4.

"**Independent Contractor**" means a natural person who provides services to an Entity where such individual is not classified or treated by such Entity as an employee of the Entity, whether such services are provided pursuant to a written or unwritten agreement or arrangement.

"**Independent Firm**" has the meaning set forth in Section 6.3.2.

"**Information Privacy and Security Laws**" means all Legal Requirements concerning the privacy or security of Personal Information, including HIPAA, HITECH, the Gramm-Leach-Bliley Act, the Fair Credit Reporting Act, the Fair and Accurate Credit Transaction Act, the Telephone Consumer Protection Act, Section 5 of the Federal Trade Commission Act as it applies to the receipt, access, use, disclosure, and security of Personal Information, the CAN-SPAM Act, Children's Online Privacy Protection Act, PCI DSS, state data breach notification laws, state data security laws, state social security number protection laws, any Health Care Laws pertaining to privacy or data security and any applicable Legal Requirements concerning requirements for website and mobile application privacy policies and practices, or any outbound communications (including e-mail marketing, telemarketing and text messaging), tracking and marketing.

"**Initial Foundation Funding Amount**" has the meaning set forth in Section 3.5.

"**Insurance Policies**" has the meaning set forth in Section 4.18.

"**Integration Plan**" has the meaning set forth in Section 3.2.

"**Integration Plan Process Summary**" has the meaning set forth in Section 3.2.

"**Intellectual Property**" means any and all of the following, in any and all jurisdictions worldwide: (a) rights in patents and patent applications (including provisional, divisional, continuations, continuations-in-part, substitutions, reissues, renewals, reexaminations, extensions, or restorations of any of the foregoing, and other similar Government Entity-issued indicia of invention ownership of any kind), patentable inventions and improvements whether or not patentable; (b) Trademarks; (c) registered copyrights, applications for registrations of copyrights, and unregistered copyrightable works (whether published or unpublished), including Software; (d) Trade Secrets; (e) uniform resource locators, domain name registrations, social media account names or handles, and other digital identifiers, all associated web addresses, URLs, websites and web pages, social media pages, and all content and data thereon; (f) rights of privacy or publicity; and (g) all other intellectual and related proprietary rights, whether protected, created or arising by operation of law.

"**Intellectual Property Agreement**" shall mean each contract by or through which other Persons grant any Legacy Health Entity or any Legacy Health Entity grants any other Persons any exclusive or non-exclusive rights or interests in or to any Intellectual Property that is used in the business and operations of such Legacy Health Entity, including all licenses or sublicenses, development or co-development agreements, assignments, consent to use agreements, settlements, coexistence agreements, covenants not to sue, waivers, releases, and permissions.

"**Interim Balance Sheet**" has the meaning set forth in Section 4.5.1.

"**Interim Balance Sheet Date**" has the meaning set forth in Section 4.5.1.

"**Inventory**" has the meaning set forth in Section 4.28.

"**IP Assignment Agreement**" has the meaning set forth in Section 4.20.4.

"**IRB**" has the meaning set forth in Section 4.21.1.

"**IRS**" has the meaning set forth in Section 4.1.2.

"**IT Assets**" means all computer systems, including software, hardware, databases, firmware, middleware and platforms, interfaces, systems, networks, information technology equipment, facilities, websites, infrastructure, workstations, switches, data communications lines and associated documentation used or held for use by or on behalf of any Legacy Health Entity in connection with the conduct of its business.

"**Knowledge**" means, with respect to Legacy Health, the actual knowledge of the persons holding the offices set forth on Schedule 1 as of the time of determination, in each case after reasonable inquiry, and, with respect to OHSU, the actual knowledge of the persons holding the offices set forth on Schedule 2 as of the time of determination, in each case after reasonable inquiry.

"[redacted]" has the meaning set forth in Section 3.4.2.

"[redacted] **Sale**" has the meaning set forth in Section 3.4.2.

"**Lease**" means each lease, sublease, license or other occupancy agreement pursuant to which any Legacy Health Entity leases, subleases, licenses or otherwise occupies any Leased Real Property.

"**Leased Real Property**" has the meaning set forth in Section 4.10.2.

"**Legacy Health**" has the meaning set forth in the Preamble.

"**Legacy Health Disclosure Schedules**" means the disclosure schedules delivered by Legacy Health to OHSU concurrently with the execution and delivery of this Agreement and updated thereafter pursuant to Section 6.3.

"**Legacy Health Entities**" means Legacy Health and its Affiliates, which as of the Execution Date, are set forth on Schedule 3, provided that for avoidance of doubt, Legacy Health Foundation shall not be considered to be a "Legacy Health Entity." The Specified Legacy Health JVs shall not be considered "Legacy Health Entities" other than for purposes of Article 11 and Sections 4.1.1, 4.1.2, 4.2.1, and 4.2.2.

"**Legacy Health Foundation**" has the meaning set forth in the Recitals.

"**Legacy Health Indemnified Parties**" has the meaning set forth in Section 11.2.2.

"**Legacy Health Intellectual Property**" has the meaning set forth in Section 4.20.4.

"**Legacy Health Medical Staff**" means the organized medical staff of each of the Legacy Health Entities, as applicable, encompassing the physicians and other licensed professionals granted membership in such medical staff in accordance with the applicable bylaws and qualification requirements.

"**Legacy Health Source Code**" has the meaning set forth in Section 4.20.8.

"**Legal Requirements**" means with respect to any Person, all statutes, laws, ordinances, codes, rules, regulations, regulatory and subregulatory guidance, government contracts and federal assistance awards at any tier, orders, judgments, writs, injunctions, decrees, determinations or awards issued, promulgated or enforced by any Government Entity having jurisdiction over such Person or any of such Person's assets or business (or by any entity authorized to act on such Government Entity's behalf).

"**LH Governmental Approvals**" has the meaning set forth in Section 7.5.

"**Liens**" means, with respect to any property or asset, any liens, claims, encumbrances, pledges, mortgages, security interests or other similar encumbrances.

"**Malicious Code**" has the meaning set forth in Section 4.20.9.

"**Material Adverse Change**" means (a) any event, occurrence, condition or matter occurring prior to the Closing that has had, or could reasonably be expected to have, a material adverse effect on (i) the results of operations, condition (financial or otherwise), assets, or business of the Legacy Health Entities, taken as a whole, (ii) the ability of Legacy Health or the other Legacy Health Entities to consummate the Transactions contemplated by, or to perform their obligations in accordance with, this Agreement, or (iii) the ability of Legacy Health or any other Legacy Health Entity to maintain, as applicable, their respective 501(c)(3) tax-exempt and, as applicable, Section 509(a) public charity status under the Code, or to operate licensed healthcare facilities; provided, however, that for purposes of the foregoing clauses, a Material Adverse Change shall not include any event, occurrence, condition or matter to the extent resulting from or arising in connection with: (A) any change or proposed change in Legal Requirements or the enforcement, interpretation or implementation thereof, (B) any circumstances or conditions generally affecting the healthcare system industry or any other industry in which Legacy Health and the other Legacy Health Entities participate, (C) the United States or global economy generally or the financial markets in the United States generally, including changes in interest or exchange rates, (D) political conditions generally of the United States, (E) any change or proposed change in GAAP, (F) any act of war, terrorism, military action, armed conflict, civil disturbance, hostilities, sabotage (or any escalation thereof), or similar calamity or worsening of any of the same, (G) any epidemic, pandemic or disease outbreak (including, but not limited to, the COVID-19 virus), (H) any labor strike, work stoppage, picketing, lockout or other labor dispute not caused by Legacy Health's actions, (I) the negotiation, execution, delivery, and performance of this Agreement, the consummation of the Transactions or the public announcement or pendency of this Agreement or such Transactions, (J) any actions taken in order to consummate the Transactions in accordance with the terms hereof, (K) actions permitted to be taken with the written consent of OHSU or not taken because OHSU did not give its consent, (L) any acts of God, including any earthquakes, hurricanes, tornadoes, floods or other natural disasters, (M) any failure by any of the Legacy Health Entities to meet any internal or published projections, forecasts or revenue or earnings predictions, or (N) actions, determinations or omissions to act by any Government Entity with respect to any of the Transactions; (b) the debarment of, or exclusion from participation in Medicare or Medicaid programs of, or imposition of criminal sanctions or material penalties on, or final loss of accreditation from The Joint Commission of, or insolvency of, Legacy Health or any of the other Legacy Health Entities; or (c) the acceleration of obligations under any material Indebtedness (i.e., Indebtedness with an aggregate principal balance of more than Twenty Five Million Dollars ($25,000,000)) of Legacy Health or any of the Legacy Health Entities, including but not limited to its tax-exempt bond Indebtedness.

"**Material Contracts**" has the meaning set forth in Section 4.16.

"**Material Debt Contracts**" has the meaning set forth in Section 4.16.1.7.

"**Material Leases**" has the meaning set forth in Section 4.16.1.5.

"**Material Permits**" has the meaning set forth in Section 4.7.1.

"**Material Restrictive Government Obligation Determination**" has the meaning set forth in Section 6.6.7.

"**Misconduct Allegation**" has the meaning set forth in Section 4.15.3.2.

"**MOU**" has the meaning set forth in Section 3.5.1.

"**Notice of Assumption**" has the meaning set forth in Section 11.4.

"**OHA**" has the meaning set forth in Section 6.6.1.

"**OHSU**" has the meaning set forth in the Preamble.

"**OHSU Board**" has the meaning set forth in Section 1.2.

"**OHSU Entities**" means OHSU and its Affiliates, which as of the Execution Date, are set forth on Schedule 3.

"**OHSU Governmental Approvals**" has the meaning set forth in Section 7.4.

"**OHSU Indemnified Parties**" has the meaning set forth in Section 11.2.1.

"**OHSU Material Adverse Change**" means (a) any event, occurrence, condition or matter occurring prior to the Closing that has had, or could reasonably be expected to have, a material adverse effect on (i) the results of operations, condition (financial or otherwise), assets, or business of the OHSU Entities, taken as a whole, or (ii) the ability of OHSU or the other OHSU Entities to consummate the Transactions contemplated by, or to perform their obligations in accordance with, this Agreement; provided, however, that for purposes of the foregoing clauses, a Material Adverse Change shall not include any event, occurrence, condition or matter to the extent resulting from or arising in connection with: (A) any change or proposed change in Legal Requirements or the enforcement, interpretation or implementation thereof, (B) any circumstances or conditions generally affecting the healthcare system industry or any other industry in which Legacy Health and the other Legacy Health Entities participate, (C) the United States or global economy generally or the financial markets in the United States generally, including changes in interest or exchange rates, (D) political conditions generally of the United States, (E) any change or proposed change in GAAP, (F) any act of war, terrorism, military action, armed conflict, civil disturbance, hostilities, sabotage (or any escalation thereof), or similar calamity or worsening of any of the same, (G) any epidemic, pandemic or disease outbreak (including, but not limited to, the COVID-19 virus), (H) any labor strike, work stoppage, picketing, lockout or other labor dispute not caused by OHSU's actions, (I) the negotiation, execution, delivery, and performance of this Agreement, the consummation of the Transactions or the public announcement or pendency of this Agreement or such Transactions, (J) any actions taken in order to consummate the Transactions in accordance with the terms hereof, (K) actions permitted to be taken with the written consent of Legacy Health or not taken because Legacy Health did not give its consent, (L) any acts of God, including any earthquakes, hurricanes, tornadoes, floods or other natural disasters, (M) any failure by any of the OHSU Entities to meet any internal or published projections, forecasts or revenue or earnings predictions, or (N) actions, determinations or omissions to act by any Government Entity with respect to any of the Transactions; (b) the debarment of, or exclusion from participation in Medicare or Medicaid programs of, or imposition of criminal sanctions or material penalties on, or final loss of accreditation from The Joint Commission of, or insolvency of, OHSU; or (c) the acceleration of obligations under any material Indebtedness (i.e., Indebtedness with an aggregate principal balance of more than Twenty Five Million Dollars ($25,000,000)) of OHSU, including but not limited to its tax-exempt bond Indebtedness.

"**OHSU System**" has the meaning set forth in the Recitals.

"**OIG**" has the meaning set forth in Section 4.4.2.

"**Open Source Software**" means any Software subject to a license or other contract, which terms require the distribution of source code in connection with the distribution of the Software to which such license applies or that prohibits the licensee from charging a fee or otherwise limit the licensee's freedom of action with regard to seeking compensation in connection with sublicensing or distributing the Software to which such license applies (whether in source code or executable code form), including the licenses commonly referred to as the "Artistic License," the "Mozilla Public License," the "General Public License," the "Lesser General Public License," and other similar licenses applicable to Software distributed without charge to the public in source code form.

"**Organizational Documents**" means the articles of incorporation, Bylaws, articles of formation, operating agreement or other corporate organizational documents of an Entity.

"**Outside Date**" has the meaning set forth in Section 10.1.8.

"**Owned Intellectual Property**" means all Intellectual Property owned or purported to be owned by any Legacy Health Entity.

"**Owned Real Property**" has the meaning set forth in Section 4.10.1.

"**PacificSource**" has the meaning set forth in Section 1.1.

"**Partial Subsidiaries**" means with respect to any Person, any and all corporations, partnerships and limited liability companies in which such Person directly or indirectly (through one or more direct or indirect Subsidiaries) owns or holds common stock, partnership interests, or membership interests, which interest amounts to less than one hundred percent (100%) of the total outstanding common stock, partnership interests or membership interests therein, as applicable.

"**Party**" has the meaning set forth in the Preamble.

"**PBGC**" has the meaning set forth in Section 4.11.5.

"**PCBs**" has the meaning set forth in the definition of Hazardous Material.

"**PCI DSS**" means the Payment Card Industry Data Security Standard, issued by the Payment Card Industry Security Standards Council, as may be revised from time to time.

"**Permissible Capital Commitment Expenditures**" has the meaning set forth in Section 3.4.4.

"**Permits**" means licenses, permits, certificates (including certificates of need), consents, ratifications, registrations, waivers, authorizations, accreditations, exemptions, clearances, and other approvals (including pending approvals) issued, granted, given, or otherwise made available by or under the authority of any Government Entity (or entity acting on behalf of any Government Entity) or pursuant to any Legal Requirement.

"**Permitted Liens**" means, collectively, (a) Liens for Taxes, assessments, governmental charges or levies not yet due and payable or being contested in good faith or that may thereafter be paid without penalty; (b) Liens disclosed on the financial statements of Legacy Health and/or the other Legacy Health Entities provided by Legacy Health to OHSU; (c) with respect to the Real Property, any Liens or other matters disclosed in policies of title insurance delivered to or obtained by OHSU or included on a title report of the applicable property delivered to OHSU or which would have been shown on a survey of the applicable property delivered to OHSU or would be shown by a physical inspection of the Real Property; (d) mechanics' Liens and similar Liens with respect to amounts not yet due and payable or due but not delinquent or being contested in good faith; (e) pledges, deposits or other Liens to the performance of bids, trade contracts (other than for borrowed money), leases or statutory obligations (including workers' compensation, unemployment insurance or other social security legislation); (f) easements, rights of way, zoning ordinances, entitlements and other similar Liens affecting the Real Property so long as the Legacy Health Entities are currently in material compliance with such zoning ordinances; (g) title of a lessor under a capital or operating lease; (h) any Lien arising from OHSU's acts; (i) such other imperfections of title or other Liens that do not materially impair the current use of the Real Property in the ordinary course of the business of the Legacy Health Entities; and (j) any Real Property Third Party Leases.

"**Person**" means any natural person, association, corporation, company, limited liability company, firm, partnership, limited liability partnership, association, trust, business trust, Government Entity or any other Entity.

"**Personal Information**" means information that alone or in combination with other information can be used to identify, contact or precisely locate a natural person or can be linked to a natural person or that otherwise is capable of being associated with, or could be reasonably linked, directly or indirectly, with a natural person. "Personal Information" includes information that is governed, regulated or protected by one or more Information Privacy and Security Laws.

"**Plan**" or "**Plans**" have the meaning set forth in Section 4.11.1.

"**Privileged Communications**" has the meaning set forth in Section 6.11.

"**Proprietary Software**" means all Software owned or purported to be owned by any Legacy Health Entity.

"**Real Property**" has the meaning set forth in Section 4.10.2.

"**Real Property Third Party Leases**" has the meaning set forth in Section 4.10.3.1.

"**Recapitalization Funding**" has the meaning set forth in Section 3.4.6

"**Registered Intellectual Property**" has the meaning set forth in Section 4.20.1.

"**Release**" means the emission, spill, leak, escape, leaching, discharge, injection, emitting, pumping, pouring, emptying, dumping, disposal, migration, or release of Hazardous Material into the indoor or outdoor environment.

"**Research Requirements**" has the meaning set forth in Section 4.21.1.

"**Research Sponsors**" has the meaning set forth in Section 4.21.1.

"**Restrictive Government Obligation Determination**" has the meaning set forth in Section 6.6.7.

"**Restrictive Obligation Termination Notice**" has the meaning set forth in Section 6.6.7.

"**Restrictive Obligation Termination Objection Notice**" has the meaning set forth in Section 6.6.7.

"[redacted]" has the meaning set forth in Section 3.8.2.

"**R&W Condition Notice**" has the meaning set forth in Section 8.1.

"**R&W Condition Objection Notice**" has the meaning set forth in Section 8.1.

"**Security Risk Assessment**" has the meaning set forth in Section 4.9.7.

"[redacted] **Holdback Account"** has the meaning set forth in Section 3.5.2.

"[redacted] **Holdback Amount"** has the meaning set forth in Section 3.5.2.

"**Software**" means computer programs, operating systems, applications, firmware, and other code, including all source code, object code, application programming interfaces, data files, databases, protocols, specifications, and other documentation thereof.

"**Specified Legacy Health JVs"** means East Portland Surgery Center, LLC, Legacy/USP Surgery Centers, L.L.C., Northwest Ambulatory Surgery Center, LLC, Northwest Urgent Care Phase II, LLC and Option Care at Legacy, LLC.

"**State Health Agency**" has the meaning set forth in Section 4.7.1.

"**Subsequent Event**" has the meaning set forth in Section 6.3.1.

"**Subsidiaries**" or "**Subsidiary**" means, when used with respect to any Person, any association, corporation, company, limited liability company, partnership, limited liability partnership, association, or any other Entity, of which one hundred percent (100%) of the issued and outstanding equity securities or nonprofit corporation membership interests are owned or controlled by such Person or by any one or more of its Subsidiaries.

"**Tax Returns**" has the meaning set forth in Section 4.14.1.

"**Taxes**" has the meaning set forth in Section 4.14.1.

"**Third Party Claim**" has the meaning set forth in Section 11.4.

"**Third Party Payor**" means an Entity, whether an employer, third party administrator or insurer/managed care plan or governmental agency that pays, or is responsible for paying for diagnosis or treatment furnished to a patient on the basis of a contractual relationship with the patient or a member of his or her family or an employment benefit.

"**Threshold**" has the meaning set forth in Section 11.2.3.2.

"**Trade Secret**" means any and all know-how, inventions and invention disclosures (whether or not patented or patentable and whether or not reduced to practice), ideas, discoveries, improvements, technology, technical information, data, databases, data compilations and collections, tools, methods, processes, formulae, strategies, prototypes, techniques, plans, drawings, blue prints, schematics, flow charts, models, business information, customer and supplier lists and records, pricing and cost information, financial, sales, and marketing plans and proposals, and all other confidential and proprietary information or know-how.

"**Trademark**" means any and all registered and unregistered trademarks, service marks, trade dress, trade names, logos, slogans, acronyms, tag-lines, corporate names, fictional business names and any other designators of source or origin, all applications therefor, and the goodwill connected with the use of and symbolized by any of the foregoing.

"**Tranche Payment**" or "**Tranche Payments**" has the meaning set forth in Section 3.5.4.

"**Tranche Payment Amount**" or "**Tranche Payment Amounts**" has the meaning set forth in Section 3.5.2.

"**Transaction**" has the meaning set forth in Section 1.4.

"**Transaction Documents**" means this Agreement and any other ancillary agreements of the Parties executed and delivered in connection with the Closing.

"**Transfer Taxes**" has the meaning set forth in Section 12.11.2.

"**Uniform Guidance**" has the meaning set forth in Section 4.21.4.

"**Updated Events**" has the meaning set forth in Section 6.3.1.

"**Update Review Period**" has the meaning set forth in Section 6.3.2.

"[redacted] **Investment**" has the meaning set forth in Section 3.5.2.

"[redacted] **Investment**" has the meaning set forth in Section 3.5.2.

"**WAG**" has the meaning set forth in Section 6.6.3.

"**WARN Act**" has the meaning set forth in Section 4.15.3.

13.2 Interpretation. For purposes of this Agreement, unless otherwise specified:

13.2.1 when a reference is made in this Agreement to a Section, Exhibit, Schedule, Recital or Preamble, such reference is to a Section, Exhibit, Schedule, Recital or Preamble of or to this Agreement unless otherwise indicated;

13.2.2 the words "hereof," "herein," "hereto" and "hereunder" and words of similar import, when used in this Agreement, shall refer to this Agreement as a whole and not to any particular provision of this Agreement;

13.2.3 the terms defined in the singular herein shall have a comparable meaning when used in the plural, and vice versa;

13.2.4 words of one gender include the other gender;

13.2.5 references herein to "days" are to consecutive calendar days unless otherwise specified;

13.2.6 references to a Person are also to its successor and permitted assigns;

13.2.7 "will" means "shall" and vice versa, without distinction;

13.2.8 the term "Dollars" and "$" means United States dollars; and

13.2.9 the word "including" means "including without limitation" and the words "include" and "includes" have corresponding meanings.

SIGNATURE PAGE FOLLOWS

IN WITNESS WHEREOF, the Parties hereto have caused this System Combination Agreement to be executed by their authorized officers as of the Execution Date.

OREGON HEALTH & SCIENCE UNIVERSITY

By: Danny O. Jacobs

Name: Danny O. Jacobs, M.D., M.P.H., FACS

Title: President

[*Signature Page to System Combination Agreement*]

IN WITNESS WHEREOF, the Parties hereto have caused this System Combination Agreement to be executed by their authorized officers as of the Execution Date.

LEGACY HEALTH

By: Anna Loomis

Name: Anna Loomis

Title: Interim CEO

[*Signature Page to System Combination Agreement*]

Exhibit A

AMENDED AND RESTATED ARTICLES OF INCORPORATION OF LEGACY HEALTH

Legacy Health adopts the following Amended and Restated Articles of Incorporation, which supersede the heretofore existing Articles of Incorporation and all previous amendments and restatements thereto.

ARTICLE 1
Name

The name of the corporation is OHSU Health Community, Inc. (the "Corporation"). The Corporation is a public benefit corporation under the Oregon Nonprofit Corporation Act, as amended (the "Oregon Nonprofit Corporation Act").

ARTICLE 2
Purposes and Powers

2.1 The Corporation is organized and shall be operated exclusively for charitable, educational and scientific purposes within the meaning of Section 501(c)(3) of the Internal Revenue Code of 1986, as amended, or the corresponding provision of any future federal income tax law or laws or any future federal income tax code or codes (the "Code"), and as a supporting organization within the meaning of Section 509(a)(3) of the Code for the benefit of, to perform the functions of, or to carry out the purposes of the Member (as defined at Article 4 below), Oregon Health and Science University ("OHSU"), an Oregon public corporation, previously recognized as a political subdivision of the State of Oregon within the meaning of Treasury Regulations Section 1.103-1(b) and a governmental unit within the meaning of Section 170(c)(1) of the Code, and to further support organizations that are directly or indirectly controlled by and related to, OHSU or the Corporation, so long as such other organizations may be supported by a supporting organization described in Section 509(a)(3) of the Code.

2.2 Subject to the restrictions set forth in these Amended and Restated Articles of Incorporation, the purpose of the Corporation is to engage in any lawful activity for which corporations may be organized and operated under the Oregon Nonprofit Corporation Act.

2.3 The Corporation shall at all times support and foster the missions and purposes of OHSU.

2.4 Pursuant to ORS 353.050, the Corporation shall be considered:

(a) A public employer for purposes of ORS 236.605 to 236.640 and ORS chapters 238 and 238A;

(b) A unit of local government for purposes of ORS 190.003 to 190.130;

(c) A public body for purposes of ORS 30.260 to 30.300 and 307.112;

(d) A public agency for purposes of ORS 200.090; and

(e) A public corporation for purposes of ORS 307.090.

ARTICLE 3
Restrictions

3.1 No part of the net earnings of the Corporation shall inure to the benefit of, or be distributable to, its directors, officers or other private persons, except that the Corporation may pay reasonable compensation for services rendered and may make payments and distributions in furtherance of its purposes.

3.2 The Corporation shall not solicit any money, influence, service or other thing of value or otherwise promote or oppose any political committee or promote or oppose the nomination or election of a candidate, the gathering of signatures on an initiative, referendum or recall petition, the adoption of a measure or the recall of a public office holder. No substantial part of the activities of the Corporation shall consist of carrying on propaganda or otherwise attempting to influence legislation. The Corporation shall not participate in, or intervene in (including the publishing or distributing of statements), any political campaign on behalf of or in opposition to any candidate for public office.

3.3 The Corporation shall not carry on any activity not permitted to be carried on by (a) a corporation exempt from federal income tax under Section 501(c)(3) of the Code, or (b) a corporation contributions to which are deductible under Section 170(c)(2) of the Code.

ARTICLE 4
Members

The Corporation shall have one class of members. The sole member of the Corporation is OHSU (the “Member”).

ARTICLE 5
Board of Directors

The number, terms of office, election process, and powers and duties of the Board of Directors shall be as set forth and described in the Bylaws of the Corporation. Notwithstanding anything to the contrary in the Articles of Incorporation or the Bylaws, the affairs of the Corporation shall be governed by and all authorities of the Corporation shall be maintained or held by the Member, except those authorities that by applicable law or accreditation requirements are required to be held by the Board of Directors.

ARTICLE 6
Bylaws

The Bylaws of the Corporation may contain any provision for managing and regulating the affairs of the Corporation that is consistent with law and these Amended & Restated Articles of Incorporation, including provisions defining, limiting, and regulating the powers of the Corporation, the Board of Directors, and the Member.

ARTICLE 7
Dissolution

Upon dissolution or final liquidation of the Corporation, after payment or provision for payment of all liabilities and obligations of the Corporation, the Board of Directors shall distribute all of the remaining assets of the Corporation (a) to the Member, as a government unit and public instrumentality of the state of Oregon, for a public purpose or, if the foregoing is not possible, then (b) to one or more tax-exempt organizations described in Section 501(c)(3) of the Code for purposes consistent with the purposes of the Corporation and/or to the federal, state or local government for a public purpose consistent with the purposes of the Corporation.

ARTICLE 8
Amendment

These Amended and Restated Articles of Incorporation of the Corporation may be amended or restated upon the approval of the Board of Directors and the Member. The Bylaws of the Corporation may be amended or restated exclusively by the Member.

ARTICLE 9
Indemnification, Insurance and Limitation of Liability

9.1 Indemnification

The Corporation shall indemnify and defend to the fullest extent not prohibited by law any Party to any Proceeding against all expenses (including attorneys' fees), judgments, fines, and amounts paid in settlement actually and reasonably incurred by the Party in connection with such Proceeding.

9.2 Advancement of Expenses

Expenses incurred by a Party in defending a Proceeding shall in all cases be paid by the Corporation in advance of the final disposition of such Proceeding at the written request of such Party if:

(a) The conduct of such Party was in good faith, and the Party reasonably believed that such conduct was in the best interests of, or not opposed to the best interests of, the Corporation.

(b) The Party furnishes the Corporation a written undertaking to repay such advance to the extent it is ultimately determined by a court that such Party is not entitled to be indemnified by the Corporation under this Article or under any other indemnification rights granted by the Corporation to such Party. Such advances shall be made without regard to the person's ability to repay such advances.

9.3 Definitions

(a) The term "Proceeding" shall include any threatened, pending, or completed action, suit, or proceeding, whether brought in the right of the Corporation or otherwise and whether of a civil, administrative, or investigative nature.

(b) The term "Party" shall include any person who may be or may have been involved in a Proceeding as a party or otherwise by reason of the fact that the person is or was a director or officer of the Corporation, or is or was serving at the request of the Corporation as a director, officer, or fiduciary of an employee benefit plan of another corporation, partnership, joint venture, trust, or other enterprise, whether or not serving in such capacity at the time any liability or expense is incurred for which indemnification or advancement of expenses can be provided under this Article.

9.4 Non Exclusivity and Continuity of Rights

This Article: (i) shall not be deemed exclusive of any other rights to which those indemnified may be entitled under any statute, agreement, general or specific action of the Board or otherwise, both as to action in the official capacity of the person indemnified and as to action in another capacity while holding office, (ii) shall continue as to a person who has ceased to be a director or officer, (iii) shall inure to the benefit of the heirs, executors, and administrators of such person.

9.5 Amendments

Any repeal of this Article shall only be prospective and no repeal or modification hereof shall adversely affect the rights under this Article in effect at the time of the alleged occurrence of any action or omission to act that is the cause of any Proceeding.

9.6 Limitation of Liability

The civil liability of directors, officers and committee members shall be limited to the fullest extent permitted under the Oregon Nonprofit Corporation Act and the Oregon Tort Claims Act. No director and no officer of the Corporation shall be personally liable to the Corporation for monetary damages for conduct as a director or an officer; provided that this Article shall not eliminate liability which may not be eliminated under the Oregon Nonprofit Corporation Act or the Oregon Tort Claims Act. No amendment to the Oregon Nonprofit Corporation Act or the Oregon Tort Claims Act that further limits the acts or omissions for which elimination of liability is permitted shall affect the liability of a director or an officer for any act or omission which occurs prior to the effective date of such amendment. The provisions of this Article are intended to be in addition to, and not in limitation of, any other provisions of the Articles or Bylaws of the Corporation or any agreement of the Corporation, or any law that eliminates or limits the liability of directors, officers, and others acting on behalf of the Corporation.

9.7 Insurance

The Corporation shall be authorized to purchase and maintain in effect a policy or policies of insurance, including self-insurance, covering any liability of directors, officers, committee members, employees and agents of the Corporation, regardless of whether the Corporation would have the power to indemnify such persons against the liability so insured.

ARTICLE 10
Mailing Address

The mailing address of the Corporation is 3181 S.W. Sam Jackson Park Road, Mail Code L585, attn: General Counsel Portland, OR 97239-3098.

Exhibit B

AMENDED AND RESTATED
BYLAWS
OF
OHSU HEALTH COMMUNITY, INC. (f/k/a LEGACY HEALTH)

Adopted April 12, 1989
Restated February 5, 1998
Amended June 4, 1998, June 3, 1999, June 1, 2000, October 5, 2000, February 7, 2002, June 5, 2003, December 2, 2004, February 22, 2006, February 26, 2007, September 13, 2007, November 8, 2007, March 13, 2008, May 8, 2008, March 12, 2009, November 12, 2009, March 10, 2010, January 20, 2011, May 11, 2011, July 21, 2011, March 22, 2012, May 14, 2013, June 4, 2013, September 26, 2013, July 24, 2014, September 25, 2014, January 22, 2015, March 2, 2016, July 28, 2016, November 14, 2017, January 18, 2018, November 29, 2018, November 21, 2019, March 26, 2020, March 25, 2021 and

Last Amended [______], [2024]

ARTICLE ONE
Name

The legal name of this corporation is OHSU Health Community, Inc., formerly known as Legacy Health (the "Corporation").

ARTICLE TWO
Purposes of Organization

The purposes for which the Corporation is formed shall be as provided in its Articles of Incorporation (the "Articles of Incorporation").

ARTICLE THREE
Member

1. **Sole Member.** The sole member of the Corporation (the "Member") shall be Oregon Health and Science University, an Oregon public corporation (the "University").

2. **Business and Affairs**. As provided in the Articles of Incorporation and notwithstanding anything in these Bylaws to the contrary, the business and affairs of the Corporation shall be governed by and all authorities of the Corporation shall be maintained or held by the Member, except those authorities that by applicable law or accreditation requirements are required to be held by the Board.

3. **Actions by Member**. The Member shall act (in its capacity as the sole member of the Corporation) through its board of directors or through an officer or committee duly authorized by its board of directors to take such action and in each instance in accordance with the Bylaws of the Member and the requirements of Oregon's Public Meeting law, to the extent applicable.

4. **Meetings**. An annual meeting of the Member may be held each year at such time and date as the Member shall determine. Special meetings of the Member may be called by the Board of Directors of the Corporation (the "Board") or by the Member.

5. **Other Action by the Member**. Any action or vote required or permitted by law to be taken at any meeting of a corporation's members must be taken in accordance with the Bylaws of the Member.

ARTICLE FOUR
Board of Directors

1. **Authority of the Board of Directors**. As provided in the Articles of Incorporation, the Board shall maintain only those authorities that by applicable law or accreditation requirements are required to be held by the Board.

2. **Number of Directors**. The number of directors of the Board ("Directors") shall be the same as the number of directors of the board of directors of the University (the "University Board"), which is eleven (11) Directors as of the date hereof; provided, that the Board shall consist of not less than three (3) directors.

3. **Membership**. The Directors shall at all times be the same as those directors of the University Board.

4. **Terms of Directors**. The terms of office of each Director shall be the same as such director's term of office as a member of the University Board.

5. **Vacancies**. A vacancy on the Board shall exist upon the death, resignation, removal or expiration of the term of any Director from the University Board, which will cause a vacancy on the Board pursuant to the provisions of Section 3 of this Article 4. Any vacancy arising on the Board shall be filled via appointment by the Member in accordance with the provisions of Oregon law relating to a filling a vacancy arising on the University Board.

6. **Removal**. Any director that is removed from the University Board in accordance with Oregon law shall also be removed from the Board pursuant to the provisions of Section 3 of this Article 4.

7. **Compensation; Reimbursement of Expenses**. A Director performing their official duties is not acting as an employee of the Corporation and shall not receive a salary or

otherwise be compensated. In accordance with Corporation policy a Director may be reimbursed for reasonable expenses incurred in connection with the performance of official duties.

8. **Loans to Directors and Officers**. The Corporation will not make loans to Directors or officers except in conformity with the requirements and restrictions of ORS 65.364 and all other applicable Oregon law. Any such loan must be approved by members of the Board who have no direct or indirect interest in the transaction.

ARTICLE FIVE
Meetings of the Board of Directors

1. **Types of Board Meetings.** In accordance with Article 3, Section 2, the business and affairs of the Corporation shall be governed by and all authorities of the Corporation shall be maintained or held by the Member, except those authorities that by applicable law or accreditation requirements are required to be held by the Board. In the event that applicable law or accreditation requirements require the Board of the Corporation to meet, this Article 5 shall apply and the Board of the University shall meet as the Board of the Corporation. "Public Meeting" of the Board is the convening of the members of the Board for a purpose for which a quorum of the Board of the Corporation is required in order to make a decision or to deliberate toward a decision on any matter. "Public Meeting" does not include any on-site inspection of any project or program, the attendance of members of the Board at any national, regional or state association or the convening of directors for any purpose for which a quorum is not required. A "Private Meeting" of the Board is a meeting at which the Board's decisions and deliberations concern only matters identified in Section 4 below, and those matters not requiring a quorum.

2. **Compliance with Public Meetings Law.** As used in these Bylaws, the term "Public Meeting" shall mean a meeting subject to the provisions of ORS 192.610 to 192.710, as the same shall be amended from time to time (the "Public Meetings Law"). All Public Meetings of the Board shall be conducted in compliance with the Public Meetings Law in effect from time to time, including without limitation those provisions relating to the location of meetings, notice, accessibility for the disabled, the conduct of meetings by means of telephonic or electronic communication, the preparation of minutes, and the provision of interpreters.

3. **Quorum for Public Meetings.** A quorum for the transaction of business at a Public Meeting of the Board shall be a majority of the Directors, plus one more Director, who are in office at the time of the meeting. A quorum is required to be present to conduct business at any Public Meeting at which the Board makes any of the following decisions (if any) but shall not otherwise be required:

a. Adoption, amendment or repeal of these Bylaws.

b. Any decision for which applicable law or these Bylaws require the participation of a quorum of the Board of the Corporation.

c. Any decision as to which the Board of the Corporation has adopted a resolution requiring the participation of a quorum of the Board of the Corporation.

4. **<u>Private Board Meetings</u>.** The Public Meetings Law provides that its provisions do not apply with respect to meetings of the Board or the Member regarding any or all of the following matters:

a. Meetings regarding sensitive business, financial or commercial matters of the Corporation not customarily provided to competitors related to financings, mergers, acquisitions or joint ventures;

b. Meetings regarding sensitive business, financial or commercial matters of the Corporation not customarily provided to competitors related to the sale or other disposition of, or substantial change in use of, significant real or personal property; and

c. Meetings regarding sensitive business, financial or commercial matters of the Corporation not customarily provided to competitors related to health system strategies.

Decisions on any matter at a Private Meeting shall require the approval of not less than a majority of the members of the Board.

5. **<u>Adjournment</u>.** A majority of the Directors present at a meeting that is subject to the quorum requirements of this Article, although less than a quorum, may adjourn the meeting from time to time to a different time and place before the date of the next regular meeting without further notice of any adjournment. At such adjourned meeting at which a quorum is present, any business may be transacted that might have been transacted at the meeting originally held.

6. **<u>Manner of Acting</u>.**

a. Action upon a matter for which a quorum is required shall be taken upon the approval of a majority of the Directors present at a meeting at which a quorum is present. Action upon all other matters may be taken upon the approval of a majority of the Directors present at a meeting.

b. The Board of the Corporation may permit any or all Directors to participate in a meeting by, or conduct the meeting through use of, any means of telephonic or other electronic communication by which all Directors participating may simultaneously hear each other or otherwise communicate with each other during the meeting. Participation in such a meeting by a Director shall constitute such Director's presence in person at the meeting. With the conduct of a Public Meeting through such telephonic or electronic means, the Board shall make available to the public a location where the public can listen to the communication at the time it occurs by means of speakers or other devices.

7. **Waiver of Notice by Director**. A Director's attendance at or participation in a meeting waives any required notice of the meeting to the Director unless the Director at the beginning of the meeting, or promptly upon the Director's arrival, objects to the holding of the meeting or the transaction of business at the meeting and does not subsequently vote for or assent to action taken at the meeting. A Director may at any time waive any notice required by law or these Bylaws, with a writing signed by the Director and specifying the meeting for which notice is waived. Any such waiver of notice shall be filed with the minutes of the meeting for which notice is waived.

ARTICLE SIX-A
Public Meeting Procedures

1. **Regular Meetings.** Regular Public Meetings of the Board shall be held at such times as specified by the Chair, and on such additional dates and at such times as specified by the Chair or a majority of the Directors then in office.

2. **Special Meetings.** Subject to the notice requirement described in Section 5.a below, special Public Meetings of the Board may be called at any time by the Chair and must be called by the Chair within twenty-four (24) hours after the Chair's receipt of a written request for a special Public Meeting signed by a majority of the Directors then in office and specifying the purpose of the meeting.

3. **Emergency Meetings.** Emergency Public Meetings of the Board of the Corporation may be called at any time by the Chair in instances of an actual emergency and must be called by the Chair within twenty-four (24) hours after the Chair's receipt of a written request for such a meeting signed by a majority of the Directors then in office, identifying the actual emergency and specifying the purpose of the meeting. Minutes of emergency Public Meetings shall describe the emergency justifying the emergency Public Meeting.

4. **Place of Meetings.** All regular Public Meetings and special Public Meetings of the Board of the Corporation shall be held at a location owned or controlled by the Corporation. Emergency Public Meetings necessitating immediate action may be held at other locations.

5. **Notice of Meetings.**

a. **To the Public**. Notice of all regular Public Meetings shall be given in a manner reasonably calculated to give interested persons actual notice of the time and place of the meeting and principal subjects anticipated to be considered at the meeting. Notice of special meetings of the Board that are Public Meetings shall be given to the news media which have requested notice and to the general public, at least twenty-four (24) hours prior to the hour of the meeting. Notice of an emergency Public Meeting shall be such as is appropriate to the circumstance.

b. **To the Directors**. Notice of a regular, special or emergency Public Meeting must be given to each Director at least twenty-four (24) hours prior to the hour of the meeting. Notice of such a meeting may be given orally either in person or by telephone or may be delivered in writing, either personally, by mail, by electronic mail, or by facsimile transmission. If mailed other than by electronic mail, notice shall be deemed to be given three (3) days after deposit in the United States mail addressed to the Director at the Director's address on file with the Board secretary for the purpose of receiving Board correspondence, with postage thereon prepaid. If notice is sent by electronic mail or facsimile transmission, notice shall be deemed given immediately if the electronic mail notice is sent to the Director's electronic mail address or, as applicable, the Director's facsimile on file with the Board Secretary for the purpose of receiving such correspondence. Notice by all other means shall be deemed to be given when received by the Director.

6. **Minutes of Meetings.** The Board shall provide for the taking of written minutes of all Public Meetings, which minutes shall give a true reflection of the matters discussed at the Public Meetings and the views of the participants.

ARTICLE SIX-B
Private Meeting Procedures

1. **Regular Meetings.** Regular Private Meetings of the Board of the Corporation shall be held on such dates and at such times as specified by the Chair or a majority of the Directors then in office.

2. **Special Meetings.** Special Private Meetings of the Board of the Corporation may be called at any time by the Chair and must be called by the Chair within twenty-four (24) hours after the Chair's receipt of a written request for a special Private Meeting signed by a majority of the Directors then in office and specifying the purpose of the meeting.

3. **Emergency Meetings.** Emergency Private Meetings of the Board of the Corporation may be called at any time by the Chair in instances of an actual emergency and must be called by the Chair within twenty-four (24) hours after the Chair's receipt of a written request for such a meeting signed by a majority of the Directors then in office identifying the actual emergency and specifying the purpose of the meeting. Minutes of emergency Private Meetings shall describe the emergency justifying the emergency Private Meeting.

4. **Notice of Meetings.** Notice of a regular, special or emergency Private Meeting must be given to each Director at least twenty-four (24) hours prior to the hour of the meeting. Notice of such a meeting may be given orally either in person or by telephone or may be delivered in writing, either personally, by mail, or by facsimile transmission. If mailed other than by electronic mail, notice shall be deemed to be given three (3) days after deposit in the United States mail addressed to the Director at the Director's business address, with postage thereon prepaid. If notice is sent by electronic mail or facsimile transmission, notice shall be deemed given immediately if the electronic mail notice is sent to the Director's electronic mail

address or, as applicable, the Director's facsimile on file with the Board Secretary for the purpose of receiving such correspondence. Notice by all other means shall be deemed to be given when received by the Director.

5. **Minutes.** Minutes of all Private Meetings shall be prepared when directed by the Chair. All such minutes shall constitute and be identified as sensitive business records or financial or commercial information of the Corporation that is not customarily provided to business competitors for purposes of the Public Records Law, ORS 192.410 through 192.505.

6. **Written Consent in Lieu of Actual Meeting.** Any action that is permitted to be taken by the Board of the Corporation at a Private Meeting may be taken without a meeting if a consent in writing setting forth the action so taken shall be signed by all of the Directors entitled to vote on the matter. The action shall be effective on the date when the last signature is placed on the consent or at such earlier or later time as is set forth therein. Such consent, which shall have the same effect as a unanimous vote of the Directors, shall be filed with the minutes of all Private Meetings of the Board of the Corporation and shall constitute and be identified as sensitive business records or financial or commercial information of the Corporation that is not customarily provided to business competitors for purposes of the Public Records Law, ORS 192.410 through 192.505.

ARTICLE SEVEN
Standards of Conduct

The Corporation, including the Board, shall at all times comply with and implement the directives, policies, and procedures established by the Member.

ARTICLE EIGHT
Officers

1. **Officers of the Corporation.** The officers of the Corporation shall at all times include, at a minimum, a Chair, a Vice Chair, a President, a Secretary and a Treasurer. The individuals holding the offices of Chair, Vice Chair, President and Secretary shall be at all times the individuals holding the same offices at the University. The Chief Financial Officer of the Member shall be the Treasurer.

2. **Appointment and Term of Office.**

a. Any individual appointed as an officer of the University shall automatically be appointed as an officer of the Corporation in the same office.

b. Terms of office for each officer of the Corporation shall be the same as such officer's term of office as an officer or term of employment at the University.

3. **Removal.** Any officer that is removed as an officer of the University in accordance with the articles of incorporation or bylaws of the University or as an employee of the University shall also automatically be removed as an officer of the Corporation.

4. **Chair.** The Chair shall establish the agenda for and preside at all meetings of the Board. The Chair shall perform such other duties as assigned by the Board.

5. **Vice Chair.** In the absence of the Chair or in the event of the Chair's inability or refusal to act, the Vice Chair shall perform the duties of the Chair, and when so acting, shall have the powers of and be subject to all the restrictions upon the Chair. The Vice Chair shall perform such other duties as assigned by the Board.

6. **President of the Corporation.**

a. The President of the Corporation shall at all times be the individual who is serving as the President of the University.

b. The President shall have the same authorities with respect to the Corporation that the President maintains with respect to the University.

c. The President or his or her designee shall attend all meetings of the Board.

d. The President shall automatically be removed from office upon such individual's removal as President of the University.

7. **Secretary.** The Secretary shall be responsible for the giving of required notices of meetings of the Board and the preparation of the minutes of meetings of the Board. The Secretary shall perform such other duties as may be assigned by the Board.

8. **Treasurer.** The Treasurer shall perform the customary duties pertaining to the office of Treasurer and shall perform such other duties as may be assigned by the Board.

ARTICLE NINE
Board Committees

The Board shall have no committees.

ARTICLE TEN
Conflicts of Interest

Subject to the requirements of law and of this Article Ten, the Board may take any action involving either a potential conflict of interest or an actual conflict of interest (as defined in ORS Chapter 244). Prior to taking any action in an official capacity on any matter involving a potential conflict of interest or an actual conflict of interest for a Director, the Director shall publicly announce the nature of the potential or actual conflict of interest. Any Director having an actual conflict of interest in a transaction with the Corporation shall in addition (i) refrain from participating as a public official in any discussion or debate on the issue out of which the conflict arises, and (ii) refrain from voting on the issue, unless the Director's vote is necessary for Board action on the issue and is otherwise not prohibited by ORS Chapter 244.

The faculty and nonfaculty staff members of the Board may not participate in any discussions or action by the Board or attend any executive session of the Board involving collective bargaining issues that affect faculty or nonfaculty staff at the Corporation.

ARTICLE ELEVEN
Business Records and Financial Information

1. **<u>Records</u>.** The Corporation shall maintain adequate and correct books, records and accounts of its business and properties. All of such books, records and accounts shall be kept at its place of business. Subject to the requirements of applicable law, the Board and officers of the Corporation shall take such steps as are necessary to preserve the confidentiality of sensitive business records and financial and commercial information concerning or belonging to the Corporation which is of a nature not customarily provided to business competitors.

2. **<u>Inspection</u>.** All books, records and accounts of the Corporation, and the original or a certified copy of the Articles of Incorporation, the Bylaws and any amendments thereto, shall be open to inspection by the Directors in the manner and to the extent required by law.

3. **<u>Signature Authority</u>.** All checks, drafts or other orders for payment of money, notes or other evidences of indebtedness issued in the name of or payable to the Corporation shall be signed or endorsed by such person or persons and in such manner as shall be determined by delegation from the University President.

4. **<u>Annual Audit</u>.** An annual audit shall be made of the books and accounts of the Corporation.

5. **<u>Fiscal Year</u>.** The fiscal year of the Corporation shall be the annual period ending June 30.

ARTICLE TWELVE
Miscellaneous Provisions

1. **<u>Contracts</u>.** Except as otherwise provided in the Articles of Incorporation or these Bylaws, the Member, without further Board action, may authorize any officer or officers and agent or agents to enter into any contract or execute and deliver any instrument in the name of and on behalf of the Corporation, and such authority may be general or confined to specific instances.

2. **Severability.** Any determination that any provision of these Bylaws is for any reason inapplicable, invalid, illegal, or otherwise ineffective shall not affect or invalidate any other provision of these Bylaws.

3. **Amendment of Bylaws.** These Bylaws may be amended or repealed or new Bylaws adopted exclusively by the Member, without action by the Board.

Exhibit C

Regional and Ambulatory Division Operations

- Adventist Health
- Hillsboro Medical Center
- Legacy Meridian Park Medical Center
- Legacy Mount Hood Medical Center
- Legacy Salmon Creek Medical Center
- Legacy Silverton Medical Center
- Ambulatory Services (clinics, urgent care, ambulatory surgical centers, freestanding imaging, etc.)

Exhibit D

Portland Division Operations

- Doernbecher Children’s Hospital
- Legacy Emanuel Medical Center
- Legacy Good Samaritan Medical Center
- OHSU Hospital
- Randall Children’s Hospital
- Unity Center for Behavioral Health

Exhibit E

Integration Plan Process Summary

After the System Combination Agreement is signed, and within two weeks, the President of Oregon Health & Science University ("OHSU") and the President & CEO of Legacy Health ("Legacy") will jointly establish, staff, and charter a single Transition & Integration Management Office ("TIMO") (with appropriate representation by Legacy leaders and OHSU leaders) to begin the integration planning process in anticipation of the Closing, all in accordance with permissible antitrust guidelines and with the oversight of counsel for both parties. The TIMO provides end-to-end oversight of the transition program and will regularly interface with the Executive Steering Committee ("ESC") to monitor progress, provide direction, and resolve issues. The ESC membership will include the President of Legacy, President of OHSU, and other Legacy and OHSU leaders, including physicians. It is anticipated that upon signing of the System Combination Agreement, the OHSU President and Legacy President, after consultation with the ESC, will appoint a Chief Transition and Integration Officer, who will participate as a member of the ESC and lead the TIMO. The Chief Integration Officer could come from Legacy, OHSU, or be an external candidate. The OHSU President after consultation with the Legacy President, will determine what additional resources are necessary to guide and support the integration plan, including the appropriate operational and decision-making structures for carrying on the integration work following the Closing.

Prior to Closing, the TIMO will be focused on the following activities, all in accordance with permissible antitrust guidelines: (i) sharing information and developing plans for Day 1 post-closing; (ii) establishing and launching workstreams for integration planning; (iii) conducting a cultural assessment in conjunction with the People & Culture workstream; (iv) engaging both employed and independent providers; and (v) conducting integration planning for prioritized workstreams with clear deliverables.

Culture evolution, change management and transparent communication will be key elements for success and will be coordinated by the TIMO as part of the Integration Plan beginning with the adoption of an integration blueprint. A high degree of collaboration with functional leaders, clinical departments, independent and employed medical staff, people and culture, marketing and communications, and other key stakeholders across both entities will be essential. A multi-faceted liaison program will be necessary with various stakeholder groups – both internally and externally and will be co-developed through the integration planning process. This program will include a defined workstream reporting structure and a meaningful listening and feedback approach. The TIMO will have a physician integration workstream with representation from Legacy physicians, OHSU physicians, and independent providers (from Legacy's medical staff). Throughout the integration planning process, regular progress reports will be provided: pre-closing to the Executive Steering Committee, Legacy and OHSU Board of Directors and post-closing to the Executive Steering Committee, the Health System Board, and OHSU Board of Directors. The Executive Steering Committee will be the venue for all workstreams to escalate issues and concerns, the OHSU President shall be the ultimate decision maker where the ESC cannot reach consensus. The Executive Steering Committee will also be the venue for both Legacy representatives and OHSU representatives to escalate significant issues related to the integration process. Upon the escalation of any such issues, the ESC, will evaluate the issue and work together in good faith to reach a unanimous resolution of the issue. To the extent a unanimous resolution is not reached by the ESC, the OHSU President shall resolve the issue and break the deadlock.

The TIMO, both pre-and post-Closing, will collaborate with functional leaders from OHSU and Legacy Health who will develop roadmaps, identify interdependencies, manage risks, establish key metrics and milestones to track progress towards meeting synergy targets, and execute integration planning activities (pre-closing) and integration activities (post-closing). A non-exhaustive list of the functional areas (i.e., workstreams) in scope for integration includes the following:

Corporate and Shared Services	Clinical Administrative Functions	Education and Research Administrative Functions	Hospital-Based Specialties and Services	Service Lines	Providers	Long-Range Integration Opportunities
Corporate and shared services common to all entities and locations	Clinical administrative functions common to all entities and locations	Education and Research administrative functions	Hospital-based specialties and services common to all locations	Service lines that exist at both OHSU and Legacy today	Organization of providers and clinical staff in the combined system	Areas where integration opportunities exist, yet time is needed to prepare (e.g., EHR dependency)

• Comms, Marketing and Branding
• Government Relations
• People & Culture
• Strategic Planning and Business DevelopmentLegal Services
• Regulatory / University P&Ps
• Integrity and Corporate Compliance
• Facilities Services
• Information Technology
• Public Safety / Security
• Risk Management
• Finance, Accounting & Tax
• Managed Care / Contracting
• Revenue Cycle
• Supply Chain & Logistics
	• Medical Staff
	• Transfer Center / Mission Control (inpatient)
	• Patient Advocacy & Experience
	• Outpatient Access / C3
	• Healthcare Policies and Procedures
	• Performance Excellence
	• Quality & Patient Safety (Risk Management, Infection Prevention, Quality Improvement, Accreditation & Clinical Compliance)
		• Graduate Medical Education (processes and systems)
		• Clinical trials mgmt.
		• Research
			• Lab
			• Radiology – Diagnostic
			• Radiology – Interventional
			• Pathology
			• Anesthesiology
			• Hospitalists / Intensivists
			• Pharmacy
			• Trauma
				• Heart & Vascular
				• Women & Children's
				• Neurosciences
				• Oncology
				• Primary Care
				• Eye Institutes
				• Behavioral Health
					• Operating Room & ASCs
					• Independent Physicians
					• Practice Plan & Medical Group
					• Outreach / Clinical Partners
					• Nursing / APNs
					• CIN and IDS (related to Contracting, Manager Care, and Pop Health / Primary Care)
					• Primary Care and Population Health
					    • Family Medicine
					    • Internal Medicine and Geriatrics
					• Behavioral Health (existing Legacy service line, yet not OHSU)
						• Care Management & Post-Acute Care
						• Graduate Medical Education (programs)
						• Undergraduate Education / Learners
						• Research
						• Medical Specialties
						• Surgical Specialties
						• Hospital-Based Specialties
						• Procedural and Surgical Departments

• Clinical Engineering • Environmental Services • Food and Nutrition • Transportation						

Workstream Grouping	Day-1 Readiness and Pre-Close Activities	Quick Wins / First 90 Days	Six Months Post-Close	One Year+
Corporate and Shared Services				
Clinical Administrative Functions				
Education and Research Administrative Functions				
Hospital-Based Specialties and Services				
Health System Services and Service Lines		Existing Partnerships		
Providers				
Long-Range Integration Opportunities				

Exhibit F

Memorandum of Understanding

(See Attached)

MEMORANDUM OF UNDERSTANDING
BETWEEN
LEGACY HEALTH
AND
LEGACY HEALTH FOUNDATION

This Memorandum of Understanding ("**MOU**") is made as of May 30, 2024 and sets forth certain understandings and agreements between Legacy Health ("**Legacy**") and Legacy Health Foundation (the "**Foundation**") (each a "**Party**," and together, the "**Parties**").

Background:

Legacy is an Oregon nonprofit public benefit corporation that is exempt from federal income tax pursuant to Section 501(c)(3) and is a public charity (i.e., not a private foundation) described in Section 509(a)(3) of the Internal Revenue Code of 1986, as amended (the "**Code**"). Legacy's historic vision is to become a health partner to patients for life by delivering high-qualify affordable care, connected experiences, and meaningful outcomes to its patients and members.

The Foundation is an Oregon nonprofit public benefit corporation that is exempt from federal income tax pursuant to Section 501(c)(3) of the Code, and is a public charity (i.e., not a private foundation) described in Sections 509(a)(1) and 170(b)(1)(A)(vi) of the Code. The mission of the Foundation is to foster community commitment and involvement to support the founding principles, mission and vision of Legacy and promote the health and well-being of the community.

The Parties work together to further their shared missions. Legacy is the sole member of the Foundation. Legacy provides administrative support at no cost to the Foundation. The Foundation raises not only community awareness of Legacy, but also funds to support the work done by Legacy.

In furtherance of its mission, Legacy has entered into an agreement with Oregon Health & Science University, a statutory public corporation and tax-exempt instrumentality of the state of Oregon ("**OHSU**") by which they would affiliate to create a combined health care system under OHSU as the system's sole corporate parent (the "**System Combination**"). The terms of the System Combination will be documented pursuant to one or more definitive agreements between Legacy and OHSU (the "**Definitive Agreements**"). The mutual intent of this System Combination is to deliver high quality health care services to the communities Legacy and OHSU serve, and to allow Legacy and OHSU to enhance and achieve their shared mission and vision.

In connection with the System Combination, Legacy and OHSU have agreed to dedicate assets to health equity and access by transferring Legacy's net cash and also its member interest in PacificSource, a taxable Oregon nonprofit corporation ("**PacificSource**") to an independent charitable foundation (the "**Grant**") at the closing of the System Combination (the "**Closing**"). Because of the shared history and mission and mutually supportive relationship between Legacy and the Foundation, the Legacy Board of Directors would like the Foundation to be the recipient of the assets transferred at Closing in connection with the Grant and after the Reconfiguration (defined below).

In connection with the Grant, the Foundation will need to be reconfigured to an independent organization (the "**Reconfiguration**"). Legacy and the Foundation are enthusiastic about the potential of a reconfigured charitable foundation. In connection with the Reconfiguration, the Parties anticipate that the Foundation would change from a fundraising charity to a grantmaking foundation, while remaining constant in its support of the health and well-being of the community. The Parties intend that after the Closing, this independent, reconfigured foundation will be the legacy of Legacy Health.

<u>Timeline</u>:

The Parties understand the timing of the Reconfiguration and the Grant is dependent on the timing of the System Combination. The Parties anticipate the following rough timeline related to the Reconfiguration and the Grant, with each phase contingent on the successful completion of the prior phase:

Phase 1 (Spring – Summer 2024)	• Finalize MOU between Legacy and the Foundation • Legacy and OHSU sign Definitive Agreements • The Foundation completes due diligence regarding PacificSource and the Grant
Phase 2 (2024)	• In collaboration, Legacy and the Foundation draft a plan to implement the Foundation's new mission and vision and use Grant funds to further health equity and access after the Reconfiguration. • Legacy and OHSU seek various approvals, consents, and waivers needed for the System Combination • Legacy and the Foundation seek various approvals, consents and waivers needed for the transfer of Legacy's member interest in PacificSource to the Foundation, if applicable (see Grant Terms, Section C below)
Phase 3 (Late 2024- Early 2025)	• The Foundation adopts restated articles of incorporation and bylaws and elects a board of directors • Legacy and the Foundation sign the Grant Agreement (defined below) • Closing of OHSU – Legacy System Combination • Grant of assets to the Foundation
Phase 4 (Spring 2025)	• The Foundation, now a grantmaking foundation, begins its new chapter with additional assets, a new name, and reconfigured structure and board

<u>Grant Terms</u>:

The Parties understand the Grant is contingent upon the Closing of the System Combination, which requires governmental approvals and satisfaction or waiver of Closing conditions. The Grant would be made pursuant to the terms of a Grant Agreement between Legacy and the Foundation in a form substantially similar to that attached hereto as Exhibit A-1 or Exhibit A-2 (the "**Grant Agreement**"). The Grant Agreement will provide for the following terms related to the vision, mission, and governance of the Foundation, as more specifically detailed in the Grant Agreement:

A. Governance

- Timed to synchronize with Closing, the Foundation will adopt revised and restated articles of incorporation and bylaws in a form substantially similar to those attached hereto as Exhibits B and C. As part of the Reconfiguration, these revised governing documents will make the Foundation independent from Legacy and OHSU.
- Through the revised and restated articles of incorporation and bylaws, the Foundation will adopt a new name that is approved by Legacy and does not include the word "Legacy."
- The Parties will work collaboratively to evaluate the composition and characteristics of a reconfigured Foundation board that would effectively provide continuity of combined leadership, experience, and expertise from both Parties. The composition of the Foundation board at Closing will be as reflected in Attachment 6 to the Grant Agreement.

B. Mission, Vision, and Values of the Foundation

- The Foundation's vision shall be for every member of our community to achieve their highest possible quality of health.
- The Foundation's mission shall be to create a legacy of generational health and well-being through purposeful and impactful investments.

C. The Grant

- *Grant Assets*: The Grant will consist of (i) an amount of cash to be determined at Closing based on a calculation described in the Definitive Agreements and (ii) the PacificSource Asset. The PacificSource Asset shall consist of *either* (i) the transfer to the Foundation of Legacy's 50% member interest in PacificSource (the "**PacificSource Interest**") or (ii) [redacted]. In the event that the Grant includes the PacificSource Interest, the Parties will enter a Grant Agreement in a form substantially similar to that attached hereto as Exhibit A-1, and the Parties recognize that (i) such transfer may require consents, approvals or waivers from government agencies, PacificSource and Pacific Health Associates and (ii) the Foundation will need to conduct reasonable due diligence. In the event that the Grant includes [redacted].

- *Grant Purpose*: As more specifically described in the Grant Agreement, the Grant will be restricted to support the Foundation's mission and vision in Oregon and Southwest Washington and may be used for Foundation expenditures including (i) grants to nonprofit organizations, tribes, agencies, educational institutions, OHSU and other hospital-based systems in furtherance of the Foundation's mission, (ii) the Foundation's program costs and activities, and (iii) Foundation operating and administration costs.
- *Grant Restrictions*: As more specifically described in the Grant Agreement, the Grant will be restricted to prohibit and disallow (i) grants to or for the benefit of other organizations with primary focus and operations outside of Oregon and Southwest Washington and (ii) grants to or for the benefit of any hospital-based health system that is in competition with the OHSU System (as defined in the Definitive Agreements) for purposes of engaging in activities that are competitive with the OHSU System, in whole or in part, as opposed to the purpose of addressing community health needs and otherwise furthering the mission of Legacy Health Foundation. The Foundation will also be prohibited from soliciting individuals, corporations and other entities for charitable contributions; and from soliciting private foundations for charitable grants.

Joint Commitments:

- **Foundation Board After Grant.** As the Foundation changes its focus from a fundraising charity to a grantmaking foundation, the skills and attributes required of the Foundation board of directors will change. As part of the Reconfiguration, the Parties will work together to ensure an appropriate transition and composition of the board of directors of the Foundation to meet such requirements.

- **Foundation Initial Plan.** Before Closing, the Parties will work together to draft a plan to implement the Foundation's new mission and vision using Grant funds to further health equity and access after the Reconfiguration.

- **Legacy Health Foundation Assets.** Donors have contributed assets to the Foundation in support of the Foundation's mission and for specific restricted purposes. The Parties will ensure all current Foundation funds are expended for their purpose and pursuant to donor intent. Prior to or after Closing, the Parties and OHSU will evaluate whether donor intent would be better served if certain Foundation restricted funds were administered by the reconfigured Foundation, OHSU Foundation, or another organization after Closing.

- **PacificSource.** The Parties will work collaboratively to facilitate the Grant, including but not limited to executing any necessary applications or agreements, and obtaining any appropriate consents and approvals, to permit the transfer of Legacy's member interest in PacificSource to the Foundation, if applicable.

- **Dispute Resolution**. As collaborating Parties, Legacy and the Foundation agree to work together to resolve issues that arise under the terms of this MOU.

General Terms:

- **Non-Binding.** Except for the terms set forth in this General Terms section (which are binding on the Parties), no contract or binding obligation will exist between or among the Parties by virtue of this MOU. Such contract or binding obligations will exist, if at all, only pursuant to definitive grant agreements if and when executed by the Parties. If the definitive grant agreements are not executed for any reason, neither Party to this MOU shall have liability to the other Party other than to the extent arising from the binding provisions.

- **Confidentiality.** Each Party shall keep the terms of this MOU confidential except that the Parties may share the terms of this MOU with OHSU, PacificSource, Pacific Health Associates, government agencies, and their respective owners, directors, managers, officers, employees, advisors, and agents. The Parties may also share the terms of this MOU with any other third parties required for purposes of consummating the System Combination. No public announcement of this MOU will be made without prior written approval of the Parties and OHSU with respect to timing and content except as otherwise required by law.

- **Applicable Law.** The MOU shall be governed by and construed under the laws of the state of Oregon without reference to its conflicts of law principles.

- **Third-Party Beneficiaries**. The terms and conditions of this MOU are for the sole and exclusive benefit of the Parties and OHSU. OHSU shall be and is an express third-party beneficiary of, and pursuant to, this MOU, with full right and authority to enforce all of the General Terms of this MOU (including without limitation all of its rights pursuant to the General Terms of this MOU). Each of the Parties intends that OHSU shall be an express third-party beneficiary as set forth in this paragraph. The Parties each hereby fully waive any rights to bring or maintain any legal suit, action or proceeding, and covenant not to bring any legal suit, action or proceeding, challenging OHSU's rights and standing pursuant to this paragraph. Nothing in this MOU, express or implied, is intended to nor shall be construed to confer upon any person or entity, other than the Parties and OHSU, any remedy or claim under or by reason of this MOU as third-party beneficiaries or otherwise.

- **Assignment.** Neither Party may assign its rights or obligations hereunder, whether by written agreement, operation of law, or in any other manner whatsoever, not expressly assignable under the terms of this MOU without the other Party's and OHSU's prior written consent.

- **Amendment; Entire Agreement**. This MOU represents the entire understanding of the Parties with respect to the subject matter thereof. This MOU supersedes all other understandings, both oral and written, between the Parties. The MOU may be amended or superseded at any time only upon OHSU's prior written consent to any such amendment or superseding document, and then only by a writing signed by the Parties.

LEGACY HEALTH

By:_________________________________
Anna Loomis, Interim CEO

Notice Address:
Legacy Health
1919 NW Lovejoy Street
Portland, OR 97209
Attn: Craig Armstrong
Email: crrarmst@lhs.org

With a copy to:
Jonathan Moyer (JMoyer@ReedSmith.com)
Saskia de Boer (saskia.deboer@stoel.com)

LEGACY HEALTH FOUNDATION

By:_________________________________
Jill A. Nelson, Chair

Notice Address:
Legacy Health Foundation
1919 NW Lovejoy Street
Portland, OR 97209
Attn: Jill A. Nelson
Email: jillnelson97209@gmail.com

With a copy to:
Jeff Wolfstone (WolfstoneJ@LanePowell.com)
Lisa Poplawski
(PoplawskiL@LanePowell.com)

Acknowledged and agreed:

OREGON HEALTH & SCIENCE UNIVERSITY

By:_________________________________
Danny O. Jacobs, M.D., M.P.H, FACS
President

Notice Address:
Oregon Health & Science University
Mail code: L585
3181 SW Sam Jackson Park Road
Portland, Oregon 97239
Attn: General Counsel
Email: legal@ohsu.edu

With a copy (which shall not constitute notice) to:
Hogan Lovells US LLP
390 Madison Avenue
New York, NY 10017
Attn: Jeffrey Schneider
Email: jeff.schneider@hoganlovells.com

EXHIBIT A-1
DRAFT GRANT AGREEMENT

[redacted]

GRANT AGREEMENT
BETWEEN
LEGACY HEALTH
AND
LEGACY HEALTH FOUNDATION

This Grant Agreement (the "**Agreement**") is made as of ____________, 2025 (the "**Effective Date**"), by and between Legacy Health ("**Legacy**") and Legacy Health Foundation ("**Grantee**" or the "**Foundation**"). Legacy and the Foundation are sometimes each referred to as a "**Party**" and collectively as the "**Parties**."

Background:

Legacy is an Oregon nonprofit public benefit corporation that is exempt from federal tax pursuant to Section 501(c)(3) and is a public charity (and not a "private foundation") within the meaning of Section 509(a)(3) of the Internal Revenue Code of 1986, as amended (the "**Code**"). Legacy's historic vision is to become a health partner to patients for life by delivering high-qualify affordable care, connected experiences, and meaningful outcomes to its patients and members.

The Foundation is an Oregon nonprofit public benefit corporation that is exempt from federal tax pursuant to Section 501(c)(3) and is a public charity (and not a "private foundation") within the meaning of Section 509(a)(1) and 170(b)(1)(A)(vi) of the Code. The mission of the Foundation is to foster community commitment and involvement to support the founding principles, mission and vision of Legacy and promote the health and well-being of the community.

In furtherance of its mission, Legacy has entered into an agreement with Oregon Health & Science University, a statutory public corporation and tax-exempt instrumentality of the state of Oregon ("**OHSU**") by which they will affiliate to create a combined health care system under OHSU as the system's sole corporate parent (the "**System Combination**"). The terms of the System Combination are documented in a Definitive Agreement dated May 30, 2024 (as amended, restated, supplemented or otherwise modified, "**Definitive Agreement**"). The entry into this Agreement by Legacy and Grantee is a condition to the closing of the System Combination, as set forth in Sections [7.9 and 8.12] of the Definitive Agreement.

The Parties entered into a memorandum of understanding on May 30, 2024 (the "**MOU**") to affirm the Parties' shared goals for the Foundation to transition from a fundraising foundation to a grantmaking foundation in connection with the Foundation's receipt of a grant from Legacy at the closing of the System Combination. The MOU anticipates that Legacy and the Foundation will enter into this Agreement to outline the terms of the grant, including its restricted purpose and Foundation governance, through which the Foundation will become the legacy of Legacy Health.

NOW, THEREFORE, in consideration of the foregoing, the Parties agree as follows:

1. **Grant Award.** Legacy shall gift, donate, contribute and/or transfer to the Foundation a monetary grant and its member interest in PacificSource, an Oregon nonprofit corporation ("**PacificSource**"), in each case as described below (together, the "**Grant**"):

   1.1. **Monetary Grant.** Legacy hereby agrees to award to the Foundation, and the Foundation agrees to accept from Legacy, a cash monetary grant, the amount and payment schedule of which shall be made in accordance with Attachment 1 (the "**Monetary Grant**").

   1.2. **PacificSource Interest.** Effective as of immediately prior to the Effective Time (as defined in the Definitive Agreement), Legacy hereby grants, contributes, assigns, transfers, conveys and delivers to the Foundation all of Legacy's right, title and interest in and to its member interest in PacificSource (the "**PacificSource Interest**"), and the Foundation does hereby accept from Legacy all of Legacy's right, title and interest in and to the PacificSource Interest (the "**PacificSource Grant**"). Upon the consummation of the PacificSource Grant, (i) the Parties will facilitate an amendment to the PacificSource bylaws to reflect the PacificSource Grant, and (ii) Foundation agrees to enter into an [Amended and Restated Member Agreement with PacificSource in substantially the form attached hereto as Attachment 2].

2. **Use of Grant Funds.**

   2.1. **Compliance with Agreement.** Grantee agrees to use the Grant proceeds solely in accordance with the terms and conditions of, and for the purposes set forth in, this Agreement. The Grant funds may not be expended for any other purpose without the prior written approval of Legacy.

   2.2. **Restricted Grant.** The Foundation shall use the Grant proceeds solely as described in more detail in Attachment 3, which sets forth the restricted purpose of the Grant (the "**Grant Purpose**").

   2.3. **Compliance with Law.** Grantee may only use Grant funds for charitable, educational, or scientific purposes within the meaning of Code Section 170(c)(2)(B), and more specifically for the Grant Purpose described in this Agreement.

   2.4. **No Earmarked Funds.** The Foundation acknowledges that Legacy has not earmarked any of the Grant funds for any organization or individual other than Grantee and that Grantee is solely responsible for the selection of any other organization to receive a portion of the proceeds of this Grant in furtherance of the Grant Purpose.

3. **Records.** Although the Foundation need not maintain Grant funds in a separate bank account, Grantee must identify Grant proceeds as a restricted fund in a special ledger account on its books for ease of reference and verification. Grantee shall keep records of expenditures under the Grant for at least four years after such expenditures have been made, and shall furnish or make available such books, records, and supporting documentation to Legacy for inspection at

reasonable times. While so held by the Foundation, such Grant Funds shall not be used for any purpose other than as expressly set forth in this Agreement and shall not be invested in any manner that would jeopardize or impair their availability for use by the Grantee for the purpose provided in this Agreement.

4. **Foundation Governance.**

   4.1. **Governing Documents.** The Foundation will adopt amended and restated articles of incorporation and bylaws in the form attached hereto as Attachments 4 and 5, respectively, and Legacy will approve those restated governing documents as its last act prior to ceasing its role as sole member of the Foundation; provided, however, that in no event will Foundation in the future amend, revise or restate such amended and restated articles of incorporation or bylaws in any manner that is inconsistent with the terms or conditions of this Agreement.

   4.2. **Foundation Board.** The Parties have worked collaboratively to evaluate the needed composition and characteristics of the board of directors of the Foundation (the "**Board**") after the closing of the System Combination. To provide continuity of combined leadership, experience and expertise from both Parties, the Foundation will elect directors so that as of [DATE], the Board is comprised of the directors with staggered terms identified in Attachment 6. After the closing of the System Combination, the Board will elect additional community members pursuant to its bylaws to comprise a diverse self-perpetuating Board with relevant professional and lived experience.

5. **Foundation's Rights From Definitive Agreement.** The Parties agree that the Foundation shall have and exercise the rights of the Foundation set forth in the Definitive Agreement and the other Transaction Documents (as defined in the Definitive Agreement).

6. **Representations and Warranties.**

   6.1. **Representations and Warranties of Foundation.**

      a) **Foundation's Tax-Exempt, Public Charity Status.** The Foundation represents that it is an organization that is tax-exempt pursuant to Section 501(c)(3) and a public charity described in Sections 509(a)(1) and 170(b)(1)(A)(vi) of the Code, and that the Foundation has been recognized by the Internal Revenue Service as such.

      b) **Execution, Delivery, Authorization**. The execution and delivery by Foundation of this Agreement, the performance by Foundation of its obligations hereunder and the consummation by Foundation of the transactions contemplated on its part hereby have been duly authorized by all requisite action on the part of Foundation. This Agreement has been duly executed and delivered by Foundation and (assuming due authorization, execution and delivery by Legacy) constitutes Foundation's legal, valid and binding obligation, enforceable against it in accordance with its terms.

6.2. Representations and Warranties of Legacy.

a) **Ownership of PacificSource Interest**. The PacificSource Interest is owned of record and beneficially by Legacy, free and clear of all liens, pledges, security interests, charges, claims, encumbrances, agreements, options, voting trusts, proxies and other arrangements or restrictions of any kind ("**Encumbrances**"). Upon consummation of the transactions contemplated by this Agreement, Grantee shall own all of the Legacy's right, title and interest in and to the PacificSource Interest, free and clear of all Encumbrances.

b) **Execution, Delivery, Authorization.** Legacy has all requisite power and authority to execute and deliver this Agreement, to carry out its obligations hereunder, and to consummate the transactions contemplated on its part hereby. The execution and delivery by Legacy of this Agreement, the performance by Legacy of its obligations hereunder and the consummation by Legacy of the transactions contemplated on its part hereby have been duly authorized by all requisite action on the part of Legacy. This Agreement has been duly executed and delivered by Legacy and (assuming due authorization, execution and delivery by Foundation) constitutes Legacy's legal, valid and binding obligation, enforceable against it in accordance with its terms.

7. **Materials.** The parties acknowledge that the Foundation shall hold and retain all intellectual property rights, including copyright, trademark, trade name, and moral rights, in any written or otherwise documented work product that is created by the Grantee with the Grant funds.

8. **Confidentiality.**

8.1. Each Party shall hold, and shall use its best efforts to cause its affiliates, and their respective officers, directors, employees and agents to hold, in strict confidence the terms of this Agreement and all documents and information concerning any other Party or any of its affiliates furnished to it by such other Party or such other Party's officers, directors and agents in connection with this Agreement (collectively, "**Confidential Information**"), unless:

a) disclosure of the terms of this Agreement is made to OHSU, PacificSource, Pacific Health Associates, government agencies and their respective owners, directors, managers, officers, employees, advisors, and agents;
b) disclosure of the terms of this Agreement is made to any other third parties as required for purposes of consummating the System Combination;
c) disclosure is mandated by Legal Requirements (as defined in the Definitive Agreement);
d) disclosure is made in an action or proceeding brought by a Party in pursuit of its rights or in the exercise of its remedies hereby;
e) to the extent that such documents or information can be shown to have been (i) previously known by the Party receiving such documents or information, (ii) in the

public domain (either prior to or after the furnishing of such documents or information hereby) through no fault of such receiving Party, or (iii) later acquired by the receiving Party from another source if the receiving Party is not aware that such source is under an obligation to another Party to keep such documents and information confidential;

f) If a Party receives a request, pursuant to any Legal Requirements (as defined in the Definitive Agreement), for disclosure of another Party's Confidential Information, and the Party receiving the request is permitted to do so, the Party receiving the request shall provide the Party whose Confidential Information is being sought with prior prompt written notice of the request and allow the Party whose Confidential Information is being sought, at its sole expense, to seek a restraining order or other appropriate relief provided, but only to the extent such attempts do not result in any Party violating its legal obligations.

8.2. No public announcement of this Agreement will be made without prior written approval of the Parties and OHSU with respect to timing and content except as otherwise required by law.

9. Dispute Resolution. In the event a dispute between the Parties arises from or relates to this Agreement, and in order to give effect to the goals of the planned affiliation between Legacy and OHSU, the following process shall be followed. For purposes of the processes set forth in this Section 9, following the closing of the System Combination, OHSU shall have and exercise all rights of Legacy.

9.1. The Parties shall attempt in good faith to resolve any dispute within sixty (60) days of either Party's first written notification of the dispute. The written notification shall be authorized by action of the complaining Party's Board (which, after the Closing, shall be OHSU Board with respect to Legacy), and shall include a clear written statement of the dispute. The applicable Parties' respective executives shall meet and use good faith efforts to resolve the matter.

9.2. If the Parties' respective executives are unable to resolve a dispute within such sixty (60) day period, either Party may escalate the dispute to such Party's governing board (which, after the Closing, shall be OHSU's Board with respect to Legacy) to resolve the dispute for an additional sixty (60) days.

9.3. If the applicable governing boards are unable to resolve the dispute to the mutual satisfaction of each Party within such sixty (60) day period, each Party may pursue any other means of resolving the dispute, except that any proceeding brought in a court of law must be done so in accordance with 9.4 and 9.5 below.

9.4. ANY LEGAL SUIT, ACTION OR PROCEEDING PURSUED BY A PARTY PURSUANT TO SECTION 9.3 SHALL BE INSTITUTED IN THE FEDERAL COURTS OF THE UNITED STATES OF AMERICA OR THE COURTS OF THE STATE OF OREGON IN EACH CASE LOCATED IN THE CITY OF PORTLAND AND COUNTY OF MULTNOMAH, AND EACH PARTY IRREVOCABLY

SUBMITS TO THE EXCLUSIVE JURISDICTION OF SUCH COURTS IN ANY SUCH SUIT, ACTION OR PROCEEDING. SERVICE OF PROCESS, SUMMONS, NOTICE OR OTHER DOCUMENT BY MAIL TO SUCH PARTY'S ADDRESS SET FORTH HEREIN SHALL BE EFFECTIVE SERVICE OF PROCESS FOR ANY SUIT, ACTION OR OTHER PROCEEDING BROUGHT IN ANY SUCH COURT. THE PARTIES IRREVOCABLY AND UNCONDITIONALLY WAIVE ANY OBJECTION TO THE LAYING OF VENUE OF ANY SUIT, ACTION OR PROCEEDING IN SUCH COURTS AND IRREVOCABLY WAIVE AND AGREE NOT TO PLEAD OR CLAIM IN ANY SUCH COURT THAT ANY SUCH SUIT, ACTION OR PROCEEDING BROUGHT IN ANY SUCH COURT HAS BEEN BROUGHT IN AN INCONVENIENT FORUM

9.5. EACH PARTY ACKNOWLEDGES AND AGREES THAT ANY LEGAL SUIT, ACTION OR PROCEEDING PURSUED BY A PARTY PURSUANT TO SECTIONS 9.3 AND 9.4 IS LIKELY TO INVOLVE COMPLICATED AND DIFFICULT ISSUES AND, THEREFORE, EACH SUCH PARTY IRREVOCABLY AND UNCONDITIONALLY WAIVES ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY SUCH LEGAL SUIT, ACTION OR PROCEEDING. EACH CERTIFIES AND ACKNOWLEDGES THAT (A) NO REPRESENTATIVE OF ANY OTHER DISPUTE PROCESS PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT SEEK TO ENFORCE THE FOREGOING WAIVER IN THE EVENT OF A LEGAL SUIT, ACTION OR PROCEEDING, (B) SUCH PARTY HAS CONSIDERED THE IMPLICATIONS OF THIS WAIVER, (C) SUCH PARTY MAKES THIS WAIVER VOLUNTARILY, AND (D) SUCH PARTY HAS BEEN INDUCED TO ENTER INTO THIS LETTER AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION.

9.6. The Parties hereby acknowledge and agree that nothing in this Agreement shall be deemed to limit, restrict, waive or terminate any rights of notice or redress of any Party existing under applicable law with any governmental agency, bureau, commission or department.

9.7. Notwithstanding anything to the contrary in this Agreement, the Parties acknowledge that a breach or threatened breach of this Agreement by a Party would cause the non-breaching Party to suffer immediate and irreparable harm which could not be fully remedied with the payment of monetary damages. As such, in addition to any other remedies available, the non-breaching Party shall be entitled to specific performance, preliminary and permanent injunctive relief, and other available equitable remedies to prevent, restrain or cure a breach or threatened breach of this Agreement by the other Party, either pending or following a trial on the merits, without the need to post bond or other security. For avoidance of doubt, either Party may seek to obtain injunctive (but not other) relief to prevent a threatened or ongoing breach of this Agreement without first pursuing the dispute resolution process set forth in this Section 9.

9.8. THE PARTIES AGREE THAT THE PROCEDURES SET FORTH IN THIS SECTION 9 SHALL BE THE SOLE AND EXCLUSIVE PROCEDURES FOR RESOLVING DISPUTES ARISING UNDER THIS AGREEMENT.

10. Third Party Beneficiaries.

10.1. Except as specifically set forth herein, the terms and provisions of this Agreement are intended solely for the benefit of the Parties to whom such terms and provisions apply, and their respective permitted successors or assigns, and it is not the intention of the Parties to confer, and this Agreement shall not confer, third-party beneficiary rights upon any other Person or Entity, as "third-party beneficiary" or otherwise.

10.2. Notwithstanding anything to the contrary set forth in this Agreement, OHSU shall be and is an express third-party beneficiary of, and pursuant to, this Agreement with full right and authority (i) to enforce all of the rights of Legacy pursuant to the terms and provisions of this Agreement, and (ii) to seek to ensure that Legacy and the community that it serves receive all of the benefits provided in this Agreement. Each of the Parties intends that OHSU shall be an express third-party beneficiary as set forth in this Section 10.2. The Parties each hereby fully waive any rights to bring or maintain any legal suit, action or proceeding, and covenant not to bring any legal suit, action or proceeding, challenging OHSU's rights and standing pursuant to this Section 10.2. For the avoidance of doubt, the Agreement shall not be terminated, cancelled, amended, modified, supplemented or changed, or any provision, default, breach or performance waived, or any assignment made in a manner without the advance written consent of OHSU, as third party beneficiary to this Agreement (to be granted or withheld in OHSU's sole discretion).

10.3. On and after the date of the closing of the System Combination, (i) OHSU shall have standing and shall have the continuing right to enforce performance by the Foundation of all of the Foundation's covenants, obligations and other agreements set forth in this Agreement on behalf of Legacy without the need for Legacy to be a party to such action and (ii) OHSU shall have and exercise all rights, and be entitled to all benefits, of Legacy under this Agreement.

11. General.

11.1. Communications. All communications related to this Grant shall be directed as follows:

LEGACY HEALTH *(prior to the closing of the System Combination)*
1919 NW Lovejoy Street
Portland, OR 97209
Attention: Craig Armstrong
Phone:
Email:

LEGACY HEALTH FOUNDATION
1919 NW Lovejoy Street
Portland, OR 97209
Attention: Jill A. Nelson
Phone:
Email:

LEGACY HEALTH *(after the closing of the System Combination)*
3181 SW Sam Jackson Park Road
Portland, OR 97239
Attention:
Phone:
Email:

11.2. Liability. No Party is responsible for the acts of third parties. Each Party is responsible for its own acts and omissions and those of its directors, officers, employees, and agents.

11.3. Assignment. Legacy may assign its rights or obligations hereunder, whether by written agreement, operation of law, or in any other manner whatsoever, without the Grantee's prior written consent. The Foundation may not assign its rights or obligations hereunder, whether by written agreement, operation of law or in any other manner whatsoever, without Legacy's prior written consent, which consent shall not be unreasonably withheld.

11.4. Further Assurances. The Parties agree to execute any and all documents and instruments necessary or expedient to further the purposes of this Agreement and the transactions contemplated by this Agreement, including instruments of contribution, transfer, assignment, conveyance, delivery, acceptance, assumption or novation related to the PacificSource Grant.

11.5. Entire Agreement; Modification. This Agreement (including its attachments and exhibits) and the Definitive Agreement contain the entire agreement of the Parties regarding the subject matter described in this Agreement and the Definitive Agreement, and all other promises, representations, understandings, arrangements, and prior agreements are merged into and superseded by this Agreement and the Definitive Agreement. This Agreement may only be modified by a written agreement of the Parties and OHSU signed by an authorized representative of each Party and OHSU.

11.6. Choice of Law. The Parties agree that this Agreement shall be governed by and construed in accordance with the laws of the State of Oregon without regard to conflict of laws principles.

11.7. Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original and all of which together shall constitute but one and the same instrument. Facsimile or other electronically scanned and transmitted signatures, including by email attachment, shall be deemed originals for all purposes of this Agreement. Signatures by electronic means shall have the same legal effect, validity, enforceability and admissibility as handwritten signatures.

11.8. Survival. The terms, conditions and warranties contained in this Agreement shall survive the Grant term, and the expiration or termination, of the Agreement.

11.9. Waiver. Failure by a Party to exercise or enforce any rights available to that Party or the giving of any forbearance, delay or indulgence shall not be construed as a waiver of that Party's rights under this Agreement.

IN WITNESS WHEREOF, the Parties hereto have executed this Agreement as of the Effective Date.

LEGACY HEALTH	**LEGACY HEALTH FOUNDATION**
By:_________________________________	By:_________________________________
Charles Wilhoite, Chair	Jill A. Nelson, Chair

ATTACHMENT 1
MONETARY GRANT

At the Closing (as defined in the Definitive Agreement), Legacy shall make an initial Grant payment to the Foundation in the amount of [*insert amount calculated at Closing pursuant to Section 3.5 of the Definitive Agreement*].

Thereafter, Legacy, or OHSU as its successor, shall make annual Grant payments (each, a "Tranche Payment," as defined in the Definitive Agreement) to the Foundation according to the following schedule. The schedule below indicates each maximum Tranche Payment; the actual amount to be paid to the Foundation through each Tranche Payment shall be calculated pursuant to Section 3.5.4 of the Definitive Agreement. For the avoidance of doubt, each maximum Tranche Payment shall be reduced by any deductions necessary to fulfill Legacy's obligations as described in Section 11.2 of the Definitive Agreement. Each Maximum Tranche Payment may be reduced by any accumulated investment losses and investment fees as of such payment date on the unreleased funds that have not been previously withheld from a Tranche Payment, and the final Maximum Tranche Payment shall be increased by any accumulated gains or interest:

Payment Number	Date	Maximum Tranche Payment
2	[insert closing date], 2027	$[redacted]
3	[insert closing date], 2028	$[redacted]
4	[insert closing date], 2029	$[redacted]
5	[insert closing date], 2030	$[redacted]
6	[insert closing date], 2031	$[redacted]

ATTACHMENT 2
[PACIFICSOURCE AMENDMENT TO MEMBER AGREEMENT]

ATTACHMENT 3
RESTRICTED GRANT PURPOSE

Purpose: Health Equity and Access
The purpose of this multi-year Grant is to further Legacy's mission of good health for our people, our patients, our communities, and our world. In particular, the Grant is intended to amplify the Foundation and its mission to create a legacy of generational health and well-being through purposeful and impactful investments. Legacy supports the Foundation's vision for every member of our community to achieve their highest possible quality of health.

Restricted Grant:
The Grant is restricted as follows:

<u>Permitted Grant Activities (in each case subject to the Prohibited Grant Activities):</u>

- Grants to or for the benefit of OHSU and the OHSU System (as defined in the Definitive Agreement).
- [redacted]
- Grants to or for the benefit of other non-profit hospital-based systems that are not in competition with the OHSU System.
- Grants to or for the benefit of other organizations, tribes, government agencies, and educational institutions in support of the Foundation's mission and vision in Oregon and Southwest Washington.
- Foundation administration and operating costs.
- Foundation program activities in furtherance of the Foundation's mission (as described as of the Effective Date), including but not limited to education, community outreach, convenings, technical assistance, and advocacy.

<u>Prohibited Grant Activities</u>

- Grants to or for the benefit other organizations with primary focus and operations outside of Oregon and Southwest Washington.
- [redacted]
- Solicitation of individuals, corporations or other entities for charitable contributions, or from foundations for charitable grants.

ATTACHMENT 4

[______________________________]

(Formerly known as Legacy Health Foundation)

REVISED AND RESTATED ARTICLES OF INCORPORATION (2025)

ATTACHMENT 5

[________________________________]

(Formerly known as Legacy Health Foundation)

REVISED AND RESTATED BYLAWS (2025)

ATTACHMENT 6
FOUNDATION BOARD OF DIRECTORS

1. WHEREAS the Board of Directors of [______________] has adopted Amended and Restated Bylaws, which provide that directors shall serve a maximum of two consecutive three-year terms, and that by resolution the Board may stagger director terms so that not all of the directors' terms expire in the same year.

2. WHEREAS the Board wishes to elect directors and stagger director terms pursuant to the bylaws, now therefore be it

3. RESOLVED that effective [DATE] the Board of Directors shall be comprised of the following named individuals, whose terms shall be and hereby are assigned and staggered in the following manner:

Director Name	**Current Term**	**Current Term Ends**
Foundation 1	1	2025
Foundation 2	1	2026
Foundation 3	1	2027
Foundation 4	2	2027
Legacy 1	1	2025
Legacy 2	1	2026
Legacy 3	1	2027
Legacy 4	2	2026
Legacy 5	2	2027

EXHIBIT A-2
DRAFT GRANT AGREEMENT

[redacted]

[redacted]

GRANT AGREEMENT
BETWEEN
LEGACY HEALTH
AND
LEGACY HEALTH FOUNDATION

This Grant Agreement (the "**Agreement**") is made as of ____________, 2025 (the "**Effective Date**"), by and between Legacy Health ("**Legacy**") and Legacy Health Foundation ("**Grantee**" or the "**Foundation**"). Legacy and the Foundation are sometimes each referred to as a "**Party**" and collectively as the "**Parties**."

Background:

Legacy is an Oregon nonprofit public benefit corporation that is exempt from federal tax pursuant to Section 501(c)(3) and is a public charity (and not a "private foundation") within the meaning of Section 509(a)(3) of the Internal Revenue Code of 1986, as amended (the "**Code**"). Legacy's historic vision is to become a health partner to patients for life by delivering high-qualify affordable care, connected experiences, and meaningful outcomes to its patients and members.

The Foundation is an Oregon nonprofit public benefit corporation that is exempt from federal tax pursuant to Section 501(c)(3) and is a public charity (and not a "private foundation") within the meaning of Section 509(a)(1) and 170(b)(1)(A)(vi) of the Code. The mission of the Foundation is to foster community commitment and involvement to support the founding principles, mission and vision of Legacy and promote the health and well-being of the community.

In furtherance of its mission, Legacy has entered into an agreement with Oregon Health & Science University, a statutory public corporation and tax-exempt instrumentality of the state of Oregon ("**OHSU**") by which they will affiliate to create a combined health care system under OHSU as the system's sole corporate parent (the "**System Combination**"). The terms of the System Combination are documented in a Definitive Agreement dated May 30, 2024 (as amended, restated, supplemented or otherwise modified, "**Definitive Agreement**"). The entry into this Agreement by Legacy and Grantee is a condition to the closing of the System Combination, as set forth in Sections [7.9 and 8.12] of the Definitive Agreement.

The Parties entered into a memorandum of understanding on May 30, 2024 (the "**MOU**") to affirm the Parties' shared goals for the Foundation to transition from a fundraising foundation to a grantmaking foundation in connection with the Foundation's receipt of a grant from Legacy at the closing of the System Combination. The MOU anticipates that Legacy and the Foundation will enter into this Agreement to outline the terms of the grant, including its restricted purpose and Foundation governance, through which the Foundation will become the legacy of Legacy Health.

[redacted]

[redacted]

NOW, THEREFORE, in consideration of the foregoing, the Parties agree as follows:

1. **Grant Award.** Legacy shall gift, donate, contribute and/or transfer to the Foundation a monetary grant [redacted], in each case as described below (together, the "**Grant**"):

    1.1. Monetary Grant. Legacy hereby agrees to award to the Foundation, and the Foundation agrees to accept from Legacy, a cash monetary grant, the amount and payment schedule of which shall be made in accordance with Attachment 1 (the "**Monetary Grant**").

    1.2. [redacted]

    1.3. [redacted]

2. **Use of Grant Funds.**

    2.1. Compliance with Agreement. Grantee agrees to use the Grant proceeds solely in accordance with the terms and conditions of, and for the purposes set forth in, this Agreement. The Grant funds may not be expended for any other purpose without the prior written approval of Legacy.

    2.2. Restricted Grant. The Foundation shall use the Grant proceeds solely as described in more detail in Attachment 3, which sets forth the restricted purpose of the Grant (the "**Grant Purpose**").

    2.3. Compliance with Law. Grantee may only use Grant funds for charitable, educational, or scientific purposes within the meaning of Code Section 170(c)(2)(B), and more specifically for the Grant Purpose described in this Agreement.

    2.4. No Earmarked Funds. The Foundation acknowledges that Legacy has not earmarked any of the Grant funds for any organization or individual other than Grantee and that

Grantee is solely responsible for the selection of any other organization to receive a portion of the proceeds of this Grant in furtherance of the Grant Purpose.

3. **Records.** Although the Foundation need not maintain Grant funds in a separate bank account, Grantee must identify Grant proceeds as a restricted fund in a special ledger account on its books for ease of reference and verification. Grantee shall keep records of expenditures under the Grant for at least four years after such expenditures have been made, and shall furnish or make available such books, records, and supporting documentation to Legacy for inspection at reasonable times. While so held by the Foundation, such Grant Funds shall not be used for any purpose other than as expressly set forth in this Agreement and shall not be invested in any manner that would jeopardize or impair their availability for use by the Grantee for the purpose provided in this Agreement.

4. **Foundation Governance.**

   4.1. **Governing Documents.** The Foundation will adopt amended and restated articles of incorporation and bylaws in the form attached hereto as Attachments 4 and 5, respectively, and Legacy will approve those restated governing documents as its last act prior to ceasing its role as sole member of the Foundation; provided, however, that in no event will Foundation in the future amend, revise or restate such amended and restated articles of incorporation or bylaws in any manner that is inconsistent with the terms or conditions of this Agreement.

   4.2. **Foundation Board.** The Parties have worked collaboratively to evaluate the needed composition and characteristics of the board of directors of the Foundation (the "**Board**") after the closing of the System Combination. To provide continuity of combined leadership, experience and expertise from both Parties, the Foundation will elect directors so that as of [DATE], the Board is comprised of the directors with staggered terms identified in Attachment 6. After the closing of the System Combination, the Board will elect additional community members pursuant to its bylaws to comprise a diverse self-perpetuating Board with relevant professional and lived experience.

5. **Foundation's Rights From Definitive Agreement.** The Parties agree that the Foundation shall have and exercise the rights of the Foundation set forth in the Definitive Agreement and the other Transaction Documents (as defined in the Definitive Agreement).

6. **Representations and Warranties.**

   6.1. **Representations and Warranties of Foundation.**

      a) **Foundation's Tax-Exempt, Public Charity Status.** The Foundation represents that it is an organization that is tax-exempt pursuant to Section 501(c)(3) and a public charity described in Sections 509(a)(1) and 170(b)(1)(A)(vi) of the Code, and that the Foundation has been recognized by the Internal Revenue Service as such.

[redacted]

b) **Execution, Delivery, Authorization**. The execution and delivery by Foundation of this Agreement, the performance by Foundation of its obligations hereunder and the consummation by Foundation of the transactions contemplated on its part hereby have been duly authorized by all requisite action on the part of Foundation. This Agreement has been duly executed and delivered by Foundation and (assuming due authorization, execution and delivery by Legacy) constitutes Foundation's legal, valid and binding obligation, enforceable against it in accordance with its terms.

6.2. Representations and Warranties of Legacy.

[redacted]

b) **Execution, Delivery, Authorization.** Legacy has all requisite power and authority to execute and deliver this Agreement, to carry out its obligations hereunder, and to consummate the transactions contemplated on its part hereby. The execution and delivery by Legacy of this Agreement, the performance by Legacy of its obligations hereunder and the consummation by Legacy of the transactions contemplated on its part hereby have been duly authorized by all requisite action on the part of Legacy. This Agreement has been duly executed and delivered by Legacy and (assuming due authorization, execution and delivery by Foundation) constitutes Legacy's legal, valid and binding obligation, enforceable against it in accordance with its terms.

7. **Materials.** The parties acknowledge that the Foundation shall hold and retain all intellectual property rights, including copyright, trademark, trade name, and moral rights, in any written or otherwise documented work product that is created by the Grantee with the Grant funds.

8. **Confidentiality.**

8.1. Each Party shall hold, and shall use its best efforts to cause its affiliates, and their respective officers, directors, employees and agents to hold, in strict confidence the terms of this Agreement and all documents and information concerning any other Party or any of its affiliates furnished to it by such other Party or such other Party's officers, directors and agents in connection with this Agreement (collectively, "**Confidential Information**"), unless:

a) disclosure of the terms of this Agreement is made to OHSU, PacificSource, Pacific Health Associates, government agencies and their respective owners, directors, managers, officers, employees, advisors, and agents;
b) disclosure of the terms of this Agreement is made to any other third parties as required

for purposes of consummating the System Combination;

c) disclosure is mandated by Legal Requirements (as defined in the Definitive Agreement);

d) disclosure is made in an action or proceeding brought by a Party in pursuit of its rights or in the exercise of its remedies hereby;

e) to the extent that such documents or information can be shown to have been (i) previously known by the Party receiving such documents or information, (ii) in the public domain (either prior to or after the furnishing of such documents or information hereby) through no fault of such receiving Party, or (iii) later acquired by the receiving Party from another source if the receiving Party is not aware that such source is under an obligation to another Party to keep such documents and information confidential;

f) If a Party receives a request, pursuant to any Legal Requirements (as defined in the Definitive Agreement), for disclosure of another Party's Confidential Information, and the Party receiving the request is permitted to do so, the Party receiving the request shall provide the Party whose Confidential Information is being sought with prior prompt written notice of the request and allow the Party whose Confidential Information is being sought, at its sole expense, to seek a restraining order or other appropriate relief provided, but only to the extent such attempts do not result in any Party violating its legal obligations.

8.2. No public announcement of this Agreement will be made without prior written approval of the Parties and OHSU with respect to timing and content except as otherwise required by law.

9. Dispute Resolution. In the event a dispute between the Parties arises from or relates to this Agreement, and in order to give effect to the goals of the planned affiliation between Legacy and OHSU, the following process shall be followed. For purposes of the processes set forth in this Section 9, following the closing of the System Combination, OHSU shall have and exercise all rights of Legacy.

9.1. The Parties shall attempt in good faith to resolve any dispute within sixty (60) days of either Party's first written notification of the dispute. The written notification shall be authorized by action of the complaining Party's Board (which, after the Closing, shall be OHSU Board with respect to Legacy), and shall include a clear written statement of the dispute. The applicable Parties' respective executives shall meet and use good faith efforts to resolve the matter.

9.2. If the Parties' respective executives are unable to resolve a dispute within such sixty (60) day period, either Party may escalate the dispute to such Party's governing board (which, after the Closing, shall be OHSU's Board with respect to Legacy) to resolve the dispute for an additional sixty (60) days.

9.3. If the applicable governing boards are unable to resolve the dispute to the mutual satisfaction of each Party within such sixty (60) day period, each Party may pursue any other means of resolving the dispute, except that any proceeding brought in a court of law must be done so in accordance with 9.4 and 9.5 below.

9.4. ANY LEGAL SUIT, ACTION OR PROCEEDING PURSUED BY A PARTY PURSUANT TO SECTION 9.3 SHALL BE INSTITUTED IN THE FEDERAL COURTS OF THE UNITED STATES OF AMERICA OR THE COURTS OF THE STATE OF OREGON IN EACH CASE LOCATED IN THE CITY OF PORTLAND AND COUNTY OF MULTNOMAH, AND EACH PARTY IRREVOCABLY SUBMITS TO THE EXCLUSIVE JURISDICTION OF SUCH COURTS IN ANY SUCH SUIT, ACTION OR PROCEEDING. SERVICE OF PROCESS, SUMMONS, NOTICE OR OTHER DOCUMENT BY MAIL TO SUCH PARTY'S ADDRESS SET FORTH HEREIN SHALL BE EFFECTIVE SERVICE OF PROCESS FOR ANY SUIT, ACTION OR OTHER PROCEEDING BROUGHT IN ANY SUCH COURT. THE PARTIES IRREVOCABLY AND UNCONDITIONALLY WAIVE ANY OBJECTION TO THE LAYING OF VENUE OF ANY SUIT, ACTION OR PROCEEDING IN SUCH COURTS AND IRREVOCABLY WAIVE AND AGREE NOT TO PLEAD OR CLAIM IN ANY SUCH COURT THAT ANY SUCH SUIT, ACTION OR PROCEEDING BROUGHT IN ANY SUCH COURT HAS BEEN BROUGHT IN AN INCONVENIENT FORUM

9.5. EACH PARTY ACKNOWLEDGES AND AGREES THAT ANY LEGAL SUIT, ACTION OR PROCEEDING PURSUED BY A PARTY PURSUANT TO SECTIONS 9.3 AND 9.4 IS LIKELY TO INVOLVE COMPLICATED AND DIFFICULT ISSUES AND, THEREFORE, EACH SUCH PARTY IRREVOCABLY AND UNCONDITIONALLY WAIVES ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY SUCH LEGAL SUIT, ACTION OR PROCEEDING. EACH CERTIFIES AND ACKNOWLEDGES THAT (A) NO REPRESENTATIVE OF ANY OTHER DISPUTE PROCESS PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT SEEK TO ENFORCE THE FOREGOING WAIVER IN THE EVENT OF A LEGAL SUIT, ACTION OR PROCEEDING, (B) SUCH PARTY HAS CONSIDERED THE IMPLICATIONS OF THIS WAIVER, (C) SUCH PARTY MAKES THIS WAIVER VOLUNTARILY, AND (D) SUCH PARTY HAS BEEN INDUCED TO ENTER INTO THIS LETTER AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION.

9.6. The Parties hereby acknowledge and agree that nothing in this Agreement shall be deemed to limit, restrict, waive or terminate any rights of notice or redress of any Party existing under applicable law with any governmental agency, bureau, commission or department.

9.7. Notwithstanding anything to the contrary in this Agreement, the Parties acknowledge that a breach or threatened breach of this Agreement by a Party would cause the non-breaching Party to suffer immediate and irreparable harm which could not be fully remedied with the payment of monetary damages. As such, in addition to any other remedies available, the non-breaching Party shall be entitled to specific performance, preliminary and permanent injunctive relief, and other available equitable remedies to prevent, restrain or cure a breach or threatened breach of this Agreement by the other Party, either pending or following a trial on the merits, without the need to post bond or other security. For avoidance of doubt, either Party may seek to obtain injunctive (but not other) relief to prevent a threatened or ongoing breach of this Agreement without first pursuing the dispute resolution process set forth in this Section 9.

9.8. THE PARTIES AGREE THAT THE PROCEDURES SET FORTH IN THIS SECTION 9 SHALL BE THE SOLE AND EXCLUSIVE PROCEDURES FOR RESOLVING DISPUTES ARISING UNDER THIS AGREEMENT.

10. Third Party Beneficiaries.

10.1. Except as specifically set forth herein, the terms and provisions of this Agreement are intended solely for the benefit of the Parties to whom such terms and provisions apply, and their respective permitted successors or assigns, and it is not the intention of the Parties to confer, and this Agreement shall not confer, third-party beneficiary rights upon any other Person or Entity, as "third-party beneficiary" or otherwise.

10.2. Notwithstanding anything to the contrary set forth in this Agreement, OHSU shall be and is an express third-party beneficiary of, and pursuant to, this Agreement with full right and authority (i) to enforce all of the rights of Legacy pursuant to the terms and provisions of this Agreement, and (ii) to seek to ensure that Legacy and the community that it serves receive all of the benefits provided in this Agreement. Each of the Parties intends that OHSU shall be an express third-party beneficiary as set forth in this Section 10.2. The Parties each hereby fully waive any rights to bring or maintain any legal suit, action or proceeding, and covenant not to bring any legal suit, action or proceeding, challenging OHSU's rights and standing pursuant to this Section 10.2. For the avoidance of doubt, the Agreement shall not be terminated, cancelled, amended, modified, supplemented or changed, or any provision, default, breach or performance waived, or any assignment made in a manner without the advance written consent of OHSU, as third party beneficiary to this Agreement (to be granted or withheld in OHSU's sole discretion).

10.3. On and after the date of the closing of the System Combination, (i) OHSU shall have standing and shall have the continuing right to enforce performance by the Foundation of all of the Foundation's covenants, obligations and other agreements set forth in this Agreement on behalf of Legacy without the need for Legacy to be a party to such action and (ii) OHSU shall have and exercise all rights, and be entitled to all benefits, of Legacy under this Agreement.

[redacted]

11. General.

11.1. Communications. All communications related to this Grant shall be directed as follows:

LEGACY HEALTH *(prior to the closing of the System Combination)*
1919 NW Lovejoy Street
Portland, OR 97209
Attention: Craig Armstrong
Phone:
Email:

LEGACY HEALTH FOUNDATION
1919 NW Lovejoy Street
Portland, OR 97209
Attention: Jill A. Nelson
Phone:
Email:

LEGACY HEALTH *(after the closing of the System Combination)*
3181 SW Sam Jackson Park Road
Portland, OR 97239
Attention:
Phone:
Email:

11.2. Liability. No Party is responsible for the acts of third parties. Each Party is responsible for its own acts and omissions and those of its directors, officers, employees, and agents.

11.3. Assignment. Legacy may assign its rights or obligations hereunder, whether by written agreement, operation of law, or in any other manner whatsoever, without the Grantee's prior written consent. The Foundation may not assign its rights or obligations hereunder, whether by written agreement, operation of law or in any other manner whatsoever, without Legacy's prior written consent, which consent shall not be unreasonably withheld.

11.4. Further Assurances. The Parties agree to execute any and all documents and instruments necessary or expedient to further the purposes of this Agreement and the transactions contemplated by this Agreement, including instruments of contribution, transfer, assignment, conveyance, delivery, acceptance, assumption or novation [redacted]

11.5. Entire Agreement; Modification. This Agreement (including its attachments and exhibits) and the Definitive Agreement contain the entire agreement of the Parties regarding the subject matter described in this Agreement and the Definitive Agreement, and all other promises, representations, understandings, arrangements, and prior agreements are merged into and superseded by this Agreement and the Definitive Agreement. This Agreement may only be modified by a written agreement of the Parties and OHSU signed by an authorized representative of each Party and OHSU.

11.6. Choice of Law. The Parties agree that this Agreement shall be governed by and construed in accordance with the laws of the State of Oregon without regard to conflict of laws principles.

11.7. Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original and all of which together shall constitute but one and the same instrument. Facsimile or other electronically scanned and transmitted signatures, including by email attachment, shall be deemed originals for all purposes of this Agreement. Signatures by electronic means shall have the same legal effect, validity, enforceability and admissibility as handwritten signatures.

11.8. Survival. The terms, conditions and warranties contained in this Agreement shall survive the Grant term, and the expiration or termination, of the Agreement.

11.9. Waiver. Failure by a Party to exercise or enforce any rights available to that Party or the giving of any forbearance, delay or indulgence shall not be construed as a waiver of that Party's rights under this Agreement.

IN WITNESS WHEREOF, the Parties hereto have executed this Agreement as of the Effective Date.

LEGACY HEALTH	**LEGACY HEALTH FOUNDATION**
By:________________________________	By:________________________________
Charles Wilhoite, Chair	Jill A. Nelson, Chair

[redacted]

ATTACHMENT 1
MONETARY GRANT

At the Closing (as defined in the Definitive Agreement), Legacy shall make an initial Grant payment to the Foundation in the amount of [*insert amount calculated at Closing pursuant to Section 3.5 of the Definitive Agreement*].

Thereafter, Legacy, or OHSU as its successor, shall make annual Grant payments (each, a "Tranche Payment," as defined in the Definitive Agreement) to the Foundation according to the following schedule. The schedule below indicates each maximum Tranche Payment; the actual amount to be paid to the Foundation through each Tranche Payment shall be calculated pursuant to Section 3.5.4 of the Definitive Agreement. For the avoidance of doubt, each maximum Tranche Payment shall be reduced by any deductions necessary to fulfill Legacy's obligations as described in Section 11.2 of the Definitive Agreement. Each Maximum Tranche Payment may be reduced by any accumulated investment losses and investment fees as of such payment date on the unreleased funds that have not been previously withheld from a Tranche Payment, and the final Maximum Tranche Payment shall be increased by any accumulated gains or interest:

Payment Number	Date	Maximum Tranche Payment
2	[insert closing date], 2027	$[redacted]
3	[insert closing date], 2028	$[redacted]
4	[insert closing date], 2029	$[redacted]
5	[insert closing date], 2030	$[redacted]
6	[insert closing date], 2031	$[redacted]

[redacted]

ATTACHMENT 2

[redacted]

[redacted]

ATTACHMENT 3
RESTRICTED GRANT PURPOSE

Purpose: Health Equity and Access
The purpose of this multi-year Grant is to further Legacy's mission of good health for our people, our patients, our communities, and our world. In particular, the Grant is intended to amplify the Foundation and its mission to create a legacy of generational health and well-being through purposeful and impactful investments. Legacy supports the Foundation's vision for every member of our community to achieve their highest possible quality of health.

Restricted Grant:
The Grant is restricted as follows:

Permitted Grant Activities (in each case subject to the Prohibited Grant Activities):

- Grants to or for the benefit of OHSU and the OHSU System (as defined in the Definitive Agreement).
- Grants to non-OHSU non-profit hospital-based systems that are in competition with the OHSU System (as listed on Schedule 3.6(a) of the Definitive Agreement, as such list may be amended by mutual written agreement of the Foundation and OHSU from time to time) solely for the purpose of addressing community health needs supported by such systems.
- Grants to or for the benefit of other non-profit hospital-based systems that are not in competition with the OHSU System.
- Grants to or for the benefit of other organizations, tribes, government agencies, and educational institutions in support of the Foundation's mission and vision in Oregon and Southwest Washington.
- Foundation administration and operating costs.
- Foundation program activities in furtherance of the Foundation's mission (as described as of the Effective Date), including but not limited to education, community outreach, convenings, technical assistance, and advocacy.

Prohibited Grant Activities

- Grants to or for the benefit other organizations with primary focus and operations outside of Oregon and Southwest Washington.
- Grants to or for the benefit of any hospital-based system that is in competition with the OHSU System (as listed on Schedule 3.6(a) of the Definitive Agreement, as such list may be amended by mutual written agreement of the Foundation and OHSU from time to time) for purposes of engaging in activities that are competitive with the OHSU System, in whole or in part, as opposed to the purpose of solely addressing community health needs.
- Solicitation of individuals, corporations or other entities for charitable contributions, or from foundations for charitable grants.

[redacted]

ATTACHMENT 4
[________________________________]
(Formerly known as Legacy Health Foundation)
REVISED AND RESTATED ARTICLES OF INCORPORATION (2025)

[redacted]

ATTACHMENT 5

[________________________________]

(Formerly known as Legacy Health Foundation)

REVISED AND RESTATED BYLAWS (2025)

[redacted]

ATTACHMENT 6
FOUNDATION BOARD OF DIRECTORS

1. WHEREAS the Board of Directors of [______________] has adopted Amended and Restated Bylaws, which provide that directors shall serve a maximum of two consecutive three-year terms, and that by resolution the Board may stagger director terms so that not all of the directors' terms expire in the same year.

2. WHEREAS the Board wishes to elect directors and stagger director terms pursuant to the bylaws, now therefore be it

3. RESOLVED that effective [DATE] the Board of Directors shall be comprised of the following named individuals, whose terms shall be and hereby are assigned and staggered in the following manner:

Director Name	**Current Term**	**Current Term Ends**
Foundation 1	1	2025
Foundation 2	1	2026
Foundation 3	1	2027
Foundation 4	2	2027
Legacy 1	1	2025
Legacy 2	1	2026
Legacy 3	1	2027
Legacy 4	2	2026
Legacy 5	2	2027

EXHIBIT B

[__________________________]

(formerly known as Legacy Health Foundation)

DRAFT AMENDED AND RESTATED ARTICLES OF INCORPORATION (2024)

RESTATED NONPROFIT

ARTICLES OF INCORPORATION

OF

[______________________]

Pursuant to ORS 65.451, [____________________], formerly known as Legacy Health Foundation (the "corporation"), an Oregon nonprofit public benefit corporation, adopts the following Restated Articles of Incorporation, which supersede the existing Articles of Incorporation and all prior amendments thereto.

ARTICLE I

The name of the corporation is [____________________].

ARTICLE II

The corporation is a public benefit corporation.

ARTICLE III

The corporation is organized and shall be operated exclusively for charitable, scientific, and educational purposes permitted by Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the "Code"). The corporation shall have the specific purpose set forth in the Bylaws of the corporation.

ARTICLE IV

The corporation has no members.

ARTICLE V

Notwithstanding any other provision of these Articles of Incorporation, the corporation shall not carry on any activities not permitted to be carried on (a) by a corporation exempt from federal income taxation under Code Section 501(c)(3) and (b) by a corporation, contributions to which are deductible under Code Sections 170(c)(2), 2055(a)(2) and 2522(a)(2). No part of the net earnings of the corporation shall inure to the benefit of any private shareholder or individual. No substantial part of the activities of the corporation shall be carrying on propaganda, or otherwise attempting to influence legislation, and the corporation shall not participate in, or intervene in (including the publishing or distributing of statements), any political campaign on behalf of or in opposition to any candidate for public office.

ARTICLE VI

During any time that the corporation is classified as a "private foundation" as defined in Code Section 509, the corporation:

(a) shall not engage in any act of self-dealing as defined in Code Section 4941(d);

(b) shall distribute its income and, when necessary, amounts from principal at such time and in such manner as not to subject the corporation to the taxes on failure to distribute income imposed by Code Section 4942;

(c) shall not retain any excess business holdings as defined in Code Section 4943(c);

(d) shall not make any investments in such manner as to subject the corporation to the taxes on investments which jeopardize charitable purpose imposed by Code Section 4944; and

(e) shall not make any taxable expenditures as defined in Code Section 4945(d).

ARTICLE VII

Upon dissolution or final liquidation of the corporation, after the payment or provision for payment of all of the liabilities of the corporation, the remaining assets of the corporation shall be distributed to such organization or organizations as are then described in Code Sections 501(c)(3) or 170(c)(2), or to a state or local government (including OHSU, as an instrumentality of the State of Oregon) for a public purpose, as the board of directors shall determine.

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ARTICLE VIII

No director or uncompensated officer shall be personally liable to the corporation for monetary damages for conduct as a director or officer, provided that this Article shall not eliminate or limit the liability of a director or officer for any act or omission for which such elimination of liability is not permitted under the Oregon Nonprofit Corporation Act. No amendment to the Oregon Nonprofit Corporation Act that further limits the acts or omissions for which elimination of liability is permitted shall affect the liability of a director or officer for any act or omission which occurs prior to the effective date of the amendment.

ARTICLE IX

The corporation shall indemnify to the fullest extent permitted by the Oregon Nonprofit Corporation Act any person who is made, or threatened to be made, a party to an action, suit, or proceeding, whether civil, criminal, administrative, investigative, or otherwise (including an action, suit, or proceeding by or in the right of the corporation), by reason of the fact that the person is or was a director, officer, employee, or agent of the corporation. The corporation shall pay for or reimburse the reasonable expenses incurred by any such person in any such proceeding in advance of the final disposition after the board of directors has taken such action as required by ORS 65.404, including providing notice of the proposed indemnification to the Attorney General. No amendment to this Article that limits the corporation's obligation to indemnify any person shall have any effect on such obligation for any act or omission that occurs prior to the later of the effective date of the amendment or the date notice of the amendment is given to the person. This Article shall not be deemed exclusive of any other provisions for indemnification or advancement of expenses of directors, officers, employees, agents, and fiduciaries that may be allowable under any statute, bylaw, agreement, general or specific action of the board of directors.

ARTICLE X

All references in these Articles of Incorporation to sections of the Code, the Oregon Revised Statutes, or the Oregon Nonprofit Corporation Act shall be deemed to refer also to the corresponding provisions of any future federal tax or Oregon nonprofit corporation laws.

ARTICLE XI

The principal place of business is:

[Name]
[Street Address or PO Box]
[Address]

ARTICLE XII

The address to which notices may be mailed is :

[Name]
[Street Address or PO Box]
[Address]

ARTICLE XIII

In furtherance and not in limitation of the powers conferred by the laws of the State of Oregon, the Board of Directors is expressly authorized and empowered to adopt, amend and repeal the these Articles of Incorporation and/or the Bylaws of the corporation pursuant to an affirmative vote of the board of directors then in office; provided, however, that no such amendment of the Articles of Incorporation and/or the Bylaws of the corporation shall be inconsistent with the terms and conditions of that certain Grant Agreement by and between Legacy Health and the corporation, with OHSU as a third-party beneficiary thereto, made and entered into as of ____________.

I declare, under penalty of perjury, that this document does not fraudulently conceal, fraudulently obscure, fraudulently alter or otherwise misrepresent the identity of the person or any officers, directors, employees, or agents of the corporation. This filing has been examined by me and is, to the best of my knowledge and belief, true, correct, and complete. Making false statements in this document is against the law and may be penalized by fines, imprisonment, or both.

DATED: ____________________, 2025.

____

__________________________, Secretary

EXHIBIT C

[_________________________]

(formerly known as Legacy Health Foundation)

DRAFT AMENDED AND RESTATED BYLAWS (2024)

RESTATED BYLAWS

OF

[______________________________]

SECTION 1 PURPOSE, MISSION AND VISION

1.1 As set forth in the Articles of Incorporation of [______________________], formerly known as LEGACY HEALTH FOUNDATION, (the "corporation"), the purposes of the corporation are to be organized and operated exclusively for charitable, scientific, and educational purposes permitted by Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the "Code"). Subject to and in furtherance of the foregoing, and within such limits, and subject also to Section 7 of these bylaws, the purposes of the Corporation are (a) to operate as a grantmaking foundation so as to promote health (including physical, mental, and social determinants of health) and health equity in Oregon and Southwest Washington; and (b) to engage in such other acts or activities as may be permitted by nonprofit corporations under the Oregon Nonprofit Corporation Act in order to accomplish the purposes set forth in Article III of the corporation's Articles of Incorporation.

1.2 Consistent with the purposes of the corporation, the mission and vision of the corporation is for every member of the community served by the corporation to achieve their highest possible quality of health; and, in so doing, to create a legacy of generational health and well-being through purposeful and impactful investments.

SECTION 2 DIRECTORS

2.1 **Powers**. The board of directors (the "board") shall exercise, or delegate, or otherwise authorize the exercise of, all corporate powers and shall direct the management of the corporation's affairs, subject to any limitation set forth in the Articles of Incorporation. The board shall retain authority over an exercise of corporate powers that the board delegates or authorizes under this section.

2.2 **Qualifications**. All directors must be individuals 18 years of age or older. Directors need not be residents or citizens of the State of Oregon or of the United States of America. The board may establish written policies that include additional criteria for qualifications of directors and composition of the board.

2.3 **Number**. The board shall consist of a minimum of seven and a maximum of eighteen persons. The number of directors may be fixed or changed periodically within the minimum and maximum by the board.

2.4 Tenure of Office. Directors serve for terms of three years. Directors may serve for a maximum of two consecutive terms. By resolution, the board may divide the total number of directors into groups and otherwise arrange for terms to be staggered such that not all of the directors' terms expire in the same year.

2.5 Election. The board shall elect directors at its annual meeting, except as necessary to fill vacancies, including vacancies created by an increase in the number of directors. The term of a director elected at an annual meeting or during the year to fill a vacancy shall begin as of the date specified in the resolution to elect the director.

2.6 Resignation. A director may resign at any time by delivering written notice to the chair or the secretary. A resignation is effective when notice is effective under ORS 65.034 unless the notice specifies a later effective date. Once delivered, a notice of resignation is irrevocable unless revocation is approved by the board.

2.7 Removal. A director may be removed, at any time, with or without cause, by vote of a majority of the directors then in office at any meeting.

2.8 Vacancies. A vacancy or vacancies on the board shall exist if the number of directors in office is less than the maximum number or the number fixed by the board. A vacancy in the board may be filled by the board at any meeting. The term of a director elected during the year to fill a vacancy shall begin as of the date specified in the resolution to elect the director. Each director so elected shall hold office for an initial term specified in the resolution to elect the director, in order to arrange for terms to be staggered. If the board accepts the resignation of a director tendered to take effect at a future time, a successor may be elected to take office when the resignation becomes effective.

2.9 Executive Committee. The board may have an executive committee. The executive committee shall be composed of the chair, any vice chair, secretary, and treasurer; the board or the chair may also appoint at-large directors to serve on the executive committee. Only directors may be voting members of the executive committee. The chair shall preside at the executive committee meetings. Between meetings of the board, the executive committee shall have and exercise all the authority of the board in the management of affairs of the corporation, except as limited by Section 2.10. At least 24 hours' notice shall be required to convene a meeting of the executive committee.

2.10 Board Committees. In addition to an executive committee, the board may create one or more board committees that exercise the authority of the board. The creation of a board committee and either the appointment of directors to the board committee or the designation of a method of selecting board committee members must be approved by the board. Each board committee must consist of two or more directors, who serve at the pleasure of the board. Only a director may serve as a voting member of a board committee. Except as may be contemplated by resolution of the board, the provisions of these bylaws governing meetings, action without meetings, notice and waiver of notice, and quorum and voting requirements of the board shall apply to committees and their members as well. The board may delegate the authority of the board to a board committee; provided, however, no committee may:

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(a) Authorize distributions, provided that this restriction does not apply to payment of reasonable value for property received or services performed or payment that furthers the corporation's purposes;

(b) Approve dissolution, merger, or the sale, pledge, or transfer of all or substantially all of the corporation's assets;

(c) Elect, appoint, or remove directors or fill vacancies on the board or on any board committees; or

(d) Adopt, amend, or repeal the Articles of Incorporation or bylaws.

2.11 Advisory Committees. The board may create one or more advisory committees. The board may appoint individuals to serve on an advisory committee or specify a method for selecting members. Members of these committees need not be members of the board, but at least one director shall serve on each such committee. Advisory committees shall have no power to act on behalf of, or to exercise the authority of, the board, but may make recommendations to the board or to board committees and may implement board or board committee decisions and policies under the supervision and control of the board or a board committee.

2.12 Compensation. Directors may receive no more than reasonable compensation for service in their capacity as directors. A director may receive reimbursement of actual reasonable expenses incurred in carrying out their duties as a director. The board shall review and approve, on an annual basis, all compensation payable to directors.

2.13 Director Conflict of Interest. A conflict of interest transaction is a transaction with the corporation in which a director of the corporation has a direct or indirect interest, as defined in ORS 65.361. The board shall adopt a policy that (a) requires directors and officers to disclose any interest that constitutes or could result in a conflict of interest and (b) sets out procedures for reviewing and resolving such matters in accordance with law.

SECTION 3 OFFICERS

3.1 Designation. The officers of the corporation shall be a chair, a secretary, a treasurer, and may include one or more vice chairs, an executive director, and such other officers as the board shall appoint. The board shall elect the chair, vice chair, secretary, and treasurer from among the directors, and shall hire as the corporation's senior executive, an executive director. The same individual may not serve simultaneously as chair, vice chair, secretary, or treasurer.

3.2 Election; Term of Office. The board shall elect officers at its annual meeting. Officers shall serve for a term of one year or such other term as the board may designate and may be elected to any number of consecutive terms. The executive director shall serve in such office for as long as they are employed by the corporation as executive director.

3.3 Removal. Any officer may be removed, either with or without cause, at any time by action of the board.

3.4 Resignation. An officer may resign at any time by delivering notice to the board, the chair, or the secretary. A resignation is effective when the notice is effective under ORS 65.034 unless the notice specifies a later effective date. If a resignation specifies a later effective date and the corporation accepts the later effective date, the board may fill the pending vacancy before the effective date if the board provides that the successor does not take office until the effective date. Once delivered, a notice of resignation is irrevocable unless revocation is approved by the board.

3.5 Compensation. Officers may receive reasonable compensation for service in their capacity as officers. An officer may receive reimbursement of actual reasonable expenses incurred in carrying out their duties as an officer. The board shall review and approve, on an annual basis, all compensation payable to officers.

3.6 Chair. The chair shall preside at meetings of the board, shall serve as the chair of the executive committee, shall ensure that the board is advised on all significant matters of the corporation's business, and shall be responsible for overseeing the plans and directives of the board. The chair also shall have such other powers and perform such other duties as may be prescribed by the board.

3.7 Vice Chair. The vice chair, if any, shall preside at meetings of the board at which the chair is absent and in the absence of the chair shall have the other powers and perform the other duties of the chair. The vice chair also shall have such other powers and duties as may be prescribed by the board.

3.8 Secretary. The secretary shall oversee the preparation of minutes of meetings of the board and authenticate records of the corporation. The secretary shall keep or cause to be kept at the principal office or such other place as the board may order, the minutes of all board meetings. The secretary also shall have such other powers and perform such other duties as may be prescribed by the board. The board may appoint or authorize the appointment of an assistant who may perform such duties as are prescribed by the secretary or the board. The assistant, if any, need not be a member of the board.

3.9 Treasurer. The treasurer shall lead the board's oversight of the corporation's budgeting and planning process, financial performance, and financial condition. The treasurer shall keep and maintain, or cause to be kept and maintained, adequate and correct books and records of accounts of the assets and transactions of the corporation. The treasurer shall have such other powers and duties as may be prescribed by the board. The board may appoint or authorize the appointment of an assistant who may perform such duties as are prescribed by the treasurer or the board. The assistant, if any, need not be a member of the board.

3.10 Executive Director. The executive director, if any, shall serve at the pleasure of the board and shall, subject to the oversight of the board, have general supervision, direction and control of the business and affairs and day-to-day management of the corporation, with the

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executive powers and duties of management usually vested in the office of chief executive officer of a corporation. The executive director shall not, by virtue solely of their employment as executive director, be a member of the board, although they shall attend all board meetings unless excused by the chair.

SECTION 4 MEETINGS

4.1 Meetings. An annual meeting of the board shall be held during the fourth quarter of the year or at a time and place designated by the board. If the time and place of any other directors' meeting is regularly scheduled by the board in a manner that informs all directors of the time and place without additional notice, the meeting is a regular meeting. All other meetings are special meetings.

4.2 Virtual Participation. The board may permit any or all of the directors to participate in any meeting by using a means of communication by which each director participating in the meeting can communicate with all of the other directors simultaneously. A director participating in a meeting in accordance with this section is deemed present at the meeting.

4.3 Call and Notice of Meetings. Notice of regular meetings may be made by providing each director with the adopted schedule of regular meetings for the ensuing year, and without further notice of the date, time, place, or purpose of the meeting. The annual meeting must be preceded by at least ten days' notice, if given by first-class mail or private carrier, or 48 hours' notice, if delivered orally or electronically. Special meetings of the board must be preceded by at least 24 hours' notice and must be delivered orally or electronically. All notices must give the date, time, and place of the meeting. Except as specifically provided in these bylaws or applicable law, the notice need not describe the purposes of any meeting. The chair, the secretary, or one-third of the directors then in office may call and give notice of a meeting of the board.

4.4 Waiver of Notice. A director may at any time waive any notice required by these bylaws. A director's attendance at or participation in a meeting waives any required notice to the director of the meeting unless the director, at the beginning of the meeting, or promptly upon the director's arrival, objects to holding the meeting or transacting business at the meeting and does not thereafter vote for or assent to any action taken at the meeting. A written waiver must be signed and may be transmitted electronically. The waiver must specify the meeting for which the notice is waived and must be filed with the minutes or the corporate records.

4.5 Quorum. A quorum of the board shall consist of a majority of the number of directors in office immediately before the meeting begins. A director is considered present regardless of whether the director votes or abstains from voting.

4.6 Voting. If a quorum is present when a vote is taken, the affirmative vote of a majority of the directors present when the action is taken is the act of the board except to the

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extent that the Articles of Incorporation, these bylaws, or applicable law require the vote of a greater number of directors. Each director has one vote and may not vote by proxy.

4.7 Presumption of Assent. A director who is present at a meeting of the board is deemed to have assented to an action taken unless the director (a) dissents or abstains from the action and it is recorded in the minutes; (b) objects to holding or transacting business at the beginning of the meeting or promptly upon the director's arrival; or (c) delivers written notice of dissent or abstention to the presiding officer of the meeting before the meeting's adjournment or to the corporation immediately after the meeting adjourns. The right of dissent or abstention is not available to a director who votes in favor of the action taken.

4.8 Action Without Meeting: Vote by Email. The board may, without a meeting, use email or other electronic means to take action required or permitted to be taken at a board meeting if:

(a) The corporation has a record of an email address for each director;

(b) The corporation sends to the email address of each director an announcement that the board will take action, a description of the matter on which the board will take action, and a deadline of not less than 48 hours after the time the corporation sends the announcement in which a director may vote; and

(c) The majority of directors who hold office at the time vote in the affirmative, except to the extent that the Articles of Incorporation, these bylaws, or applicable law require the vote of a greater number of directors.

A director may change their vote at any time before the deadline set forth in the email announcement. The board's action is effective on the deadline specified in the email announcement unless the announcement specifies a different effective date or time. The corporation shall include the email announcement and a record of the directors' votes in corporate records reflecting the action that the board took.

4.9 Action Without Meeting: Unanimous Written Consent. Any action required or permitted to be taken at a board meeting may be taken without a meeting if the action is taken unanimously by all directors. The action must be evidenced by one or more written consents describing the action taken, signed by each director, and included in the minutes or filed with the corporate records reflecting the action taken. Action taken under this section is effective when the last director signs the consent unless the consent specifies an earlier or later effective date. For purposes of this section, an affirmative email sent by a director in response to a written consent is deemed to be a writing by the director. A unanimous written consent under this section has the effect of a meeting vote and may be described as a meeting vote in any document.

SECTION 5 NONDISCRIMINATION

The corporation shall not discriminate in providing services, hiring employees, or otherwise, upon the basis of gender, gender identity, race, creed, marital status, sexual orientation, religion, color, age, national origin, veteran status, or disability.

SECTION 6 GENERAL PROVISIONS

6.1 Amendment or Restatement of Bylaws. The board may amend or restate these bylaws at any time by majority vote of all of the directors then in office; provided, however, that no such amendment or restatement of these bylaws shall be inconsistent with the terms and conditions of that certain "Grant Agreement" by and between Legacy Health and the corporation, with the Oregon Health & Science University ("OHSU") as a third-party beneficiary thereto, made and entered into as of ____________. The date of approval of any amendment to the bylaws or a restatement of the bylaws shall be noted in the corporate records.

6.2 Inspection of Books and Records. All books, records, and accounts of the corporation shall be open to inspection by the directors in the manner and to the extent required by law.

6.3 Disbursements. All checks or other orders for payment of money shall be signed or endorsed by such person or persons and in such manner as the board may determine by resolution or policy.

6.4 Deposits. All funds of the corporation shall be deposited to the credit of the corporation in such banks, trust companies, or other depositories as the Board may authorize.

6.5 Loans or Guarantees. The corporation shall not borrow or lend money unless authorized by the board by resolution or policy. This authority may be general or confined to specific instances. Except as explicitly permitted by ORS 65.364, the corporation shall not make a loan, guarantee an obligation, or modify a pre-existing loan or guarantee to or for the benefit of a director or officer of the corporation.

6.6 Execution of Documents. The board may authorize any officer or agent to enter into any contract or execute any instrument in the name of and on behalf of the corporation. Such authority may be general or confined to specific instances. Unless so authorized by the board, no officer, agent, or employee shall have any power or authority to bind the corporation by any contract or engagement, or to pledge its credit, or to render it liable for any purpose or for any amount.

6.7 Insurance. The corporation may purchase and maintain insurance on behalf of an individual against liability asserted against or incurred by the individual who is or was a director, officer, employee, or agent of the corporation, or who, while a director, officer, employee, or agent of the corporation, is or was serving at the request of the corporation as a director, officer, partner, trustee, employee, or agent of another foreign or domestic business or nonprofit corporation, partnership, joint venture, trust, employee benefit plan, or other enterprise; provided, however, that the corporation may not purchase or maintain such insurance to indemnify any director, officer, or agent of the corporation in connection with any proceeding charging improper personal benefit to the director, officer, or agent in which the director, officer, or agent was adjudged liable on the basis that personal benefit was improperly received by the director, officer, or agent.

6.8 Fiscal Year. The fiscal year of the corporation shall begin on the first day of April and end on the last day of March in each year.

6.9 Severability. A determination that any provision of these bylaws is for any reason inapplicable, invalid, illegal, or otherwise ineffective shall not affect or invalidate any other provision of these bylaws.

SECTION 7 GRANTS ADMINISTRATION

7.1 Purpose of Grants. The corporation shall have the power to make grants and contributions and to render other financial assistance for the purposes expressed in its Articles of Incorporation and within such purpose, in accordance with any grant agreement to which the corporation is a party. Subject to the foregoing, the corporation may make grants (a) to or for the benefit of OHSU; (b) to or for the benefit of other non-profit hospital-based systems that are not in competition with OHSU; (c) to other non-profit hospital-based systems that are in competition with OHSU (as listed on Schedule 3.6(a) of that certain "System Combination Agreement" by and between Legacy Health and OHSU, as such list may be amended by mutual written agreement of the corporation and OHSU from time to time), but solely for the purpose of addressing community health needs; (d) to and for the benefit of other nonprofit and charitable organizations, tribes, government agencies, and educational institutions in support of the Foundation's mission and vision in Oregon and Southwest Washington; and (e) for program activities in furtherance of the corporation's mission, including but not limited to education, community outreach, convenings, technical assistance, and advocacy.

7.2 Restrictions on Grantmaking. In no event shall the corporation (a) make any grants to or for the benefit of organizations with primary focus and operations outside of Oregon and Southwest Washington or (b) make any grants to or for the benefit of any hospital-based system that is in competition with a system maintained by OHSU for purposes of engaging in activities that are competitive with such system of OHSU, in whole or in part, as opposed to the purpose of solely addressing community health needs.

* * * * *

The foregoing bylaws were duly adopted by the board of [____________________________] on __________________, 202_.

____
[Name], Secretary

Exhibit G

Transactions the Proceeds of Which are Excluded from the Calculation of the Initial Foundation Funding Amount

and

Exhibit H

Initial Foundation Funding Amount as of December 31, 2023

(See Attached)

[redacted]

[redacted]

[redacted] [redacted]

[redacted]

[redacted] [redacted]

[redacted]

[redacted] [redacted]

[redacted] [redacted]

[redacted]

[redacted] [redacted]

[redacted]

[redacted] [redacted]

[redacted]

[redacted] [redacted]

[redacted] [redacted]

[redacted] [redacted]

[redacted] [redacted]

[redacted]

[redacted] [redacted]

[redacted] [redacted]

[redacted] [redacted]

[redacted]

[redacted]

[redacted] [redacted]

[redacted]

Schedule 1

Legacy Health Knowledge Persons

President and Chief Executive Officer (currently Anna Loomis on an interim basis)

Chief Operating Officer (currently Jonathan Avery)

Chief Medical Officer (currently Melinda Muller, M.D.)

Chief People & Culture Officer (currently Lisa Goren)

Chief Information and Administration Officer (currently John Kenagy)

Advisor to Interim CEO (currently Kathryn Correia)

Schedule 2

OHSU Knowledge Persons

President (currently Danny Jacobs, MD)

CEO of OHSU Health (currently John Hunter, MD)

COO of OHSU Health (currently Joe Ness)

Chief Medical Officer (currently Renee Edwards, MD)

Chief People Officer (currently Qiana Williams)

Clinical Compliance Officer (currently Carmen Dobry)

Schedule 3

Legacy Health Entities

1. Legacy Health
2. Good Samaritan Foundation
3. Legacy Clinics, LLC
4. Legacy Connect, LLC
5. Legacy Emanuel Hospital & Health Center
6. Legacy Good Samaritan Hospital and Medical Center
7. Legacy Health Partners, LLC
8. Legacy Health Single Depository Entity, LLC
9. Legacy Health System Common Pay Company, LLC
10. Legacy Health System Insurance Company
11. Legacy Laboratory Services, LLC
12. Legacy Meridian Park Hospital
13. Legacy Mount Hood Medical Center
14. Legacy Outpatient Imaging, LLC
15. Legacy Salmon Creek Hospital
16. Legacy Visiting Nurse Association
17. Randall Children's Hospital Foundation
18. Salmon Creek Hospital Foundation
19. Silverton Health
20. Silverton Health Foundation

Schedule 3

OHSU Entities

<u>OHSU wholly-owned subsidiaries</u>

OHSU SoundSource, LLC

University Andrology Lab, LLC

OHSU Insurance Company, an Arizona corporation

OHSU Outpatient Clinical Services, LLC

University Anesthesiology Associates, LLC

Professional Medical Services, LLC

Bridges Collaborative Care Clinic, a public benefit non-profit

OHSU membership interests

OHSU Health IDS, LLC (OHSU holds a 60% interest in this member managed LLC)

Oregon Fiber Partnership, an Oregon public benefit corporation with members

OHSU-AH, LLC, a manager-managed Oregon LLC

Tuality Health Plan Services, a member public benefit corporation. OHSU is the sole corporate member. Remaining members are Oregon licensed physicians or healthcare providers.

<u>Foundations or Foundation Affiliates</u>

OHSU Foundation and OHSU Foundation, dba Doernbecher Children's Hospital Foundation, a 501(c)(3)

Oregon Rural Health Initiative**,** benefits the OHSU Foundation, OHSU, and Sky Lakes Medical Center, Inc. to support the construction of a new health care building on the campus of Sky lakes Medical Center and to advance the OHSU Campus for Rural Health. It is a 509(a)(3) entity.

Schedule 3.4.5

Existing Capital Projects

The Oregon Burn Center build out as described in the Legacy Emanual Medical Center West Tower Update materials. This project totaling approximately $30.321 million was subsequently approved by the Legacy Health System Board on May 16th, 2024.

Schedule 3.5.2

Working Capital

(See Attached)

[redacted]
$ thousands

Schedule 3.5.2 - Working Capital (cell L 55)

[redacted]

	Balance sheet as of: 12/31/2023	Net cash	Items included in Net Working Capital Calc.
Current assets:			
Cash and cash equivalents	233,236	[redacted]	
Short-term investments	-	-	
Accounts receivable from patients, net	381,197		[redacted]
Settlements recievable from third-party payors, net	31,776		[redacted]
Other recievables	84,641		[redacted]
Inventories	31,018		[redacted]
Prepaid expenses	30,752		[redacted]
Total current assets	**792,620**		
Assets limited to use	49,808	[redacted]	
(Less assets held by trustee as of 6/30)		[redacted]	
Property, plant and equipment, net	823,716		
Noncurrent investments	1,273,369	[redacted]	
Pension asset	37,717		
Investment in unconsolidated affiliates	378,014		
Other assets	137,916		
Total assets	**3,493,160**	[redacted]	
Current liabilities			
Accounts payable	92,069		[redacted]
Accrued wages, salaries and benefits	228,422		[redacted]
Accrued interest	2,502		[redacted]
Settlements payable to third-party payors, net	-		
Line of Credit			[redacted]
Other current liabilities	93,514		[redacted]
Current portion of long-term debt	14,467	[redacted]	
Total current liabilities	**430,974**		
Long-term debt, less current portion	729,989	[redacted]	
General and professional claims liability	35,801		
Other noncurrent liabilities	201,256		
Total long-term and other liabilities	**967,046**	[redacted]	[redacted]
Total liabilities	**1,398,020**		
Unrestricted net assets, controlling	1,995,597		
Unrestricted net assets, noncontrolling	19,072		
Restricted net assets	80,471		
Total net assets	**2,095,140**		
Total net assets and liabilities	**3,493,160**		

	FY23	LTM Dec 23
Total operating expenses	**2,764,402**	**2,805,987**
Depreciation expense	73,262	**72,300**
One Days' Cash		7,490
18 Days Cash		**134,812**

[redacted]

	Stub period expenses	
	Dec 23	Dec 22
Total	2,108,824	2,067,239
Dep exp	53,985	54,947

[redacted] LTM Dec 23 [redacted]

[redacted] Dec 23 Dec 22 [redacted]

Schedule 3.6(a)

OHSU Competitors

[redacted]

Schedule 3.6(b)

Legacy Health Foundation Restricted Words

Legacy

Good Samaritan

Emanuel

Silverton

Salmon Creek

Mt. Hood

Meridian Park

Medical Center

Randall

Devers

Hospital

Health System

OHSU

Oregon Health & Science University (or any derivation thereof)

Schedule 6.1

Legacy Health Pre-Closing Operations

[redacted]

Schedule 6.2

OHSU Pre-Closing Operations

None

Schedule 7.4

Material Approvals of any Government Entity Required of OSHU

This Schedule shall in no way supersede Sections 6.6.7 and 10.1.7 of this Agreement; thus, and only by way of example, any condition or group of conditions imposed by any Government Entity may be (i) determined to be a Restrictive Government Obligation Determination pursuant to Section 6.6.7 of this Agreement, or (ii) determined to be a Material Restrictive Government Obligation Determination pursuant to Section 6.6.7 of this Agreement.

- Oregon Health Authority's ("**OHA**") approval or approval with conditions—either following preliminary review or following comprehensive review—of the material change transaction described in the Agreement to the extent required by the OHA Health Care Market Oversight ("**HCMO**") process.

- Any approval of or notice to OHA or the Washington Department of Health ("**Washington DOH**") required by any Health Care Law to execute this Agreement, but only as regards the Permit issued by OHA or Washington DOH to operate any hospital controlled by Legacy Health.

- The granting by the Washington DOH of a certificate of need ("**CON**") for the sale, purchase, or lease of Salmon Creek Hospital pursuant to the Agreement, or a determination by the Washington DOH that the same is not required for the transaction contemplated in this Agreement.

- Notice of the Transactions to the Washington State Attorney General (the "**WAG**") as required by the WAG, and any supplemental information requested in connection therewith, as required by Chapter 19.390 of the Revised Code of Washington.

Schedule 7.5

Material Approvals of any Government Entity Required of Legacy Health

This Schedule shall in no way supersede Sections 6.6.7 and 10.1.7 of this Agreement; thus, and only by way of example, any condition or group of conditions imposed by any Government Entity may be (i) determined to be a Restrictive Government Obligation Determination pursuant to Section 6.6.7 of this Agreement, or (ii) determined to be a Material Restrictive Government Obligation Determination pursuant to Section 6.6.7 of this Agreement.

- Oregon Health Authority's ("**OHA**") approval or approval with conditions—either following preliminary review or following comprehensive review—of the material change transaction described in the Agreement.

- Any approval of or notice to OHA or the Washington Department of Health ("**Washington DOH**") required by any Health Care Law to execute the Agreement, but only as regards the Permit issued by OHA or Washington DOH to operate any hospital controlled by Legacy Health.

- The granting by the Washington DOH of a certificate of need ("**CON**") for the sale, purchase, or lease of Salmon Creek Hospital pursuant to the Agreement, or a determination by the Washington DOH that the same is not required for the transaction contemplated in this Agreement.

- Notice of the Transactions to the Washington State Attorney General (the "**WAG**") as required by the WAG, and any supplemental information requested in connection therewith, as required by Chapter 19.390 of the Revised Code of Washington.

- OHA approval of a Form A Statement Regarding the Acquisition or Control of or Merger with a Coordinated Care Organization or Form D, Prior Notice of a Transaction related to PacificSource, as applicable.

- Department of Consumer and Business Services approval of a Form A Statement Regarding the Acquisition or Control of or Merger with a Domestic Insurer or Form D Prior Notice of a Transaction related to PacificSource, as applicable.

Schedule 7.6

Required Consents

[redacted]

[redacted]

GOVERNANCE MATTERS AGREEMENT

by and between

OREGON HEALTH & SCIENCE UNIVERSITY

and

LEGACY HEALTH

May 30, 2024

GOVERNANCE MATTERS AGREEMENT

THIS GOVERNANCE MATTERS AGREEMENT (this "**Agreement**") is made and entered into as of May 30, 2024 (the "**Execution Date**"), by and between **OREGON HEALTH & SCIENCE UNIVERSITY**, an Oregon statutory public corporation ("**OHSU**") and **LEGACY HEALTH**, an Oregon nonprofit corporation ("**Legacy Health**"). Each of OHSU and Legacy Health may be referred to throughout this Agreement individually as a "**Party**" and collectively as the "**Parties**." Capitalized terms used but not defined herein shall have the meanings given to them in the Combination Agreement (defined below). The Parties hereby expressly acknowledge and agree that following the Closing, Legacy Health Foundation, an Oregon nonprofit corporation (the "**Foundation**") shall be an express third party beneficiary of this Agreement, and be entitled to all rights and benefits as set forth herein.

WHEREAS, OHSU and Legacy Health have entered into that certain System Combination Agreement (the "**Combination Agreement**"), dated as of the Execution Date, pursuant to which, as of the Effective Time (as defined in the Combination Agreement): (a) OHSU will become the sole corporate member of Legacy Health and, indirectly, of all of Legacy Health's wholly owned subsidiaries, with the right to appoint and remove the members of the Board of Legacy Health and its subsidiary boards; and (b) OHSU shall have such reserved and other rights and authorities with respect to Legacy Health as are provided under the terms of the Combination Agreement (and related agreements or documents entered into in connection therewith); and

WHEREAS, as a result of the Transactions: (a) OHSU shall be the ultimate corporate parent of the combined OHSU and Legacy Health healthcare systems (the "**OHSU System**" or the "**Health System**"); and (b) the Boards of each Legacy Health Entity will transition to be advisory (retaining only such direct authorities as mandated by Legal Requirements); and

WHEREAS, the OHSU Board (defined below) will consist of eleven (11) members pursuant to Oregon law, all of whom are appointed by the Governor, in the Governor's sole discretion, subject to confirmation by the Oregon Senate; provided, that pursuant to Oregon law, seven (7) members of the OHSU Board are at-large appointments and the other four (4) members are required to be an OHSU student, an OHSU faculty member, an OHSU staff member and the OHSU President; and

WHEREAS, the OHSU Board of Directors (the "**OHSU Board**") has ultimate governance authority over OHSU, its subsidiary legal entities and their respective operations (which shall include the entire combined Health System as of the Effective Time); and

WHEREAS, in making appointments to the OHSU Board, Oregon Governors consider the needs of the people of the State of Oregon and OHSU's tripartite missions and have historically requested a list of candidates for consideration; and

WHEREAS, the Parties believe that Governors of the State of Oregon may wish to consider OHSU Board candidates who have insight or experience with community health systems or with Legacy Health in order to successfully integrate the combined system; and

WHEREAS, the OHSU Board has delegated to the OHSU President certain governance authority over the operations of the clinical components of the OHSU enterprise (which shall include the entire combined Health System as of the Effective Time) and the OHSU President has further delegated authority with respect to all professional staff privileging and quality assurance/performance improvement at all Health System divisions and licensed facilities (which shall include the entire combined Health System as of the Effective Time) to a health system board (the "**Health System Board**"); and

WHEREAS, in connection with the Transactions, the Parties desire to: (a) give the Foundation the right to identify individuals for the Governor's consideration to fill certain vacancies on the OHSU Board in order to maintain important skills and experience as the combined system is integrated; and (b) reconstitute the Health System Board, in each case on the terms and subject to the conditions set forth in this Agreement and the Combination Agreement.

NOW, THEREFORE, in consideration of the respective agreements, covenants, representations and warranties of the Parties set forth herein, and in consideration of the respective agreements, covenants, representations and warranties set forth in the Combination Agreement and other Transaction Documents, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereto, intending to be legally bound, agree as follows:

1. OHSU BOARD NOMINATIONS.

1.1 Process for Identification of Candidates for Certain Upcoming OHSU Board Vacancies. Conditioned on the Closing having occurred, for the shorter of (i) ten (10) years following Closing or (ii) such time when three (3) nominees of the Foundation governing body ("**Foundation Board**") have been appointed and confirmed to sit on the OHSU Board (collectively, the "**Recommended Nominee Period**"), as vacancies following the Closing arise on the OHSU Board from seats appointed by the Governor (and not reserved to the OHSU President, an OHSU faculty member, staff member or student), OHSU shall include in its list of potential nominees recommended to the Governor to fill such vacancies Foundation Nominees representing at least two thirds (2/3rds) of all individuals included on such list of potential nominations unless the Foundation Board determines to provide less than such number of Foundation Nominees for a particular vacancy. A "**Foundation Nominee**" is an individual provided to OHSU by the Foundation Board (based on the determination of a majority of the then-current members of the Foundation Board and subject to the requirements of Section 1.3). For avoidance of doubt, OHSU shall be under no obligation after the Recommended Nominee Period to recommend to the Governor individuals to serve on the OHSU Board who are nominated by the Foundation Board or any other individual or entity.

1.2 "Vacancy" Defined. For purposes of Section 1.1, a "vacancy" in a Governor-appointed seat on the OHSU Board occurs only when (i) a current OHSU Board member is not eligible for reappointment because he or she has served two (2) full terms or is otherwise ineligible for reappointment under law; or (ii) the Governor declines to reappoint a current OHSU Board member; or (iii) a current OHSU Board member resigns or is no longer able to serve due to illness or death. For these purposes a "current OHSU Board member" means an OHSU Board member serving on the OHSU Board as of the date of determination.

1.3 Cooperation. While OHSU remains obligated, pursuant to Section 1.1, to recommend Foundation Board nominees to the Governor to fill OHSU Board vacancies, the Foundation Board and OHSU shall work cooperatively to identify Foundation Board nominees for the OHSU Board who will meet any criteria for appointment that the Governor indicates will be necessary or desired. The Parties shall work cooperatively to ensure that the nominees identified by the Foundation Board are independent from PacificSource's interests in that such nominee does not then serve as a director, officer or employee of PacificSource or any of its subsidiaries. If appointed, each nominee shall be subject to all laws and regulations applicable to members of Oregon's public bodies, including the Oregon Code of Ethics and shall have fiduciary obligations to OHSU and the people of the State of Oregon in the same manner as any other member of the OHSU Board.

1.4 Governor Not Bound. The Parties acknowledge that the Governor is not obligated to accept OHSU's recommendations, so there is no guarantee that any of the nominees to the OHSU Board that are put forth by the Foundation Board pursuant to Section 1.1 will be appointed by the Governor to the OHSU Board.

1.5 OHSU Board Committees. The Parties acknowledge and agree that, as is the case for all OHSU Board members, any Foundation Board nominees who ultimately are appointed and confirmed to serve on the OHSU Board shall also serve on one or more OHSU Board committees, which may exist or be created from time to time.

2. HEALTH SYSTEM BOARD.

2.1 Delegation of Certain Authorities to the Health System Board.

2.1.1 The Parties acknowledge and agree that the Health System Board exists solely by virtue of the delegation by the OHSU Board to the President, and the further delegation by the President to the Health System Board, of authority with respect to professional staff privileging and quality assurance/performance improvement at all Health System divisions and licensed facilities (which shall include the entire combined Health System as of the Effective Time) and that such delegations may be revoked at any time. Notwithstanding the foregoing, OHSU represents and warrants that it is not aware of any present intention of the OHSU Board, or any members thereof, to revoke after Closing any authorities of the Health System Board set forth in this Agreement and in the Exhibits hereto.

2.1.2 In the event the authorities of the Health System Board are revoked within the earlier of, (a) six (6) years following the Closing; or (b) the date the Capital Commitment has been fully expended or earmarked, a new committee advisory to the OHSU Board (the "**OHSU Health System Committee**") composed initially solely of appointees from the Foundation (other than the OHSU President, who shall serve on such committee ex-officio, without vote, and shall Chair such committee) shall be established at the time of such revocation and such committee shall have all of the rights and authorities of the Health System Board set forth in Sections 2.2.3 and 2.2.4 below (except for the provisions in Section 2.2.4 to the extent such provisions provide for access to all information reasonably appropriate for purposes of discharging the authorities set forth in Section 2.2.2).

2.1.3 In the event the OHSU Health System Committee is established, then in addition to the provisions of Sections 2.2.3 and 2.2.4 that apply to such committee pursuant to Section 2.1.2: (i) the provisions of Section 2.2.1 shall apply but all references in Section 2.2.1 (and in Exhibits A and B) to the "Health System Board" shall be deemed to be references to the "OHSU Health System Committee"; (ii) until the sixth (6^{th}) anniversary following the Closing or the date the Capital Commitment is fully spent or fully earmarked for spending on specific projects, whichever is earlier (i.e., six (6) years, unless the Capital Commitment amount is fully spent or fully earmarked for spending on specific projects more quickly), the OHSU Health System Committee shall have six (6) voting members comprised solely of appointees from the Foundation (who need not be members of the OHSU Board), each of whom who may be appointed by the Foundation at its discretion and for whatever terms (and pursuant to whatever replacement processes) and for whatever positions (other than Chair) the Foundation may establish in its discretion; (iii) for avoidance of doubt, the provisions of Sections 2.2.5, 2.2.7, 2.2.8 and 2.2.10 shall not apply; and (iv) notwithstanding the provisions of clause (ii), above, and the inapplicability of Section 2.2.9, the OHSU Health System Committee appointees shall support the objectives of DEIB (as defined below) and shall incorporate those principles in the selection of the OHSU Health System Committee appointees.

2.1.4 The Parties acknowledge and agree that after the sixth (6^{th}) anniversary following the Closing or the date the Capital Commitment is fully spent or fully earmarked for spending on specific projects, whichever is earlier (i.e., six (6) years, unless the Capital Commitment amount is fully spent or fully earmarked for spending on specific projects more quickly), the Bylaws and the Charter of the OHSU Health System Committee (if established) may be amended by the OHSU Board, and the composition, authorities and operations of the OHSU Health System Committee may change as a result, or the OHSU Health System Committee may be disbanded.

2.1.5 The Parties further acknowledge that neither the Health System Board nor the OHSU Health System Committee (if established) shall have any authority to act or bind OHSU as a public corporation and that the OHSU Board remains the public body of OHSU as a public corporation of the State of Oregon.

2.2 Reconstitution of Health System Board. Conditioned on, and upon, the Closing having occurred:

2.2.1 The Health System Board shall be reconstituted, and a new Health System Board Charter (the "**Charter**"), substantially in the form attached as Exhibit A, as well as new Health System Board Bylaws, substantially in the form attached as Exhibit B, shall become effective and shall govern the operation of the Health System Board. The Charter and Bylaws shall set forth the authorities of the Health System Board. The Charter and Bylaws may be amended by the OHSU Board but shall not be amended without the consent of the Health System Board until the earlier of (a) six (6) years following the Closing; or (b) the date the Capital Commitment has been fully expended or earmarked.

2.2.2 The reconstituted Health System Board shall have delegated governance authority solely over professional staff privileging and quality assurance/performance improvement at all Health System divisions and licensed facilities (which shall include the entire combined Health System as of the Effective Time).

2.2.3 The reconstituted Health System Board also shall make non-binding recommendations to the OHSU Board with respect to Health System strategy and proposed Health System expenditures (including expenditures of the Capital Commitment). The Health System Board shall present its recommendations on proposed Health System expenditures to the OHSU Board annually in a private meeting to the extent consistent with Oregon Public Meetings Law, prior to the adoption by the OHSU Board of the annual Health System budget. The Health System Board shall present its recommendations on strategy to the OHSU Board at regular intervals throughout the year in private meetings, to the extent consistent with Oregon Public Meetings Law.

2.2.4 The Health System Board shall hold regular meetings and have access to all information reasonably appropriate for purposes of discharging the authorities set forth in Section 2.2.2 and making the recommendations set forth in Section 2.2.3. The Health System Board also shall be invited to have representatives participate in and provide feedback to hiring panels tasked with hiring the Health System's Chief Executive Officer (the "**CEO**"), and for any hiring of a CEO prior to the Closing Date, OHSU and Legacy Health shall follow the uncompleted portion of the process set forth at Exhibit C hereto.

2.2.5 The reconstituted Health System Board shall be comprised of eleven (11) members, six (6) of whom shall be appointed by a majority of the Board of Directors of Legacy Health no later than thirty (30) days prior to the anticipated Closing Date with such appointment effective upon the Closing (the "**Legacy Appointees**") and five (5) of whom shall be appointed by the OHSU Board (the "**OHSU Appointees**"). The OHSU Appointees may include, without limitation, current members of the OHSU Board and shall include the OHSU President (ex-officio with vote).

2.2.6 The OHSU President shall be the Chair of the reconstituted Health System Board. A Vice-Chair of the reconstituted Health System Board shall be appointed by a majority of the members of the Health System Board.

2.2.7 Three (3) of the Legacy Appointees shall have initial terms of one (1) year and three (3) of the Legacy Appointees shall have initial terms of two (2) years. Of the OHSU

Appointees other than the OHSU President, two (2) shall have initial terms of one (1) year and two (2) shall have initial terms of two (2) years. No later than thirty (30) days prior to the anticipated Closing Date, Legacy Health shall provide OHSU with a list of the Legacy Appointees and the initial terms of each, and OHSU shall provide Legacy Health with a list of the OHSU Appointees and the initial terms of each (excluding the OHSU President). Following the initial terms, all Health System Board members other than the OHSU President shall have two (2) year terms. Health System Board members shall be eligible for reappointment and other than the OHSU President may serve a maximum of three (3) consecutive terms (except that the initial term shall not be counted toward that maximum for those Health System Board members who have an initial one (1) year term).

2.2.8 Following the expiration of each Legacy Appointee's initial term, or such Legacy Appointee's earlier death, resignation or permitted removal, the vacancy shall be filled by an individual identified and approved by a vote of the Legacy Appointees whose terms are not expiring. Following the expiration of each OHSU Appointee's initial term, or such OHSU Appointee's earlier death, resignation or permitted removal, the vacancy shall be filled by an individual identified and approved by a vote of the OHSU Appointees whose terms are not expiring. This process shall continue until the sixth (6^{th}) anniversary following the Closing or the date the Capital Commitment is fully spent or fully earmarked for spending on specific projects, whichever is earlier (i.e., six (6) years, unless the Capital Commitment amount is fully spent or fully earmarked for spending on specific projects more quickly). At such time, any subsequent vacancies on the Health System Board shall be filled by a vote of the entire Health System Board (i.e., the Health System Board then shall become self-perpetuating).

2.2.9 The Parties support the objectives of diversity, equity, inclusion and belonging ("**DEIB**") and each of OHSU and Legacy Health intend to incorporate these principles in the selection of their respective initial Health System Board appointees. The Parties intend that the Health System Board, once self-perpetuating, will continue to promote DEIB objectives in its selection of new Health System Board members (as well as ensuring that all new Health System Board members meet the qualifications for membership set forth in the Charter and/or Bylaws).

2.2.10 The Health System Board will have customary standing committees (the "**Committees**"), including a Nominating Committee (to identify potential new members), a Quality/Safety Committee and a Credentialing Committee. The composition and specific responsibilities and authorities of each Committee shall be as set forth in the Bylaws. The initial composition of each Committee shall be agreed upon by OHSU and Legacy Health no later than thirty (30) days prior to the anticipated Closing Date. The Parties agree that each Committee shall initially be comprised of an equal number of Legacy Health appointees and OHSU appointees.

2.3 Limitations on Health System Board Authority. All governance authority for the Health System not enumerated in Section 2.2.2 will reside with the OHSU Board (as the governing body for the Health System) or with the OHSU President through delegation from the OHSU Board. For avoidance of doubt, the reconstituted Health System Board shall not have any governance authority over (nor any role with respect to) the education, training or research activities of OHSU. Notwithstanding anything to the contrary set forth in this Agreement, the

Health System Board shall be entitled to and invited to give significant input to OHSU management and the OHSU Board with respect to their determination in areas of overlapping/competing objectives as to which joint ventures and business relationships to prioritize based upon the degree to which they are accretive to the combined Health System's overall objectives, without regard to whether Legacy Health or OHSU (or either of their respective subsidiaries) was the original party to such joint ventures and/or business relationships, as such rights of OHSU Management and the OHSU Board are set forth in Section 1.2. of the Combination Agreement.

2.4 OHSU Board Reserved Powers. Without limiting the provisions of Section 2.3, and subject to Sections 2.2.2 and 2.2.3, the OHSU Board directly shall have the following authorities with respect to the Health System: (a) the approval of all operating and capital budgets; (b) the adoption of all strategic plans; (c) amendments to the governance documents of OHSU (subject to OHSU's enabling legislation) or any subsidiary legal entity, or any change to the corporate purposes of OHSU (subject to OHSU's enabling legislation) or any subsidiary legal entity; (d) the right to appoint and remove the OHSU President; (e) the approval of new borrowings by any Health System entity; (f) the approval of any material acquisitions, divestitures or joint ventures; (g) the approval of any new lines of business or the discontinuation of then-current lines of business; (h) the creation of new subsidiaries; (i) any significant new affiliations and any dis-affiliations; (j) any decision to merge with or into another system; (k) any decision to dissolve a Health System legal entity or change its legal form or tax status; (l) the right to require Health System entities to participate in a range of centralized corporate services and programs; (m) except as set forth in this Agreement or in the Bylaws or Charter, any amendments to the Bylaws or Charter; (n) any other powers mandated by law; and (o) any other powers customary for the governing body of a health system and not delegated to the OHSU President or delegated pursuant to Section 2.2.2 to the Health System Board.

3. HEALTH SYSTEM MANAGEMENT.

3.1 Managerial Authority of OHSU President. The Parties acknowledge and agree that the OHSU President shall continue after the Closing to have managerial authority over all of OHSU and its tripartite missions of education, patient care and research, subject to the authority of the Health System Board with respect to certain matters as set forth in Section 2.2.2 and the recommendations of the Health System Board with respect to certain matters as set forth in Section 2.2.3, and subject to the oversight of the OHSU Board (and subject also to any authorities and constraints set forth in OHSU's enabling legislation). The Parties further acknowledge that the OHSU President can be replaced only by the OHSU Board.

3.2 Health System Chief Executive Officer. On and after the Effective Time, the Health System CEO will be an Executive Vice President of OHSU and will be appointed by the OHSU President. The CEO will have authority over the day-to-day operations of the entire Health System clinical enterprise, including all clinical divisions. The CEO will report to the OHSU President.

3.3 Health System Senior Vice Presidents. On and after the Effective Time, each of the Regional and Ambulatory Division and Portland Division of the Health System shall be led by a Senior Vice President for that division, who shall be appointed by the CEO, subject to the provisions of Section 3.4 and who shall report to the CEO.

3.4 Removal/Replacement of Senior Health System Executives. On and after the Effective Time, the OHSU President may replace the CEO, the Senior Vice Presidents and other Health System "C-Suite" executives at any time, subject to any contractual rights such executives may have. The CEO also may replace the Senior Vice Presidents and other non-CEO "C-Suite" executives at any time, subject to any contractual rights such executives may have.

4. DISPUTE RESOLUTION.

4.1 Disputes. In the event of any dispute between the Parties, the following process shall be followed. For purposes of the processes set forth in this Section 4.1 and in Section 4.2, following the Closing the Foundation shall have and exercise all rights, and be entitled to all benefits, of Legacy Health.

4.1.1 The Parties shall attempt in good faith to resolve any dispute within sixty (60) days of a Party's first written notification of the dispute. The written notification shall be authorized by action of the complaining Party's Board (which, after the Closing, shall be the Foundation's Board with respect to Legacy Health), and shall include a clear written statement of the dispute. The Parties' respective executives shall meet and use good faith efforts to resolve the matter.

4.1.2 If the Parties' respective executives are unable to resolve a dispute within such sixty (60) day period, either Party may escalate the dispute to the full OHSU Board which shall attempt in good faith to work with OHSU management and the Legacy Health Board (or, after the Closing, the Foundation Board on behalf of Legacy Health) to resolve the dispute for an additional sixty (60) days.

4.1.3 If the OHSU Board is unable to resolve the dispute to the mutual satisfaction of OHSU and Legacy Health (or, after the Closing, the Foundation on behalf of Legacy Health) within such sixty (60) day period, either Party may pursue any other means of resolving the dispute, except that any proceeding brought in a court of law must be done so in accordance with Section 4.1.4 below.

4.1.4

4.1.4.1 ANY LEGAL SUIT, ACTION OR PROCEEDING PURSUED BY A PARTY PURSUANT TO SECTION 4.1.3 SHALL BE INSTITUTED IN THE FEDERAL COURTS OF THE UNITED STATES OF AMERICA OR THE COURTS OF THE STATE OF OREGON IN EACH CASE LOCATED IN THE CITY OF PORTLAND AND COUNTY OF MULTNOMAH, AND EACH PARTY IRREVOCABLY SUBMITS TO THE EXCLUSIVE JURISDICTION OF SUCH COURTS IN ANY SUCH SUIT, ACTION OR

PROCEEDING. SERVICE OF PROCESS, SUMMONS, NOTICE OR OTHER DOCUMENT BY MAIL TO SUCH PARTY'S ADDRESS SET FORTH HEREIN SHALL BE EFFECTIVE SERVICE OF PROCESS FOR ANY SUIT, ACTION OR OTHER PROCEEDING BROUGHT IN ANY SUCH COURT. THE PARTIES IRREVOCABLY AND UNCONDITIONALLY WAIVE ANY OBJECTION TO THE LAYING OF VENUE OF ANY SUIT, ACTION OR PROCEEDING IN SUCH COURTS AND IRREVOCABLY WAIVE AND AGREE NOT TO PLEAD OR CLAIM IN ANY SUCH COURT THAT ANY SUCH SUIT, ACTION OR PROCEEDING BROUGHT IN ANY SUCH COURT HAS BEEN BROUGHT IN AN INCONVENIENT FORUM.

4.1.4.2 EACH PARTY ACKNOWLEDGES AND AGREES THAT ANY LEGAL SUIT, ACTION OR PROCEEDING PURSUED BY A PARTY PURSUANT TO SECTIONS 4.1.3 AND 4.1.4.1 IS LIKELY TO INVOLVE COMPLICATED AND DIFFICULT ISSUES AND, THEREFORE, EACH SUCH PARTY IRREVOCABLY AND UNCONDITIONALLY WAIVES ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY SUCH LEGAL SUIT, ACTION OR PROCEEDING. EACH CERTIFIES AND ACKNOWLEDGES THAT (A) NO REPRESENTATIVE OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT SEEK TO ENFORCE THE FOREGOING WAIVER IN THE EVENT OF A LEGAL SUIT, ACTION OR PROCEEDING, (B) SUCH PARTY HAS CONSIDERED THE IMPLICATIONS OF THIS WAIVER, (C) SUCH PARTY MAKES THIS WAIVER VOLUNTARILY, AND (D) SUCH PARTY HAS BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION.

4.1.5 The Parties hereby acknowledge and agree that nothing in this Agreement shall be deemed to limit, restrict, waive or terminate any rights of notice or redress of any Party existing under applicable Legal Requirements with any governmental agency, bureau, commission or department.

4.2 Equitable Relief. Notwithstanding anything to the contrary in this Agreement, the Parties acknowledge that a breach or threatened breach of this Agreement by a Party would cause the non-breaching Party to suffer immediate and irreparable harm which could not be fully remedied with the payment of monetary damages. As such, in addition to any other remedies available, the non-breaching Party shall be entitled to specific performance, preliminary and permanent injunctive relief, and other available equitable remedies to prevent, restrain or cure a breach or threatened breach of this Agreement by the other Party, either pending or following a trial on the merits, without the need to post bond or other security. For avoidance of doubt, any Party may seek to obtain injunctive (but not other) relief to prevent a threatened or ongoing breach of this Agreement without first pursuing the dispute resolution process set forth in Section 4.1.

4.3 Exclusive Process and Remedies. THE PARTIES AGREE THAT THE PROCEDURES SET FORTH IN THIS ARTICLE 4 SHALL BE THE SOLE AND EXCLUSIVE PROCEDURES FOR RESOLVING DISPUTES ARISING UNDER THIS AGREEMENT.

5. EFFECTIVE TIME AND TERMINATION.

5.1 Effectiveness. The provisions of Articles 1 through 3 and Exhibits A and B of this Agreement are conditioned upon the Closing having occurred. The provisions of Articles 4 through 6 of this Agreement are effective as of the Execution Date.

5.2 Termination. This Agreement shall terminate immediately and automatically upon the termination of the Combination Agreement for any reason.

5.3 Survival. In the event of termination of this Agreement for any reason, the following provisions shall survive: Section 5.3 and Sections 6.1 through 6.10.

6. MISCELLANEOUS.

6.1 Choice of Law. The Parties agree that this Agreement shall be governed by and construed in accordance with the laws of the State of Oregon without regard to conflict of laws principles.

6.2 Assignment. Subject to any provisions herein to the contrary, this Agreement shall inure to the benefit of and be binding upon the Parties hereto and their respective legal representatives, successors, and permitted assigns. No Party may assign this Agreement without the prior written consent of the other Parties, and any such purported assignment shall be void. For purposes of granting or withholding consent to assignment under this Section 6.2, following the Closing the Foundation shall have and exercise all rights, and be entitled to all benefits, of Legacy Health under this Agreement.

6.3 Confidentiality.

6.3.1 Notwithstanding anything herein to the contrary, the Parties acknowledge that OHSU is a public corporation and is subject to the Oregon Public Records Law (ORS 192), and any information given by a Party to OHSU, including, without limitation, the terms and conditions of this Agreement is a public record and may be subject to disclosure under the Oregon Public Records Law. Subject to the forgoing, each Party shall hold, and shall use its commercially reasonable efforts to cause its Affiliates, and their respective officers, directors, employees and agents to hold, in strict confidence from any Person, unless (a) such disclosure is mandated by Legal Requirements, or (b) disclosed in an action or proceeding brought by a Party in pursuit of its rights or in the exercise of its remedies hereby, all documents and information concerning any other Party or any of its Affiliates (collectively, "**Confidential Information**") furnished to it by such other Party or such other Party's officers, directors and agents in connection with this Agreement or the Transactions, except to the extent that such documents or information can be shown to have been (i) previously known by the Party receiving such documents or information, (ii) in the public domain (either prior to or after the furnishing of such documents or information hereby) through no fault of such receiving Party, or (iii) later acquired by the receiving Party from another source if the receiving Party is not aware that such source is under an obligation to another Party to keep such documents and information confidential; provided, however, that following the

Closing the foregoing restrictions shall not apply to OHSU's or any of its Affiliates' use of Confidential Information concerning the Legacy Health Entities (noting that the Foundation shall not be a Legacy Health Entity) furnished by or on behalf of the Legacy Health Entities (noting that the Foundation shall not be a Legacy Health Entity). For avoidance of doubt, the Parties acknowledge and agree that all Confidential Information of a Party constitutes sensitive business records of that Party and, moreover, this Agreement is a sensitive business record of each Party and therefore shall be deemed to be Confidential Information of each Party. If a Party receives a request, pursuant to any Legal Requirements, for disclosure of another Party's Confidential Information, and the Party receiving the request is permitted to do so, the Party receiving the request shall provide the Party whose Confidential Information is being sought with prior prompt written notice of the request and allow the Party whose Confidential Information is being sought, at its sole expense, to seek a restraining order or other appropriate relief provided, but only to the extent such attempts do not result in any Party violating its legal obligations. In the event the Transactions are not consummated, upon the request of any other Party, each Party shall, and shall cause its Affiliates, promptly (and in no event later than five (5) days after such request) to redeliver or cause to be redelivered all copies of Confidential Information furnished by the requesting Party in connection with this Agreement or the Transactions and destroy or cause to be destroyed all notes, memoranda, summaries, analyses, compilations and other writings related thereto or based thereon prepared by the Party that was furnished such Confidential Information or its officers, directors and agents; provided, however, that any of the foregoing Confidential Information may be retained (x) by any Party as necessary or appropriate to satisfy any applicable Legal Requirement; or (y) in the files of any Party's outside counsel as long as such Confidential Information is restricted from access by such Party (other than the outside counsel), provided, that such Party may have access to these documents in the case of any dispute between the Parties regarding the enforcement of any provision of this Agreement; and (z) in an archived computer system backup in accordance with such Party's security and/or disaster recovery procedures, and such Party may retain one copy of all Confidential Information prepared for archival or record retention purposes; and provided, further, that in each case under clauses (x), (y) and/or (z), such Confidential Information shall continue to be subject to the confidentiality terms of this Agreement, including those set forth in this Section 6.3. Notwithstanding the redelivery or destruction of Confidential Information, the Party originally receiving such Confidential Information shall continue to be bound by its obligations of confidentiality under this Agreement, including those set forth in this Section 6.3.

6.4 Waiver of Breach. Any term, covenant or condition herein may be waived at any time by a Party entitled to the benefit thereof, but only by a written notice signed by an authorized officer of such Party. The failure to enforce or the waiver by any Party of a term, provision or breach or violation of any provision of this Agreement shall not operate as, or be construed to constitute, a waiver of any subsequent breach of the same or any other provision hereof. For purposes of this Section 6.4, following the Closing the Foundation shall have and exercise all rights, and be entitled to all benefits, of Legacy Health under this Agreement.

6.5 Notice. Any notice, demand, or communication required, permitted, or desired to be given hereunder must be in writing and shall be deemed effectively given to the other Party on the earliest of the date (a) of delivery when personally delivered or delivered by e-mail or facsimile (with confirmation of delivery by facsimile), (b) three (3) business days after such notice is sent by registered U.S. mail, return receipt requested and (c) one (1) business day after delivery of such notice into the custody and control of a nationally or internationally recognized overnight courier service for next day delivery; in each case to the appropriate address below:

OHSU:

Oregon Health & Science University
Mail code: L585
3181 SW Sam Jackson Park Road
Portland, Oregon 97239
Attn: General Counsel
Email: legal@ohsu.edu
Fax: 503-494-0917

With a copy (which shall not constitute notice) to:

Hogan Lovells US LLP
390 Madison Avenue
New York, NY 10017
Attn: Jeffrey Schneider
Email: jeff.schneider@hoganlovells.com
Fax: 212-918-3100

Legacy Health:

Legacy Health
1919 NW Lovejoy Street
Portland, OR 97209
Attn: Craig R. Armstrong, Chief Legal Officer
E-mail: crrarmst@lhs.org

With a copy (which shall not constitute notice) to:

Reed Smith LLP
Three Logan Square
1717 Arch Street
Philadelphia, PA 19103
Attn: Peter M. Ellis, Jonathan P. Moyer and Karl A. Thallner
E-mails: pellis@reedsmith.com, jmoyer@reedsmith.com and kthallner@reedsmith.com
Fax: 215-851-1492

or to such other address or addresses, and to the attention of such other person(s) or officer(s), as a Party may designate.

6.6 Severability. If either (i) a court of competent jurisdiction holds that any material provision or requirement of this Agreement violates any applicable Legal Requirement; or (ii) a Government Entity with jurisdiction definitively advises the Parties that a feature or provision of this Agreement violates Legal Requirements over which such Government Entity has jurisdiction, then each such provision, feature or requirement shall be fully severable and: (a) this Agreement shall be construed and enforced as if such illegal, invalid, or unenforceable provision had never comprised a part hereof; (b) the remaining provisions hereof that reasonably can be given effect apart from the invalidated provision shall remain in full force and effect and shall not be affected by the severable provision; and (c) the Parties shall in good faith negotiate and substitute a provision as similar to such severable provision as may be possible and still be legal, valid and enforceable. For purposes of subpart (c) in the immediately preceding sentence, following the Closing the Foundation shall have and exercise all rights, and be entitled to all benefits, of Legacy Health under this Agreement.

6.7 Divisions and Headings. The divisions of this Agreement into sections and subsections and the use of captions and headings in connection therewith are solely for convenience and shall have no legal effect in construing the provisions of this Agreement.

6.8 Third-Party Beneficiaries and Foundation Enforcement Rights.

6.8.1 Except as specifically set forth herein, the terms and provisions of this Agreement are intended solely for the benefit of the Parties to whom such terms and provisions apply, and their respective permitted successors or assigns, and it is not the intention of the Parties to confer, and this Agreement shall not confer, third-party beneficiary rights upon any other Person or Entity, as "third-party beneficiary" or otherwise.

6.8.2 The Parties hereby expressly acknowledge and agree, and shall be deemed to have acknowledged and agreed, that, notwithstanding anything to the contrary set forth in this Agreement:

6.8.2.1 Following the Closing, the Foundation shall be an express third-party beneficiary of, and pursuant to, this Agreement with full right and authority (i) to enforce all of its rights pursuant to the terms and provisions of this Agreement, (ii) to enforce all of the rights of Legacy Health pursuant to the terms and provisions of this Agreement. The Parties each hereby fully waive any rights to bring or maintain any legal suit, action or proceeding, and covenant not to bring any legal suit, action or proceeding, challenging the Foundation's rights and standing pursuant to this Section 6.8.2. Following the Closing, the Foundation shall have all rights and status as an express donee beneficiary and express creditor beneficiary (as applicable) pursuant to Oregon Law, and shall not be regarded merely as an incidental beneficiary pursuant to Oregon law.

6.8.2.2 Without limiting the foregoing, on and after the Closing Date,

(a) The Foundation shall have standing and shall have the exclusive and continuing right to enforce performance by OHSU and its Affiliates of all of

OHSU's covenants, obligations and other agreements set forth in this Agreement and the documents contemplated hereunder on behalf of Legacy Health without the need for Legacy Health any other Affiliate of OHSU to be a party to such action.

(b) The Foundation shall have and may exercise all rights of Legacy Health pursuant Article 4 and shall be subject to all Legacy Health obligations, as well as the processes, set forth in Article 4.

(c) For all reports made to or by OHA that address OHSU's compliance with its obligations pursuant to this Agreement, OHSU shall promptly, and in no event more than 5 days, after such report is made, provide the Foundation copies of and access to all such reports. Promptly upon, and in no event more than 5 days after request from the Foundation, OHSU will provide the Foundation any other existing public records reasonably appropriate for purposes of addressing OHSU's compliance with its obligations pursuant to this Agreement. The Parties and the Foundation will work in good faith to develop and implement mechanisms for information sharing and notices between the Foundation and OHSU for purposes of addressing OHSU's compliance with its obligations pursuant to this Agreement.

6.9 Entire Agreement/Amendment/Order of Precedence. This Agreement, including all Exhibits attached hereto, supersedes all previous contracts or understandings (including any offers, letters of intent, proposals or letters of understanding among the Parties) and constitutes the entire agreement among the Parties regarding the matters addressed herein. As among the Parties, no oral statements or prior written material not specifically incorporated or referenced herein shall be of any force and effect. The Parties acknowledge and agree that this Agreement is intended to be consistent with the provisions of the Combination Agreement and the Schedules and Exhibits thereto. However, notwithstanding the foregoing, with respect to the specific matters addressed herein, in the event of any inconsistency between the provisions of this Agreement and the Exhibits hereto, on one hand, and the provisions of the Combination Agreement and the Exhibits and Schedules thereto on the other hand, the provisions of this Agreement and the Exhibits hereto shall control. The Parties specifically acknowledge that, in entering into and executing this Agreement, the Parties are relying solely upon the representations, warranties, covenants and agreements contained in this Agreement and no others unless expressly referenced herein. All prior representations, warranties, covenants or agreements (other than the Combination Agreement and the Exhibits and Schedules thereto), whether written or oral, not expressly incorporated or referenced herein are superseded. No changes in, amendments of, or additions to this Agreement shall be recognized unless and until made in writing and signed by all Parties. For purposes of the immediately preceding sentence, following the Closing the Foundation shall have and exercise all rights, and be entitled to all benefits, of Legacy Health under this Agreement.

6.10 Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original and all of which together shall constitute but one and the same instrument. Facsimile or other electronically scanned and transmitted signatures, including by email attachment, shall be deemed originals for all purposes of this Agreement. Signatures by electronic means shall have the same legal effect, validity, enforceability and admissibility as handwritten signatures.

6.11 Interpretation. For purposes of this Agreement, unless otherwise specified:

6.11.1 when a reference is made in this Agreement to a Section, Exhibit, Schedule, Recital or Preamble, such reference is to a Section, Exhibit, Schedule, Recital or Preamble of or to this Agreement unless otherwise indicated;

6.11.2 the words “hereof,” “herein,” “hereto” and “hereunder” and words of similar import, when used in this Agreement, shall refer to this Agreement as a whole and not to any particular provision of this Agreement;

6.11.3 the terms defined in the singular herein shall have a comparable meaning when used in the plural, and vice versa;

6.11.4 words of one gender include the other gender;

6.11.5 references herein to “days” are to consecutive calendar days unless otherwise specified;

6.11.6 references to a Person are also to its successor and permitted assigns;

6.11.7 “will” means “shall” and vice versa, without distinction;

6.11.8 the term “dollars” and “$” means United States dollars; and

6.11.9 the word “including” means “including without limitation” and the words “include” and “includes” have corresponding meanings.

SIGNATURE PAGE FOLLOWS

IN WITNESS WHEREOF, the Parties hereto have caused this Governance Matters Agreement to be executed by their authorized officers as of the Execution Date.

OREGON HEALTH & SCIENCE UNIVERSITY

By: Danny O. Jacobs

Name: Danny O. Jacobs, M.D., M.P.H., FACS

Title: President

(Signature Page to Governance Matters Agreement)

IN WITNESS WHEREOF, the Parties hereto have caused this Governance Matters Agreement to be executed by their authorized officers as of the Execution Date.

LEGACY HEALTH

By: Anna Loomis

Name: Anna Loomis

Title: Interim CEO

(Signature Page to Governance Matters Agreement)

EXHIBIT A

Health System Board Charter

see attached.

UNIVERSITY HEALTH SYSTEM BOARD CHARTER

Effective Date: ________, 2025
No: ____________

PREAMBLE

The Board of Directors of Oregon Health & Science University ("OHSU Board") is the governing body for Oregon Health & Science University ("OHSU"), including the following OHSU units: OHSU Hospital, Doernbecher Children's Hospital, all OHSU ambulatory care practices (including primary and specialty care), Legacy Health and each of its subsidiaries and joint venture interests, the OHSU Practice Plan, the Joseph B. Trainer Health & Wellness Center and those units within the OHSU School of Nursing and the OHSU School of Dentistry involved in the delivery of clinical care (collectively, "OHSU Health System"). The OHSU Board has appointed the OHSU President to act on its behalf for the purposes of ensuring (i) high quality and safety in all clinical activities of the OHSU Health System ("Clinical Activities"), and (ii) compliance with all applicable Regulatory Requirements (defined below), including certain Regulatory Requirements that are required to be performed by a hospital governing body. As used in these bylaws, "Regulatory Requirements" means all applicable rules and regulations related to licensing or accreditation and issued by various regulatory agencies and associated commissions, including Centers for Medicare & Medicaid Services and the Oregon Health Authority.

UNIVERSITY HEALTH SYSTEM BOARD ROLE, DUTIES AND RESPONSIBILITIES

1. The OHSU President, in turn, has delegated to the University Health System Board ("UHSB") the responsibility for overseeing professional staff privileging and quality assurance/performance improvement at all licensed facilities that conduct Clinical Activities as part of the OHSU Health System. Specifically:

    a. The UHSB shall oversee credentialing and privileging for Clinical Activities and serve as the credentialing and privileging body for practitioners involved in Clinical Activities, which includes granting, denying, limiting or restricting clinical privileges and approving or denying appointments to licensed professional staff of the facilities that conduct Clinical Activities as part of the OHSU Health System (the "Professional Staff"). The authorities of the UHSB set forth in this Section 1.a shall be exercised in a manner consistent with (and subject to the provisions of) the professional staff bylaws of each licensed facility that comprise part of the OHSU Health System.

    b. The UHSB shall oversee and coordinate clinical and operational process improvement activities for all Clinical Activities. In this role, the UHSB will receive reports, make recommendations or decisions, as appropriate, and ensure follow-up on these reports. All OHSU Health System clinical functions shall report to the UHSB for such purpose.

    c. The UHSB shall have access to all information from the clinical components/functions of the OHSU Health System reasonably appropriate for purposes of discharging the authorities set forth in this Section 1.

2. In addition, the UHSB shall make non-binding recommendations to the OHSU Board with respect to OHSU Health System strategy and proposed OHSU Health System expenditures (including expenditures of the Capital Commitment, as defined in that certain System Combination Agreement by and between OHSU and Legacy Health, dated ____, 2024 (as amended, restated, supplemented or otherwise modified, the "SCA")).

    a. To the extent the UHSB's recommendations relate to sensitive business, financial or commercial matters of OHSU not customarily provided to competitors related to financings, mergers, acquisitions or joint ventures or related to the sale or other disposition of, or substantial change in use of, significant real or personal property, or related to health system strategies, the UHSB shall present its recommendations on proposed OHSU Health System expenditures to the OHSU Board annually in a private meeting to the extent consistent with Oregon Public Meetings Law, prior to the adoption by the OHSU Board of the annual OHSU Health System budget. To the extent the UHSB's recommendations do not relate to sensitive business, financial or commercial matters of OHSU not customarily provided to competitors related to financings, mergers, acquisitions or joint ventures or related to the sale or other disposition of, or substantial change in use of, significant real or personal property, or related to health system strategies, the UHSB shall present its recommendations on proposed OHSU Health System expenditures to the OHSU Board annually in a public meeting to the extent consistent with Oregon Public Meetings Law, prior to the adoption by the OHSU Board of the annual OHSU Health System budget.

    b. When making recommendations to the OHSU Board on proposed OHSU Health System expenditures (including with respect to the Capital Commitment), the UHSB will consider four critical OHSU goals (maintaining and improving quality, access and equity, and controlling costs).

    c. The UHSB shall present its recommendations on health system strategies to the OHSU Board at regular intervals throughout the year (i) in private meetings, to the extent such recommendations relate to sensitive business, financial or commercial matters of the University not customarily provided to competitors and consistent with Oregon Public Meetings Law, or (ii) in public meetings for any matters not provide for in the prior subsection (i).

    d. For avoidance of doubt, the UHSB shall be entitled to and invited to give significant input to OHSU management and the OHSU Board with respect to their determination in areas of overlapping/competing objectives as to which joint ventures and business relationships to prioritize based upon the degree to which they are accretive to the OHSU Health System's overall objectives.

e. The UHSB shall have access to all information of the OHSU Health System reasonably appropriate for purposes of making recommendations on proposed OHSU Health System expenditures and strategy, and providing input as to which joint ventures and business relationships to prioritize.

LIMITATIONS

1. All governance authority for the OHSU Health System not enumerated above under "University Health System Board Role, Duties And Responsibilities" will reside with the OHSU Board (as the governing body for the OHSU Health System) or with the OHSU President through delegation from the OHSU Board. For avoidance of doubt, the reconstituted UHSB shall not have any governance authority over (nor any role with respect to) the education, training or research activities of OHSU.

2. Without limiting the provisions of Section 1, immediately above, the OHSU Board directly shall have the following authorities with respect to the OHSU Health System: (a) the approval of all operating and capital budgets; (b) the adoption of all strategic plans; (c) amendments to the governance documents of OHSU (subject to OHSU's enabling legislation) or any subsidiary legal entity, or any change to the corporate purposes of OHSU (subject to OHSU's enabling legislation) or any subsidiary legal entity; (d) the right to appoint and remove the OHSU President; (e) the approval of new borrowings by any OHSU Health System legal entity; (f) the approval of any material acquisitions, divestitures or joint ventures; (g) the approval of any new lines of business or the discontinuation of then-current lines of business; (h) the creation of new subsidiaries; (i) any significant new affiliations and any dis-affiliations; (j) any decision to merge with or into another system; (k) any decision to dissolve an OHSU Health System legal entity or change its legal form or tax status; (l) the right to require OHSU Health System entities to participate in a range of centralized corporate services and programs; (m) except as set forth in the Governance Matters Agreement between OHSU and Legacy Health, as amended, restated, supplemented or otherwise modified, dated ____, 2024, or in the Bylaws or this Charter, any amendments to the Bylaws or Charter; (n) any other powers mandated by law; and (o) any other powers customary for the governing body of a health system and not delegated to the OHSU President or expressly delegated pursuant to this Charter to the UHSB.

AMENDMENTS

This Charter may be amended by the OHSU Board but shall not be amended without the consent of the majority of all members of the UHSB until the earlier of (a) six (6) years following the Closing (as defined in the SCA); or (b) the date the Capital Commitment has been fully expended or earmarked.

EXHIBIT B

Health System Board Bylaws

see attached.

UNIVERSITY HEALTH SYSTEM BOARD BYLAWS
Effective Date: _________, 2025
No: ______________________

PREAMBLE

The Board of Directors of Oregon Health & Science University ("OHSU Board") is the governing body for Oregon Health & Science University ("OHSU"), including the following OHSU units: OHSU Hospital, Doernbecher Children's Hospital, all OHSU ambulatory care practices (including primary and specialty care), Legacy Health and each of its subsidiaries and joint venture interests, the OHSU Practice Plan, the Joseph B. Trainer Health & Wellness Center and those units within the OHSU School of Nursing and the OHSU School of Dentistry involved in the delivery of clinical care (collectively, "OHSU Health System"). The OHSU Board has appointed the OHSU President to act on its behalf for the purposes of ensuring (i) high quality and safety in all clinical activities of the OHSU Health System ("Clinical Activities"), and (ii) compliance with all applicable Regulatory Requirements (defined below), including certain Regulatory Requirements that are required to be performed by a hospital governing body. As used in these bylaws, "Regulatory Requirements" means all applicable rules and regulations related to licensing or accreditation and issued by various regulatory agencies and associated commissions, including Centers for Medicare & Medicaid Services and the Oregon Health Authority.

UNIVERSITY HEALTH SYSTEM BOARD

The OHSU President has delegated to the University Health System Board ("UHSB") certain of the responsibilities and authorities set forth in the above Preamble, in each case described in (and subject to the limitations set forth in) the UHSB Charter.

INITIAL COMPOSITION

1. The UHSB initially shall be comprised of eleven (11) members, six (6) of whom shall be appointed by a majority of the Board of Directors of Legacy Health no later than thirty (30) days prior to the anticipated Closing Date (as defined in that certain System Combination Agreemnt by and between OHSU and Legacy Health, dated ____, 2024 (as amended, restated, supplemented or otherwise modified, the "SCA")), with such appointment effective upon the Closing Date (the "Legacy Appointees") and five (5) of whom shall be appointed by the OHSU Board, with such appointment effective upon the Closing Date (the "OHSU Appointees").

2. The OHSU Appointees may include, without limitation, current members of the OHSU Board and shall include the OHSU President (ex-officio with vote).

3. The OHSU President shall be the Chair of the UHSB. A Vice-Chair of the UHSB shall be appointed by a majority of the members of the UHSB.

TERMS AND TRANSITION TO SELF-PERPETUATING BOARD

1. Three (3) of the Legacy Appointees shall have initial terms of one (1) year and three (3) of the Legacy Appointees shall have initial terms of two (2) years. Of the OHSU Appointees other than the OHSU President, two (2) shall have initial terms of one (1) year and two (2) shall have initial terms of two (2) years. No later than thirty (30) days prior to the anticipated Closing Date, Legacy Health shall provide OHSU with a list of the Legacy Appointees and the initial terms of each, and OHSU shall provide Legacy Health with a list of the OHSU Appointees and the initial terms of each (excluding the OHSU President).

2. Following the initial terms, all UHSB members other than the OHSU President shall have two (2) year terms. UHSB members shall be eligible for reappointment and, other than the OHSU President, may serve a maximum of three (3) consecutive terms (except that the initial term shall not be counted toward that maximum for those UHSB members who have an initial one (1) year term).

3. Any Legacy Appointee may be replaced by the entity previously named Legacy Health Foundation, an Oregon nonprofit corporation, or any successor thereto (acting on behalf of Legacy Health) at any time and for any reason after the Closing Date until the time that the UHSB becomes self-perpetuating (as described below). Similarly, any OHSU Appointee (other than the OHSU President) may be replaced by the OHSU Board at any time and for any reason after the Closing Date until the time that the UHSB becomes self-perpetuating.

4. Following the expiration of each Legacy Appointee's initial term, or such Legacy Appointee's earlier death, resignation or permitted removal, the vacancy shall be filled by an individual identified and approved by a vote of the Legacy Appointees whose terms are not expiring. Following the expiration of each OHSU Appointee's initial term, or such OHSU Appointee's earlier death, resignation or permitted removal, the vacancy shall be filled by an individual identified and approved by a vote of the OHSU Appointees whose terms are not expiring. This process shall continue until the sixth (6^{th}) anniversary following the Closing Date or the date the Capital Commitment (as defined in the SCA) is fully spent or fully earmarked for spending on specific projects, whichever is earlier (i.e., six (6) years, unless the Capital Commitment amount is fully spent or fully earmarked for spending on specific projects more quickly).

5. After the sixth (6^{th}) anniversary following the Closing Date or the date the Capital Commitment is fully spent or fully earmarked for spending on specific projects, whichever earlier occurs, any subsequent vacancies on the UHSB (other than the OHSU President) shall be filled by a vote of the entire UHSB (i.e., the UHSB then shall become self-perpetuating).

QUALIFICATIONS/COMMITMENT TO DEIB

1. The UHSB shall support the OHSU Health System's objectives of diversity, equity, inclusion and belonging ("DEIB") and each of OHSU and Legacy Health acknowledge their intent to incorporate these principles in the selection of their respective initial UHSB appointees. Once self-perpetuating, the UHSB will continue to promote DEIB objectives in its selection of new members.

2. Without limiting the generality of Section 1, each of Legacy Health and OSHU, when exercising their discretion to select initial appointees to the UHSB, shall endeavor to select appointees such that the UHSB is diverse with respect to competencies, demographics, experience, perspectives and other matters. Similarly, once self-perpetuating, the UHSB shall continue to appoint individuals who reflect such diversity. Factors to be considered include but are not limited to age, ethnicity, educational experience, work experience and governance experience, as well as varied experience with health care operations, finances, fundraising, staffing, quality, reimbursement, compliance, community outreach, health equity and information technology, among other things. During the initial period (i.e., prior to the UHSB becoming self-perpetuating), OHSU and Legacy Health will consult with one another in connection with making their respective appointments to the UHSB in order to endeavor to achieve the desired diversity.

MEETINGS

1. The UHSB shall meet no less often than four (4) times per year. The meeting schedule will be established by the UHSB. However, special meetings may be called by the Chair, or upon the written request of three (3) or more UHSB members, the Chair shall call a special meeting of the UHSB.

2. On invitation of the UHSB Chair or any three (3) or more UHSB members, additional individuals may be invited to attend UHSB meetings as non-voting staff. The UHSB will be staffed by OHSU Healthcare Administration.

QUORUM AND VOTING

1. Attendance at a meeting by a majority of the voting members of the UHSB shall constitute a quorum, provided that during the initial period (i.e., prior to the time that the UHSB becomes self-perpetuating), a quorum shall also require the attendance of at least five (5) members appointed by Legacy Health.

2. The presence and the affirmative vote of a majority of the UHSB members at any meeting at which a quorum is present shall be required for action by the UHSB.

3. In the event a UHSB member is unable to attend a meeting, the member may vote electronically in advance of the meeting or by proxy by designating in writing another UHSB member to vote on the absent member's behalf. The written designation shall be provided to the Chair of the UHSB or his or her designee electronically in advance of the meeting and must clearly outline whether the proxy has authority to vote on all matters or particular matters. A member who chooses to vote by proxy or vote electronically in advance of the meeting shall be counted towards the quorum necessary to vote on the matter(s) specified by the absent board member.

COMMITTEEES

1. The UHSB will have customary standing committees (the "Committees"), including a Nominating Committee, a Quality/Safety Committee and a Credentialing Committee.

2. Each committee shall be comprised of such number of voting members as the UHSB may determine from time to time; provided, that no committee shall have fewer than two (2) voting members.

    a. The terms of each committee member shall be one (1) year, and each committee member may serve up to three (3) consecutive terms.

    b. During the initial period, when the UHSB is comprised six (6) members appointed by a majority of the Board of Directors of Legacy Health and five (5) members appointed by the OHSU Board, the UHSB shall appoint the members of each committee, subject to the following: (a) each committee shall be comprised of an equal number of Legacy Health appointees and OHSU appointees; (b) the Chair of the UHSB shall appoint the Chair of each committee from among the members of the committee selected by the UHSB; (c) the Chair of at least one (1) committee shall at all times during the initial period be a Legacy Health appointee and the Chair of at least one (1) committee shall at all times during the initial period be an OHSU appointee; (d) in the event of a tie vote on any matter that comes to a vote at any committee, the vote of the Chair of the committee shall be deemed to be the tie-breaking vote.

    c. Once the UHSB is self-perpetuating, UHSB shall appoint the members of each committee, subject to the following: (a) the Chair of the UHSB shall appoint the Chair of each committee from among the members of the committee selected by the UHSB; and (b) in the event of a tie vote on any matter that comes to a vote at any committee, the vote of the Chair of the committee shall be deemed to be the tie-breaking vote.

    d. Attendance at a meeting by a majority of members of any committee shall constitute a quorum, provided that during the initial period (i.e., prior to the time that the UHSB becomes self-perpetuating), a quorum shall also require the attendance of at least one (1) member appointed by Legacy Health and at least one (1) member appointed by OHSU.

3. The charge of the Nominating Committee shall be to select a slate of nominees for any vacant seats on the UHSB, in each case subject to the goals and qualifications set forth above under "QUALIFICATIONS/COMMITMENT TO DEIB."

    a. During the initial period, when the UHSB is comprised of six (6) members appointed by a majority of the Board of Directors of Legacy Health and five (5) members appointed by the OHSU Board, neither the Board of Directors of Legacy Health nor the OHSU Board shall be obligated to follow the recommendations of the Nominating Committee when making their respective UHSB appointments.

    b. Once the UHSB transitions to a self-perpetuating Board, all non-ex-officio appointments to the UHSB shall be made by the UHSB from the slate of nominees presented by the Nominating Committee. The Nominating Committee shall in all cases present a slate of nominees that includes at least two (2) more individuals than the number of vacant UHSB seats to be filled.

4. The charge of the Quality/Safety Committee shall be to consider and make recommendations to OHSU management and the OHSU Board on any matters concerning quality of care and patient safety involving Clinical Activities of the OHSU Health System. This includes, without limitation: (a) reviewing, annually reappraising, and making recommendations to the Board regarding the Quality Assurance Plan and Performance Improvement Plans of the OHSU Health System and/or its component clinical facilities; (b) reviewing and considering reports as may be appropriate relating to the ongoing quality assurance and performance improvement processes, and overseeing the reporting systems that the OHSU Health System has in place to provide reasonable assurance that it delivers quality and safe medical care; (c) receiving and reviewing safety management reports and recommending corrective action where appropriate to promote a safe environment for patients, personnel, and visitors to the OHSU Health System's licensed healthcare facilities and other OHSU System care sites; and (d) monitoring the incident reporting system of the OHSU Health System's licensed healthcare facilities, developing processes to reduce actual or potential risks, and providing recommendations to the OHSU Board for action relating to risk management.

5. The charge of the Credentialing Committee shall be to provide recommendations to the UHSB regarding the oversight of credentialing and privileging for Clinical Activities, including recommendations for modifications to any credentialing and/or privileging processes.

    a. To expedite initial appointments to the Professional Staffs of the OHSU Health System's licensed healthcare facilities, reappointments to the Professional Staffs and the granting, renewal or modification of clinical privileges, the UHSB hereby delegates the authority to render those decisions to the Credentialing Committee.

    b. The authorities of the UHSB and the Credentialing Committee set forth in the UHSB Charter and this Section 4 shall be exercised in a manner consistent with (and subject to the provisions of) the professional staff bylaws of each licensed facility that comprise part of the Clinical Activities. The Credentials Committee from time to time may make recommendations to the UHSB, and the UHSB may in turn make recommendations to the OHSU Board, regarding proposed changes to any OHSU Health System Professional Staff Bylaws.

c. To further expedite the activities described in Section 5(a), the UHSB or the Credentialing Committee may, in their respective discretion, subdelegate to OHSU management personnel the processing of applications for initial, renewal and modified Professional Staff appointments and privileges, as well as the responsibility to make recommendations regarding such applications. In the event of any such subdelegation, OHSU management personnel processing such applications shall report their recommendations (and provide all related work product or summaries of same) to the Credentialing Committee. The Credentialing Committee, in turn, may accept, reject or modify such recommendations before itself making recommendations regarding such applications to the UHSB.

CONFIDENTIALITY AND CONFLICTS OF INTEREST

All members of the UHSB have such fiduciary duties as are provided for by applicable law and must act for the benefit of the OHSU Health System as provided for by such applicable law.

Members of the UHSB and its committees shall disclose to the Chair of the UHSB any situation wherein such member has a conflict of interest that could possibly cause that member to act in other than the best interest of the OHSU Health System. In any such situation, the member shall abstain from acquiring any information developed by the OHSU Health System and from participating in any discussion or voting related to such situation. Upon a finding by a majority of the UHSB members that a member has a conflict as to a particular matter before the UHSB, the UHSB members may vote to require that such member abstain from voting on the matter.

All members of the UHSB and its committees shall keep confidential all sensitive information of every kind including the strategic goals of departments or divisions within the OHSU Health System to the extent permitted by law. Members of the UHSB and its committees shall abide by all confidentiality and conflict of interest policies and programs adopted by OHSU from time to time.

AMENDMENT

These Bylaws may be amended by the OHSU Board but shall not be amended without the consent of the majority of all members of the UHSB until the earlier of (a) six (6) years following the Closing Date; or (b) the date the Capital Commitment has been fully expended or earmarked.

EXHIBIT C

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

EXECUTION VERSION

May 30, 2024

Oregon Health & Science University
3181 SW Sam Jackson Park Road
Portland, Oregon 97239-3098

Legacy Health
1919 NW Lovejoy Street
Portland, Oregon 97209

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

(*Signature page follows*)

IN WITNESS WHEREOF, the Parties hereto have caused this letter Agreement to be executed by their authorized officers as of the date first set forth above.

OREGON HEALTH & SCIENCE UNIVERSITY

By: Danny O. Jacobs

Printed: Danny O. Jacobs, M.D., M.P.H., FACS

Title: President

[redacted]

IN WITNESS WHEREOF, the Parties hereto have caused this letter Agreement to be executed by their authorized officers as of the date first set forth above.

LEGACY HEALTH

By: Anna Loomis

Printed: Anna Loomis

Title: Interim CEO

[redacted]

May 30, 2024

Oregon Health & Science University
3181 SW Sam Jackson Park Road
Portland, Oregon 97239-3098

Legacy Health
1919 NW Lovejoy Street
Portland, Oregon 97209

Re: Obligations for Regulatory Filings and Grant Agreement

To whom it may concern:

Reference is hereby made to (a) that certain System Combination Agreement (as amended, restated, supplemented or otherwise modified, the "**System Combination Agreement**"), dated May 30, 2024, by and between OREGON HEALTH & SCIENCE UNIVERSITY, an Oregon statutory public corporation ("**OHSU**") and LEGACY HEALTH, an Oregon nonprofit corporation ("**Legacy Health**"); and (b) that certain to-be-executed Grant Agreement, substantially in the form attached hereto as Exhibit A (as amended, restated, supplemented or otherwise modified, the "**Grant Agreement**"), by and between Legacy Health and the entity named, as of the date of this letter Agreement, LEGACY HEALTH FOUNDATION, an Oregon nonprofit public benefit corporation, or any successor thereto (the "**Foundation**"). Each of OHSU and Legacy Health may be referred to throughout this letter agreement (this "**Agreement**") individually as a "**Party**" and collectively as the "**Parties**." Capitalized terms used but not defined herein shall have the meanings given to them in the System Combination Agreement. All section references used herein shall refer to the applicable sections of the System Combination Agreement unless otherwise indicated herein.

In consideration of the respective agreements, covenants, representations and warranties of the Parties set forth herein, in the System Combination Agreement and in the Grant Agreement, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereto, intending to be legally bound, agree as follows:

1. Legacy shall, and shall cause the Foundation to, upon the filing with OHA pursuant to Section 6.6.1 of the System Combination Agreement (subject to two weeks prior notice from OHSU to Legacy Health of the date of such filing), unless a different date is mutually agreed to by each of the Parties hereto, take all steps required to give notice of the transaction described in Section 1.3 of the System Combination Agreement (the "**PacificSource Membership Interest Transfer**") to OHA to the extent required by the

HCMO Process, on forms required by OHA. In the event that OHA requests any supplemental information in connection therewith, Legacy Health shall, and shall cause the Foundation to, submit complete responses as soon as practicable and, in any event, within fifteen (15) calendar days following the receipt of such a request, unless a different date is mutually agreed to by each of the Parties hereto.

2. Legacy Health shall, and shall cause the Foundation to, exercise reasonable best efforts to complete the HCMO Process and to obtain OHA approval of the PacificSource Membership Interest Transfer (if such approval is required by the HCMO Process) on terms mutually agreeable to Legacy Health and OHSU within the 180-day review period contemplated by ORS 415.501(7)(a). Any voluntary extension of the HCMO review period shall require mutual consent of all of the Parties hereto.

3. [redacted]

4. Without limiting the provisions of Sections 1 and 2 of this Agreement, Legacy Health shall, and shall cause the Foundation to, use reasonable best efforts to promptly take all actions necessary to (a) obtain any additional authorizations, clearances, consents, orders or approvals of any Government Entity (if any) necessary for the consummation of the PacificSource Membership Interest Transfer, and (b) resolve any objections asserted with respect to the PacificSource Membership Interest Transfer raised by any such Government Entity.

5. Upon receiving any required OHA approval of the PacificSource Membership Interest Transfer on terms mutually agreeable to Legacy and OHSU (and upon receiving any other Government Entity approval required for the PacificSource Membership Interest Transfer, if any), Legacy Health shall, and shall cause the Foundation, to use its best efforts to timely satisfy the conditions precedent set forth in Section 7.9 and Section 8.9 of the System Combination Agreement.

6. Without limiting the provisions of Section 5 of this Agreement, Legacy Health agrees that on the date that: (a) any required OHA approval (and any other required Government Entity approval, if any) of the PacificSource Membership Interest Transfer on terms mutually agreeable to Legacy and OHSU has been received; and (b) all conditions precedent to the

obligations of Legacy and OHSU to consummate the Transactions set forth in Article 7 and Article 8 of the System Combination Agreement have been met or waived (other than the conditions precedent set forth in Section 7.9 and Section 8.9 of the System Combination Agreement), Legacy Health shall, and shall cause the Foundation to, execute the Grant Agreement and take any other actions required of Legacy Health and/or the Foundation under the Transaction Documents or by any Government Entity with competent jurisdiction for the consummation of the PacificSource Membership Interest Transfer (collectively, the "**PacificSource Transfer Actions**"), so as to facilitate the Closing of the PacificSource Membership Interest Transfer and the other Transactions on such date (unless Legacy Health and OHSU mutually agree that the Closing shall occur on a later date, in which case Legacy Health shall, and shall cause the Foundation to, agree to take the PacificSource Transfer Actions on such later date).

7. References in this Agreement to requirements that Legacy cause the Foundation to take action shall mean that Legacy shall take any and all actions that are necessary or appropriate in Legacy's capacity as the sole corporate member of the Foundation. In furtherance of the forgoing, Legacy agrees that it shall not cease to be the sole member of the Foundation, or consent to any modification of its rights and powers as sole member (as such rights and powers exist as of the date hereof), until immediately prior to the Closing. Legacy shall be liable to OHSU for any failure of the Foundation to take any of the actions that Legacy commits hereunder to cause the Foundation to take.

8. [redacted]

9. The Parties intend that the provisions of the Certain PacificSource Matters Letter Agreement and this letter Agreement be consistent with one another and interpreted in such fashion. However, in the event of any inconsistency between the Certain PacificSource Matters Letter Agreement and this Agreement, the provisions of this Agreement shall control.

10. This agreement shall be considered an additional Transaction Document under the System Combination Agreement, notwithstanding any provisions to the contrary in any other Transaction Document.

11. Miscellaneous

    a. The Parties agree that this Agreement shall be governed by and construed in accordance with the laws of the State of Oregon without regard to conflict of laws principles.

b. This Agreement shall inure to the benefit of and be binding upon the Parties hereto and their respective legal representatives, successors, and permitted assigns. No Party may assign this Agreement without the prior written consent of the other Parties, and any such purported assignment shall be void.

c. This Agreement may not be amended except pursuant to a written instrument executed by authorized representatives of each Party.

d. Any term, covenant or condition herein may be waived at any time by a Party entitled to the benefit thereof, but only by a written notice signed by an authorized officer of such Party. The failure to enforce or the waiver by any Party of a term, provision or breach or violation of any provision of this Agreement shall not operate as, or be construed to constitute, a waiver of any subsequent breach of the same or any other provision hereof.

e. Any notice, demand, or communication required, permitted, or desired to be given hereunder must be in writing and shall be deemed effectively given to the other Parties on the earliest of the date (a) of delivery when personally delivered or delivered by e-mail or facsimile with confirmation of delivery, (b) three (3) business days after such notice is sent by registered U.S. mail, return receipt requested, or (c) one (1) business day after delivery of such notice into the custody and control of a nationally or internationally recognized overnight courier service for next day delivery; in each case to:

   If to OHSU or Legacy, the individuals and addresses specified in Section 12.6 of the System Combination Agreement.

f. This Agreement may be executed in counterparts, each of which shall be deemed an original and all of which together shall constitute but one and the same instrument. Facsimile or other electronically scanned and transmitted signatures, including by email attachment, shall be deemed originals for all purposes of this Agreement. Signatures by electronic means shall have the same legal effect, validity, enforceability and admissibility as handwritten signatures.

[*signature page follows*]

IN WITNESS WHEREOF, the Parties hereto have caused this letter Agreement to be executed by their authorized officers as of the date first set forth above.

OREGON HEALTH & SCIENCE UNIVERSITY

By: Danny O. Jacobs

Printed: Danny O. Jacobs, M.D., M.P.H., FACS

Title: President

(Signature Page to Side Letter re: Regulatory and Grant Agreement Matters)

IN WITNESS WHEREOF, the Parties hereto have caused this letter Agreement to be executed by their authorized officers as of the date first set forth above.

LEGACY HEALTH

By: Anna Loomis

Printed: Anna Loomis

Title: Interim CEO

(Signature Page to Side Letter re: Regulatory and Grant Agreement Matters)

EXHIBIT A

GRANT AGREEMENT

GRANT AGREEMENT
BETWEEN
LEGACY HEALTH
AND
LEGACY HEALTH FOUNDATION

This Grant Agreement (the "**Agreement**") is made as of ____________, 2025 (the "**Effective Date**"), by and between Legacy Health ("**Legacy**") and Legacy Health Foundation ("**Grantee**" or the "**Foundation**"). Legacy and the Foundation are sometimes each referred to as a "**Party**" and collectively as the "**Parties**."

Background:

Legacy is an Oregon nonprofit public benefit corporation that is exempt from federal tax pursuant to Section 501(c)(3) and is a public charity (and not a "private foundation") within the meaning of Section 509(a)(3) of the Internal Revenue Code of 1986, as amended (the "**Code**"). Legacy's historic vision is to become a health partner to patients for life by delivering high-qualify affordable care, connected experiences, and meaningful outcomes to its patients and members.

The Foundation is an Oregon nonprofit public benefit corporation that is exempt from federal tax pursuant to Section 501(c)(3) and is a public charity (and not a "private foundation") within the meaning of Section 509(a)(1) and 170(b)(1)(A)(vi) of the Code. The mission of the Foundation is to foster community commitment and involvement to support the founding principles, mission and vision of Legacy and promote the health and well-being of the community.

In furtherance of its mission, Legacy has entered into an agreement with Oregon Health & Science University, a statutory public corporation and tax-exempt instrumentality of the state of Oregon ("**OHSU**") by which they will affiliate to create a combined health care system under OHSU as the system's sole corporate parent (the "**System Combination**"). The terms of the System Combination are documented in a Definitive Agreement dated May 30, 2024 (as amended, restated, supplemented or otherwise modified, "**Definitive Agreement**"). The entry into this Agreement by Legacy and Grantee is a condition to the closing of the System Combination, as set forth in Sections [7.9 and 8.12] of the Definitive Agreement.

The Parties entered into a memorandum of understanding on May 30, 2024 (the "**MOU**") to affirm the Parties' shared goals for the Foundation to transition from a fundraising foundation to a grantmaking foundation in connection with the Foundation's receipt of a grant from Legacy at the closing of the System Combination. The MOU anticipates that Legacy and the Foundation will enter into this Agreement to outline the terms of the grant, including its restricted purpose and Foundation governance, through which the Foundation will become the legacy of Legacy Health.

NOW, THEREFORE, in consideration of the foregoing, the Parties agree as follows:

1. **Grant Award.** Legacy shall gift, donate, contribute and/or transfer to the Foundation a monetary grant and its member interest in PacificSource, an Oregon nonprofit corporation ("**PacificSource**"), in each case as described below (together, the "**Grant**"):

    1.1. **Monetary Grant.** Legacy hereby agrees to award to the Foundation, and the Foundation agrees to accept from Legacy, a cash monetary grant, the amount and payment schedule of which shall be made in accordance with Attachment 1 (the "**Monetary Grant**").

    1.2. **PacificSource Interest.** Effective as of immediately prior to the Effective Time (as defined in the Definitive Agreement), Legacy hereby grants, contributes, assigns, transfers, conveys and delivers to the Foundation all of Legacy's right, title and interest in and to its member interest in PacificSource (the "**PacificSource Interest**"), and the Foundation does hereby accept from Legacy all of Legacy's right, title and interest in and to the PacificSource Interest (the "**PacificSource Grant**"). Upon the consummation of the PacificSource Grant, (i) the Parties will facilitate an amendment to the PacificSource bylaws to reflect the PacificSource Grant, and (ii) Foundation agrees to enter into an [Amended and Restated Member Agreement with PacificSource in substantially the form attached hereto as Attachment 2].

2. **Use of Grant Funds.**

    2.1. **Compliance with Agreement.** Grantee agrees to use the Grant proceeds solely in accordance with the terms and conditions of, and for the purposes set forth in, this Agreement. The Grant funds may not be expended for any other purpose without the prior written approval of Legacy.

    2.2. **Restricted Grant.** The Foundation shall use the Grant proceeds solely as described in more detail in Attachment 3, which sets forth the restricted purpose of the Grant (the "**Grant Purpose**").

    2.3. **Compliance with Law.** Grantee may only use Grant funds for charitable, educational, or scientific purposes within the meaning of Code Section 170(c)(2)(B), and more specifically for the Grant Purpose described in this Agreement.

    2.4. **No Earmarked Funds.** The Foundation acknowledges that Legacy has not earmarked any of the Grant funds for any organization or individual other than Grantee and that Grantee is solely responsible for the selection of any other organization to receive a portion of the proceeds of this Grant in furtherance of the Grant Purpose.

3. **Records.** Although the Foundation need not maintain Grant funds in a separate bank account, Grantee must identify Grant proceeds as a restricted fund in a special ledger account on its books for ease of reference and verification. Grantee shall keep records of expenditures under the Grant for at least four years after such expenditures have been made, and shall furnish or make available such books, records, and supporting documentation to Legacy for inspection at

reasonable times. While so held by the Foundation, such Grant Funds shall not be used for any purpose other than as expressly set forth in this Agreement and shall not be invested in any manner that would jeopardize or impair their availability for use by the Grantee for the purpose provided in this Agreement.

4. **Foundation Governance.**

4.1. **Governing Documents.** The Foundation will adopt amended and restated articles of incorporation and bylaws in the form attached hereto as Attachments 4 and 5, respectively, and Legacy will approve those restated governing documents as its last act prior to ceasing its role as sole member of the Foundation; provided, however, that in no event will Foundation in the future amend, revise or restate such amended and restated articles of incorporation or bylaws in any manner that is inconsistent with the terms or conditions of this Agreement.

4.2. **Foundation Board.** The Parties have worked collaboratively to evaluate the needed composition and characteristics of the board of directors of the Foundation (the "**Board**") after the closing of the System Combination. To provide continuity of combined leadership, experience and expertise from both Parties, the Foundation will elect directors so that as of [DATE], the Board is comprised of the directors with staggered terms identified in Attachment 6. After the closing of the System Combination, the Board will elect additional community members pursuant to its bylaws to comprise a diverse self-perpetuating Board with relevant professional and lived experience.

5. **Foundation's Rights From Definitive Agreement.** The Parties agree that the Foundation shall have and exercise the rights of the Foundation set forth in the Definitive Agreement and the other Transaction Documents (as defined in the Definitive Agreement).

6. **Representations and Warranties.**

6.1. **Representations and Warranties of Foundation.**

a) **Foundation's Tax-Exempt, Public Charity Status.** The Foundation represents that it is an organization that is tax-exempt pursuant to Section 501(c)(3) and a public charity described in Sections 509(a)(1) and 170(b)(1)(A)(vi) of the Code, and that the Foundation has been recognized by the Internal Revenue Service as such.

b) **Execution, Delivery, Authorization**. The execution and delivery by Foundation of this Agreement, the performance by Foundation of its obligations hereunder and the consummation by Foundation of the transactions contemplated on its part hereby have been duly authorized by all requisite action on the part of Foundation. This Agreement has been duly executed and delivered by Foundation and (assuming due authorization, execution and delivery by Legacy) constitutes Foundation's legal, valid and binding obligation, enforceable against it in accordance with its terms.

6.2. Representations and Warranties of Legacy.

a) **Ownership of PacificSource Interest**. The PacificSource Interest is owned of record and beneficially by Legacy, free and clear of all liens, pledges, security interests, charges, claims, encumbrances, agreements, options, voting trusts, proxies and other arrangements or restrictions of any kind ("**Encumbrances**"). Upon consummation of the transactions contemplated by this Agreement, Grantee shall own all of the Legacy's right, title and interest in and to the PacificSource Interest, free and clear of all Encumbrances.

b) **Execution, Delivery, Authorization.** Legacy has all requisite power and authority to execute and deliver this Agreement, to carry out its obligations hereunder, and to consummate the transactions contemplated on its part hereby. The execution and delivery by Legacy of this Agreement, the performance by Legacy of its obligations hereunder and the consummation by Legacy of the transactions contemplated on its part hereby have been duly authorized by all requisite action on the part of Legacy. This Agreement has been duly executed and delivered by Legacy and (assuming due authorization, execution and delivery by Foundation) constitutes Legacy's legal, valid and binding obligation, enforceable against it in accordance with its terms.

7. **Materials.** The parties acknowledge that the Foundation shall hold and retain all intellectual property rights, including copyright, trademark, trade name, and moral rights, in any written or otherwise documented work product that is created by the Grantee with the Grant funds.

8. **Confidentiality.**

8.1. Each Party shall hold, and shall use its best efforts to cause its affiliates, and their respective officers, directors, employees and agents to hold, in strict confidence the terms of this Agreement and all documents and information concerning any other Party or any of its affiliates furnished to it by such other Party or such other Party's officers, directors and agents in connection with this Agreement (collectively, "**Confidential Information**"), unless:

a) disclosure of the terms of this Agreement is made to OHSU, PacificSource, Pacific Health Associates, government agencies and their respective owners, directors, managers, officers, employees, advisors, and agents;
b) disclosure of the terms of this Agreement is made to any other third parties as required for purposes of consummating the System Combination;
c) disclosure is mandated by Legal Requirements (as defined in the Definitive Agreement);
d) disclosure is made in an action or proceeding brought by a Party in pursuit of its rights or in the exercise of its remedies hereby;
e) to the extent that such documents or information can be shown to have been (i) previously known by the Party receiving such documents or information, (ii) in the

public domain (either prior to or after the furnishing of such documents or information hereby) through no fault of such receiving Party, or (iii) later acquired by the receiving Party from another source if the receiving Party is not aware that such source is under an obligation to another Party to keep such documents and information confidential;

f) If a Party receives a request, pursuant to any Legal Requirements (as defined in the Definitive Agreement), for disclosure of another Party's Confidential Information, and the Party receiving the request is permitted to do so, the Party receiving the request shall provide the Party whose Confidential Information is being sought with prior prompt written notice of the request and allow the Party whose Confidential Information is being sought, at its sole expense, to seek a restraining order or other appropriate relief provided, but only to the extent such attempts do not result in any Party violating its legal obligations.

8.2. No public announcement of this Agreement will be made without prior written approval of the Parties and OHSU with respect to timing and content except as otherwise required by law.

9. Dispute Resolution. In the event a dispute between the Parties arises from or relates to this Agreement, and in order to give effect to the goals of the planned affiliation between Legacy and OHSU, the following process shall be followed. For purposes of the processes set forth in this Section 9, following the closing of the System Combination, OHSU shall have and exercise all rights of Legacy.

9.1. The Parties shall attempt in good faith to resolve any dispute within sixty (60) days of either Party's first written notification of the dispute. The written notification shall be authorized by action of the complaining Party's Board (which, after the Closing, shall be OHSU Board with respect to Legacy), and shall include a clear written statement of the dispute. The applicable Parties' respective executives shall meet and use good faith efforts to resolve the matter.

9.2. If the Parties' respective executives are unable to resolve a dispute within such sixty (60) day period, either Party may escalate the dispute to such Party's governing board (which, after the Closing, shall be OHSU's Board with respect to Legacy) to resolve the dispute for an additional sixty (60) days.

9.3. If the applicable governing boards are unable to resolve the dispute to the mutual satisfaction of each Party within such sixty (60) day period, each Party may pursue any other means of resolving the dispute, except that any proceeding brought in a court of law must be done so in accordance with 9.4 and 9.5 below.

9.4. ANY LEGAL SUIT, ACTION OR PROCEEDING PURSUED BY A PARTY PURSUANT TO SECTION 9.3 SHALL BE INSTITUTED IN THE FEDERAL COURTS OF THE UNITED STATES OF AMERICA OR THE COURTS OF THE STATE OF OREGON IN EACH CASE LOCATED IN THE CITY OF PORTLAND AND COUNTY OF MULTNOMAH, AND EACH PARTY IRREVOCABLY

SUBMITS TO THE EXCLUSIVE JURISDICTION OF SUCH COURTS IN ANY SUCH SUIT, ACTION OR PROCEEDING. SERVICE OF PROCESS, SUMMONS, NOTICE OR OTHER DOCUMENT BY MAIL TO SUCH PARTY'S ADDRESS SET FORTH HEREIN SHALL BE EFFECTIVE SERVICE OF PROCESS FOR ANY SUIT, ACTION OR OTHER PROCEEDING BROUGHT IN ANY SUCH COURT. THE PARTIES IRREVOCABLY AND UNCONDITIONALLY WAIVE ANY OBJECTION TO THE LAYING OF VENUE OF ANY SUIT, ACTION OR PROCEEDING IN SUCH COURTS AND IRREVOCABLY WAIVE AND AGREE NOT TO PLEAD OR CLAIM IN ANY SUCH COURT THAT ANY SUCH SUIT, ACTION OR PROCEEDING BROUGHT IN ANY SUCH COURT HAS BEEN BROUGHT IN AN INCONVENIENT FORUM

9.5. EACH PARTY ACKNOWLEDGES AND AGREES THAT ANY LEGAL SUIT, ACTION OR PROCEEDING PURSUED BY A PARTY PURSUANT TO SECTIONS 9.3 AND 9.4 IS LIKELY TO INVOLVE COMPLICATED AND DIFFICULT ISSUES AND, THEREFORE, EACH SUCH PARTY IRREVOCABLY AND UNCONDITIONALLY WAIVES ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY SUCH LEGAL SUIT, ACTION OR PROCEEDING. EACH CERTIFIES AND ACKNOWLEDGES THAT (A) NO REPRESENTATIVE OF ANY OTHER DISPUTE PROCESS PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT SEEK TO ENFORCE THE FOREGOING WAIVER IN THE EVENT OF A LEGAL SUIT, ACTION OR PROCEEDING, (B) SUCH PARTY HAS CONSIDERED THE IMPLICATIONS OF THIS WAIVER, (C) SUCH PARTY MAKES THIS WAIVER VOLUNTARILY, AND (D) SUCH PARTY HAS BEEN INDUCED TO ENTER INTO THIS LETTER AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION.

9.6. The Parties hereby acknowledge and agree that nothing in this Agreement shall be deemed to limit, restrict, waive or terminate any rights of notice or redress of any Party existing under applicable law with any governmental agency, bureau, commission or department.

9.7. Notwithstanding anything to the contrary in this Agreement, the Parties acknowledge that a breach or threatened breach of this Agreement by a Party would cause the non-breaching Party to suffer immediate and irreparable harm which could not be fully remedied with the payment of monetary damages. As such, in addition to any other remedies available, the non-breaching Party shall be entitled to specific performance, preliminary and permanent injunctive relief, and other available equitable remedies to prevent, restrain or cure a breach or threatened breach of this Agreement by the other Party, either pending or following a trial on the merits, without the need to post bond or other security. For avoidance of doubt, either Party may seek to obtain injunctive (but not other) relief to prevent a threatened or ongoing breach of this Agreement without first pursuing the dispute resolution process set forth in this Section 9.

9.8. THE PARTIES AGREE THAT THE PROCEDURES SET FORTH IN THIS SECTION 9 SHALL BE THE SOLE AND EXCLUSIVE PROCEDURES FOR RESOLVING DISPUTES ARISING UNDER THIS AGREEMENT.

10. Third Party Beneficiaries.

10.1. Except as specifically set forth herein, the terms and provisions of this Agreement are intended solely for the benefit of the Parties to whom such terms and provisions apply, and their respective permitted successors or assigns, and it is not the intention of the Parties to confer, and this Agreement shall not confer, third-party beneficiary rights upon any other Person or Entity, as "third-party beneficiary" or otherwise.

10.2. Notwithstanding anything to the contrary set forth in this Agreement, OHSU shall be and is an express third-party beneficiary of, and pursuant to, this Agreement with full right and authority (i) to enforce all of the rights of Legacy pursuant to the terms and provisions of this Agreement, and (ii) to seek to ensure that Legacy and the community that it serves receive all of the benefits provided in this Agreement. Each of the Parties intends that OHSU shall be an express third-party beneficiary as set forth in this Section 10.2. The Parties each hereby fully waive any rights to bring or maintain any legal suit, action or proceeding, and covenant not to bring any legal suit, action or proceeding, challenging OHSU's rights and standing pursuant to this Section 10.2. For the avoidance of doubt, the Agreement shall not be terminated, cancelled, amended, modified, supplemented or changed, or any provision, default, breach or performance waived, or any assignment made in a manner without the advance written consent of OHSU, as third party beneficiary to this Agreement (to be granted or withheld in OHSU's sole discretion).

10.3. On and after the date of the closing of the System Combination, (i) OHSU shall have standing and shall have the continuing right to enforce performance by the Foundation of all of the Foundation's covenants, obligations and other agreements set forth in this Agreement on behalf of Legacy without the need for Legacy to be a party to such action and (ii) OHSU shall have and exercise all rights, and be entitled to all benefits, of Legacy under this Agreement.

11. General.

11.1. Communications. All communications related to this Grant shall be directed as follows:

LEGACY HEALTH *(prior to the closing of the System Combination)*
1919 NW Lovejoy Street
Portland, OR 97209
Attention: Craig Armstrong
Phone:
Email:

LEGACY HEALTH FOUNDATION
1919 NW Lovejoy Street
Portland, OR 97209
Attention: Jill A. Nelson
Phone:
Email:

LEGACY HEALTH *(after the closing of the System Combination)*
3181 SW Sam Jackson Park Road
Portland, OR 97239
Attention:
Phone:
Email:

11.2. Liability. No Party is responsible for the acts of third parties. Each Party is responsible for its own acts and omissions and those of its directors, officers, employees, and agents.

11.3. Assignment. Legacy may assign its rights or obligations hereunder, whether by written agreement, operation of law, or in any other manner whatsoever, without the Grantee's prior written consent. The Foundation may not assign its rights or obligations hereunder, whether by written agreement, operation of law or in any other manner whatsoever, without Legacy's prior written consent, which consent shall not be unreasonably withheld.

11.4. Further Assurances. The Parties agree to execute any and all documents and instruments necessary or expedient to further the purposes of this Agreement and the transactions contemplated by this Agreement, including instruments of contribution, transfer, assignment, conveyance, delivery, acceptance, assumption or novation related to the PacificSource Grant.

11.5. Entire Agreement; Modification. This Agreement (including its attachments and exhibits) and the Definitive Agreement contain the entire agreement of the Parties regarding the subject matter described in this Agreement and the Definitive Agreement, and all other promises, representations, understandings, arrangements, and prior agreements are merged into and superseded by this Agreement and the Definitive Agreement. This Agreement may only be modified by a written agreement of the Parties and OHSU signed by an authorized representative of each Party and OHSU.

11.6. Choice of Law. The Parties agree that this Agreement shall be governed by and construed in accordance with the laws of the State of Oregon without regard to conflict of laws principles.

11.7. Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original and all of which together shall constitute but one and the same instrument. Facsimile or other electronically scanned and transmitted signatures, including by email attachment, shall be deemed originals for all purposes of this Agreement. Signatures by electronic means shall have the same legal effect, validity, enforceability and admissibility as handwritten signatures.

11.8. Survival. The terms, conditions and warranties contained in this Agreement shall survive the Grant term, and the expiration or termination, of the Agreement.

11.9. Waiver. Failure by a Party to exercise or enforce any rights available to that Party or the giving of any forbearance, delay or indulgence shall not be construed as a waiver of that Party's rights under this Agreement.

IN WITNESS WHEREOF, the Parties hereto have executed this Agreement as of the Effective Date.

LEGACY HEALTH	**LEGACY HEALTH FOUNDATION**
By:_______________________________	By:_______________________________
Charles Wilhoite, Chair	Jill A. Nelson, Chair

ATTACHMENT 1
MONETARY GRANT

At the Closing (as defined in the Definitive Agreement), Legacy shall make an initial Grant payment to the Foundation in the amount of [*insert amount calculated at Closing pursuant to Section 3.5 of the Definitive Agreement*].

Thereafter, Legacy, or OHSU as its successor, shall make annual Grant payments (each, a "Tranche Payment," as defined in the Definitive Agreement) to the Foundation according to the following schedule. The schedule below indicates each maximum Tranche Payment; the actual amount to be paid to the Foundation through each Tranche Payment shall be calculated pursuant to Section 3.5.4 of the Definitive Agreement. For the avoidance of doubt, each maximum Tranche Payment shall be reduced by any deductions necessary to fulfill Legacy's obligations as described in Section 11.2 of the Definitive Agreement. Each Maximum Tranche Payment may be reduced by any accumulated investment losses and investment fees as of such payment date on the unreleased funds that have not been previously withheld from a Tranche Payment, and the final Maximum Tranche Payment shall be increased by any accumulated gains or interest:

Payment Number	Date	Maximum Tranche Payment
2	[insert closing date], 2027	[redacted]
3	[insert closing date], 2028	
4	[insert closing date], 2029	
5	[insert closing date], 2030	
6	[insert closing date], 2031	

ATTACHMENT 2
[PACIFICSOURCE AMENDMENT TO MEMBER AGREEMENT]

ATTACHMENT 3
RESTRICTED GRANT PURPOSE

Purpose: Health Equity and Access
The purpose of this multi-year Grant is to further Legacy's mission of good health for our people, our patients, our communities, and our world. In particular, the Grant is intended to amplify the Foundation and its mission to create a legacy of generational health and well-being through purposeful and impactful investments. Legacy supports the Foundation's vision for every member of our community to achieve their highest possible quality of health.

Restricted Grant:
The Grant is restricted as follows:

Permitted Grant Activities (in each case subject to the Prohibited Grant Activities):

- Grants to or for the benefit of OHSU and the OHSU System (as defined in the Definitive Agreement).
- Grants to non-OHSU non-profit hospital-based systems that are in competition with the OHSU System (as listed on Schedule 3.6(a) of the Definitive Agreement, as such list may be amended by mutual written agreement of the Foundation and OHSU from time to time) solely for the purpose of addressing community health needs supported by such systems.
- Grants to or for the benefit of other non-profit hospital-based systems that are not in competition with the OHSU System.
- Grants to or for the benefit of other organizations, tribes, government agencies, and educational institutions in support of the Foundation's mission and vision in Oregon and Southwest Washington.
- Foundation administration and operating costs.
- Foundation program activities in furtherance of the Foundation's mission (as described as of the Effective Date), including but not limited to education, community outreach, convenings, technical assistance, and advocacy.

Prohibited Grant Activities

- Grants to or for the benefit other organizations with primary focus and operations outside of Oregon and Southwest Washington.
- Grants to or for the benefit of any hospital-based system that is in competition with the OHSU System (as listed on Schedule 3.6(a) of the Definitive Agreement, as such list may be amended by mutual written agreement of the Foundation and OHSU from time to time) for purposes of engaging in activities that are competitive with the OHSU System, in whole or in part, as opposed to the purpose of solely addressing community health needs.
- Solicitation of individuals, corporations or other entities for charitable contributions, or from foundations for charitable grants.

ATTACHMENT 4

[______________________________]

(Formerly known as Legacy Health Foundation)

REVISED AND RESTATED ARTICLES OF INCORPORATION (2025)

ATTACHMENT 5

[______________________________]

(Formerly known as Legacy Health Foundation)

REVISED AND RESTATED BYLAWS (2025)

ATTACHMENT 6
FOUNDATION BOARD OF DIRECTORS

1. WHEREAS the Board of Directors of [______________] has adopted Amended and Restated Bylaws, which provide that directors shall serve a maximum of two consecutive three-year terms, and that by resolution the Board may stagger director terms so that not all of the directors' terms expire in the same year.

2. WHEREAS the Board wishes to elect directors and stagger director terms pursuant to the bylaws, now therefore be it

3. RESOLVED that effective [DATE] the Board of Directors shall be comprised of the following named individuals, whose terms shall be and hereby are assigned and staggered in the following manner:

Director Name	**Current Term**	**Current Term Ends**
Foundation 1	1	2025
Foundation 2	1	2026
Foundation 3	1	2027
Foundation 4	2	2027
Legacy 1	1	2025
Legacy 2	1	2026
Legacy 3	1	2027
Legacy 4	2	2026
Legacy 5	2	2027

EXECUTION VERSION

May 30, 2024

Oregon Health & Science University
3181 SW Sam Jackson Park Road
Portland, Oregon 97239-3098

Legacy Health
1919 NW Lovejoy Street
Portland, Oregon 97209

Re: Additional Terms related to Governance Matters Agreement and Health System Board

To whom it may concern:

Reference is hereby made to (a) that certain Governance Matters Agreement (as amended, restated, supplemented or otherwise modified, the "**Governance Matters Agreement**"), dated May 30, 2024, by and between OREGON HEALTH & SCIENCE UNIVERSITY, an Oregon statutory public corporation ("**OHSU**"), and LEGACY HEALTH, an Oregon nonprofit corporation ("**Legacy Health**"); and (b) to Exhibit A (Health System Board Charter) and Exhibit B (Health System Board Bylaws) referenced in and attached as Exhibits to the Governance Matters Agreement. Each of OHSU and Legacy Health may be referred to throughout this Agreement individually as a "**Party**" and collectively as the "**Parties**." Capitalized terms used but not defined herein shall have the meanings given to them in the Governance Matters Agreement.

The Parties have determined, pursuant to this letter agreement (this "**Letter**"), to confidentially (to the extent permitted by law) agree to the additional terms set forth in this Letter.

Notwithstanding anything to the contrary set forth in the Governance Matters Agreement or any of the other Transaction Documents, the Parties hereby agree that:

1) In accordance with Section 2.1.2 of the Governance Matters Agreement, in the event the authorities of the Health System Board are revoked prior to the earlier of, (a) six (6) years following the Closing (as defined in that certain System Combination Agreement (as amended, restated, supplemented or otherwise modified, the "**System Combination Agreement**"), dated May 30, 2024, by and between OHSU and Legacy Health); or (b) the date the Capital Commitment (as defined in the System Combination Agreement**)** has been fully expended or earmarked (in either case, an "**Early Revocation**"), the Health System Board shall cease to exist and a new committee advisory to the OHSU Board (the "**OHSU Health System Committee**") shall be established at the time of such Early Revocation. The OHSU Health System Committee shall be composed initially solely of appointees from the entity named, as of the date of this letter agreement, Legacy Health Foundation, an Oregon nonprofit corporation, or any successor thereto (the "Foundation"), except that

the OHSU President shall serve on the OHSU Health System Committee ex-officio, without vote, and shall Chair the OHSU Health System Committee.

2) In the event that the OHSU Health System Committee is established to replace the OHSU Health System Board due to (and at the time of) an Early Revocation, then a new Charter for the OHSU Health System Committee shall be adopted at such time to replace the Health System Board Charter attached as Exhibit A to the Governance Matters Agreement. Such replacement Charter is attached as Exhibit A to this letter.

3) In the event that the OHSU Health System Committee is established to replace the OHSU Health System Board due to (and at the time of) an Early Revocation, then new Bylaws for the OHSU Health System Committee shall be adopted at such time to replace the Health System Board Bylaws attached as Exhibit B to the Governance Matters Agreement. Such replacement Bylaws are attached as Exhibit B to this letter.

4) The Parties acknowledge and agree that after the sixth (6th) anniversary following the Closing or the date the Capital Commitment is fully spent or fully earmarked for spending on specific projects, whichever is earlier (i.e., six (6) years, unless the Capital Commitment amount is fully spent or fully earmarked for spending on specific projects more quickly), the Charter and the Bylaws of the Health System Board (if then still in existence) or the OHSU Health System Committee (if then established) may be amended by the OHSU Board, and the composition, authorities and operations of the Health System Board or the OHSU Health System Committee (as applicable) may change as a result, or the Health System Board or OHSU Health System Committee (as applicable) may be disbanded.

5) OHSU and Legacy Health acknowledge that neither the Health System Board nor the OHSU Health System Committee (if established) shall have any authority to act or bind OHSU as a public corporation and that the OHSU Board remains the public body of OHSU as a public corporation of the State of Oregon.

6) The definition of the term "Transaction Documents" in the System Combination Agreement shall include without limitation this letter and, only in the event that the OHSU Health System Committee is established to replace the OHSU Health System Board due to (and at the time of) an Early Revocation, also the documents set forth at Exhibit A and Exhibit B hereto.

7) The terms of this Letter shall be treated by the Parties as subject to the same terms and conditions as those set forth Article 12 of the System Combination Agreement, as if this Letter were part of the Agreement referenced therein. This Letter may be executed in counterparts, each of which shall be deemed an original and all of which together shall constitute but one and the same instrument. Facsimile or other electronically scanned and transmitted signatures, including by email attachment, shall be deemed originals for all purposes of this Letter. Signatures by electronic means shall have the same legal effect, validity, enforceability and admissibility as handwritten signatures.

(*Signature page follows*)

IN WITNESS WHEREOF, the Parties hereto have caused this letter agreement to be executed by their authorized officers as of the date first set forth above.

OREGON HEALTH & SCIENCE UNIVERSITY

By: Danny O. Jacobs

Printed: Danny O. Jacobs, M.D., M.P.H., FACS

Title: President

(Signature Page to Side Letter re: Health System Committee)

IN WITNESS WHEREOF, the Parties hereto have caused this letter agreement to be executed by their authorized officers as of the date first set forth above.

LEGACY HEALTH

By: Anna Loomis

Printed: Anna Loomis

Title: Interim CEO

(Signature Page to Side Letter re: Health System Committee)

Exhibit A

OHSU HEALTH SYSTEM COMMITTEE CHARTER

Effective Date: ________, _____
No: ____________

PREAMBLE

The Board of Directors of Oregon Health & Science University ("OHSU Board") is the governing body for Oregon Health & Science University ("OHSU"), including the following OHSU units: OHSU Hospital, Doernbecher Children's Hospital, all OHSU ambulatory care practices (including primary and specialty care), Legacy Health and each of its subsidiaries and joint venture interests, the OHSU Practice Plan, the Joseph B. Trainer Health & Wellness Center and those units within the OHSU School of Nursing and the OHSU School of Dentistry involved in the delivery of clinical care (collectively, "OHSU Health System"). The OHSU Board has appointed the OHSU President to act on its behalf for the purposes of ensuring (i) high quality and safety in all clinical activities of the OHSU Health System ("Clinical Activities"), and (ii) compliance with all applicable Regulatory Requirements (defined below), including certain Regulatory Requirements that are required to be performed by a hospital governing body. As used in these bylaws, "Regulatory Requirements" means all applicable rules and regulations related to licensing or accreditation and issued by various regulatory agencies and associated commissions, including Centers for Medicare & Medicaid Services and the Oregon Health Authority.

The OHSU President, in turn, had previously delegated to the University Health System Board ("UHSB"): (a) the responsibility for overseeing professional staff privileging and quality assurance/performance improvement at all licensed facilities that conduct Clinical Activities as part of the OHSU Health System; and (b) the authority to make non-binding recommendations to the OHSU Board with respect to OHSU Health System strategy and proposed OHSU Health System expenditures (including expenditures of the Capital Commitment, as defined in that certain System Combination Agreement by and between OHSU and Legacy Health, dated May ____, 2024 (as amended, restated, supplemented or otherwise modified, the "SCA")).

On ________, the delegated authorities of the UHSB were revoked. Consequently, and in accordance with that certain Governance Matters Agreement by and between OHSU and Legacy Health, dated May ____, 2024 (as amended, restated, supplemented or otherwise modified, the "GMA"), at that time, OHSU established a new committee advisory to the OHSU Board (the "OHSU Health System Committee"). The OHSU Health System Committee is composed initially solely of appointees from the entity previously named Legacy Health Foundation, an Oregon nonprofit corporation, or any successor thereto (the "Foundation"), except the OHSU President, who serves on the OHSU Health System Committee ex-officio, without vote, and Chairs the OHSU Health System Committee.

OHSU HEALTH SYSTEM COMMITTEE ROLE, DUTIES AND RESPONSIBILITIES

The OHSU Health System Committee shall make non-binding recommendations to the OHSU Board with respect to OHSU Health System strategy and proposed OHSU Health System expenditures (including expenditures of the Capital Commitment).

a. To the extent the OHSU Health System Committee's recommendations relate to sensitive business, financial or commercial matters of OHSU not customarily provided to competitors related to financings, mergers, acquisitions or joint ventures or related to the sale or other disposition of, or substantial change in use of, significant real or personal property, or related to health system strategies, the OHSU Health System Committee shall present its recommendations on proposed OHSU Health System expenditures to the OHSU Board annually in a private meeting to the extent consistent with Oregon Public Meetings Law, prior to the adoption by the OHSU Board of the annual OHSU Health System budget. To the extent the OHSU Health System Committee's recommendations do not relate to sensitive business, financial or commercial matters of OHSU not customarily provided to competitors related to financings, mergers, acquisitions or joint ventures or related to the sale or other disposition of, or substantial change in use of, significant real or personal property, or related to health system strategies, the OHSU Health System Committee shall present its recommendations on proposed OHSU Health System expenditures to the OHSU Board annually in a public meeting to the extent consistent with Oregon Public Meetings Law, prior to the adoption by the OHSU Board of the annual OHSU Health System budget.

b. When making recommendations to the OHSU Board on proposed OHSU Health System expenditures (including with respect to the Capital Commitment), the OHSU Health System Committee will consider four critical OHSU goals (maintaining and improving quality, access and equity, and controlling costs).

c. The OHSU Health System Committee shall present its recommendations on health system strategies to the OHSU Board at regular intervals throughout the year (i) in private meetings, to the extent such recommendations relate to sensitive business, financial or commercial matters of the University not customarily provided to competitors and consistent with Oregon Public Meetings Law, or (ii) in public meetings for any matters not provide for in the prior subsection (i).

d. For avoidance of doubt, the OHSU Health System Committee shall be entitled to and invited to give significant input to OHSU management and the OHSU Board with respect to their determination in areas of overlapping/competing objectives as to which joint ventures and business relationships to prioritize based upon the degree to which they are accretive to the OHSU Health System's overall objectives.

e. The OHSU Health System Committee shall have access to all information of the OHSU Health System reasonably appropriate for purposes of making recommendations on proposed OHSU Health System expenditures and strategy, and providing input as to which joint ventures and business relationships to prioritize.

LIMITATIONS

1. All authorities for the OHSU Health System not enumerated above under "OHSU Health System Committee Role, Duties And Responsibilities" will reside with the OHSU Board (as the governing body for the OHSU Health System) or with the OHSU President through delegation from the OHSU Board. For avoidance of doubt, the OHSU Health System Committee shall not have any authority over (nor any role with respect to): (a) professional staff privileging and quality assurance/performance improvement at licensed facilities that conduct Clinical Activities as part of the OHSU Health System; or (b) the education, training or research activities of OHSU.

2. Without limiting the provisions of Section 1, immediately above, the OHSU Board directly shall have the following authorities with respect to the OHSU Health System: (a) the approval of all operating and capital budgets; (b) the adoption of all strategic plans; (c) amendments to the governance documents of OHSU (subject to OHSU's enabling legislation) or any subsidiary legal entity, or any change to the corporate purposes of OHSU (subject to OHSU's enabling legislation) or any subsidiary legal entity; (d) the right to appoint and remove the OHSU President; (e) the approval of new borrowings by any OHSU Health System legal entity; (f) the approval of any material acquisitions, divestitures or joint ventures; (g) the approval of any new lines of business or the discontinuation of then-current lines of business; (h) the creation of new subsidiaries; (i) any significant new affiliations and any dis-affiliations; (j) any decision to merge with or into another system; (k) any decision to dissolve an OHSU Health System legal entity or change its legal form or tax status; (l) the right to require OHSU Health System entities to participate in a range of centralized corporate services and programs; (m) professional staff privileging and quality assurance/performance improvement at licensed facilities that conduct Clinical Activities as part of the OHSU Health System; (n) except as set forth in the Governance Matters Agreement between OHSU and Legacy Health, as amended, restated, supplemented or otherwise modified, dated May ____, 2024, or in the OHSU Health System Committee Bylaws or this Charter, any amendments to the OHSU Health System Committee Bylaws or Charter; (o) any other powers mandated by law; and (p) any other powers customary for the governing body of a health system and not delegated to the OHSU President or expressly authorized for the OHSU Health System Committee pursuant to this Charter.

AMENDMENTS

This Charter may be amended by the OHSU Board but shall not be amended without the consent of the majority of all members of the OHSU Health System Committee until the earlier of (a) six (6) years following the Closing (as defined in the SCA); or (b) the date the Capital Commitment has been fully expended or earmarked.

Exhibit B

OHSU HEALTH SYSTEM COMMITTEE BYLAWS

Effective Date: _________, _____
No: ______________________

PREAMBLE

The Board of Directors of Oregon Health & Science University ("OHSU Board") is the governing body for Oregon Health & Science University ("OHSU"), including the following OHSU units: OHSU Hospital, Doernbecher Children's Hospital, all OHSU ambulatory care practices (including primary and specialty care), Legacy Health and each of its subsidiaries and joint venture interests, the OHSU Practice Plan, the Joseph B. Trainer Health & Wellness Center and those units within the OHSU School of Nursing and the OHSU School of Dentistry involved in the delivery of clinical care (collectively, "OHSU Health System"). The OHSU Board has appointed the OHSU President to act on its behalf for the purposes of ensuring (i) high quality and safety in all clinical activities of the OHSU Health System ("Clinical Activities"), and (ii) compliance with all applicable Regulatory Requirements (defined below), including certain Regulatory Requirements that are required to be performed by a hospital governing body. As used in these bylaws, "Regulatory Requirements" means all applicable rules and regulations related to licensing or accreditation and issued by various regulatory agencies and associated commissions, including Centers for Medicare & Medicaid Services and the Oregon Health Authority.

The OHSU President, in turn, had previously delegated to the University Health System Board ("UHSB"): (a) the responsibility for overseeing professional staff privileging and quality assurance/performance improvement at all licensed facilities that conduct Clinical Activities as part of the OHSU Health System; and (b) the authority to make non-binding recommendations to the OHSU Board with respect to OHSU Health System strategy and proposed OHSU Health System expenditures (including expenditures of the Capital Commitment, as defined in that certain System Combination Agreement by and between OHSU and Legacy Health, dated May ____, 2024 (as amended, restated, supplemented or otherwise modified, the "SCA").

On ________, the delegated authority of the OHSU Health System Committee was revoked. Consequently, and in accordance with that certain Governance Matters Agreement by and between OHSU and Legacy Health, dated May ____, 2024 (as amended, restated, supplemented or otherwise modified, the "GMA"), at that time, OHSU established a new committee advisory to the OHSU Board (the "OHSU Health System Committee"). The OHSU Health System Committee shall have such role, duties and responsibilities set forth in the OHSU Health System Committee Charter.

INITIAL COMPOSITION

1. The OHSU Health System Committee shall be comprised initially solely of appointees from the from the entity previously named Legacy Health Foundation, an Oregon nonprofit corporation, or any successor thereto (the "Foundation"), except that the OHSU President

shall serve on the OHSU Health System Committee ex-officio, without vote.

2. The OHSU Health System Committee shall have six (6) voting members (who need not be members of the OHSU Board), each of whom who may be appointed by the Foundation at its discretion and for whatever terms (and pursuant to whatever replacement processes) and for whatever positions (other than Chair) the Foundation may establish in its discretion.

3. The OHSU President shall be the Chair of the OHSU Health System Committee. A Vice-Chair of the OHSU Health System Committee shall be appointed by a majority of the voting members of the OHSU Health System Committee.

QUALIFICATIONS/COMMITMENT TO DEIB

1. The OHSU Health System Committee shall support the OHSU Health System's objectives of diversity, equity, inclusion and belonging ("DEIB") and the Foundation shall incorporate these principles in the selection of its OHSU Health System Committee appointees. At such time (if ever) as the OHSU Health System Committee Charter and these Bylaws are amended (pursuant to the provisions of the Governance Matters Agreement, the OHSU Health System Committee Charter and these Bylaws), and if pursuant to any such amendment, the composition of the OHSU Health System Committee changes, the entity(ies) appointing members to the OHSU Health System Committee will continue to promote DEIB objectives in its/their selection of new members.

2. Without limiting the generality of Section 1, the Foundation, when exercising its discretion appoint members to the OHSU Health System Committee, shall endeavor to select appointees such that the OHSU Health System Committee is diverse with respect to competencies, demographics, experience, perspectives and other matters. Similarly, at such time (if ever) as the OHSU Health System Committee Charter and these Bylaws are amended, and if pursuant to any such amendment, the composition of the OHSU Health System Committee changes, the entity(ies) appointing members to the OHSU Health System Committee shall continue to appoint individuals who reflect such diversity. Factors to be considered include but are not limited to age, ethnicity, educational experience, work experience and governance experience, as well as varied experience with health care operations, finances, fundraising, staffing, quality, reimbursement, compliance, community outreach, health equity and information technology, among other things. During the period prior to any such amendment, OHSU and the Foundation will consult with one another in connection with the Foundation's appointments to the OHSU Health System Committee in order to endeavor to achieve the desired diversity. At such time (if ever) as the OHSU Health System Committee Charter and these Bylaws are amended, and if pursuant to any such amendment, the composition of the OHSU Health System Committee changes, OHSU and any other entity(ies) appointing members to the OHSU Health System Committee shall consult with one another in connection with each such entities' appointments to the OHSU Health System Committee in order to endeavor to continue to achieve the desired diversity.

MEETINGS

1. The OHSU Health System Committee shall meet no less often than four (4) times per year. The meeting schedule will be established by the OHSU Health System Committee. However, special meetings may be called by the Chair, or upon the written request of three (3) or more OHSU Health System Committee members, the Chair shall call a special meeting of the OHSU Health System Committee.

2. On invitation of the OHSU Health System Committee Chair or any three (3) or more OHSU Health System Committee members, additional individuals may be invited to attend OHSU Health System Committee meetings as non-voting staff. The OHSU Health System Committee will be staffed by OHSU Healthcare Administration.

QUORUM AND VOTING

1. Attendance at a meeting by a majority of the voting members of the OHSU Health System Committee shall constitute a quorum.

2. The presence and the affirmative vote of a majority of the OHSU Health System Committee members at any meeting at which a quorum is present shall be required for action by the OHSU Health System Committee.

3. In the event a OHSU Health System Committee member is unable to attend a meeting, the member may vote electronically in advance of the meeting or by proxy by designating in writing another OHSU Health System Committee member to vote on the absent member's behalf. The written designation shall be provided to the Chair of the OHSU Health System Committee or his or her designee electronically in advance of the meeting and must clearly outline whether the proxy has authority to vote on all matters or particular matters. A member who chooses to vote by proxy or vote electronically in advance of the meeting shall be counted towards the quorum necessary to vote on the matter(s) specified by the absent board member.

CONFIDENTIALITY AND CONFLICTS OF INTEREST

All members of the OHSU Health System Committee have such fiduciary duties as are provided for by applicable law and must act for the benefit of the OHSU Health System as provided for by such applicable law.

Members of the OHSU Health System Committee shall disclose to the Chair of the OHSU Health System Committee any situation wherein such member has a conflict of interest that could possibly cause that member to act in other than the best interest of the OHSU Health System. In any such situation, the member shall abstain from acquiring any information developed by the OHSU Health System and from participating in any discussion or voting related to such situation. Upon a finding by a majority of the OHSU Health System Committee members that a member has a conflict as to a particular matter before the OHSU Health System Committee, the OHSU

Health System Committee members may vote to require that such member abstain from voting on the matter.

All members of the OHSU Health System Committee shall keep confidential all sensitive information of every kind including the strategic goals of departments or divisions within the OHSU Health System to the extent permitted by law. Members of the OHSU Health System Committee shall abide by all confidentiality and conflict of interest policies and programs adopted by OHSU from time to time.

AMENDMENT

These Bylaws may be amended by the OHSU Board but shall not be amended without the consent of the majority of all members of the OHSU Health System Committee until the earlier of (a) six (6) years following the Closing Date; or (b) the date the Capital Commitment has been fully expended or earmarked.

Supplemental Materials H:
Financial Statements for OHSU for the Most Recent Five Fiscal Years

OREGON HEALTH & SCIENCE UNIVERSITY

(A Component Unit of the State of Oregon)

Financial Statements
and Supplementary Information

June 30, 2019 and 2018

(Dollars in thousands)

(With Independent Auditors' Report Thereon)

OREGON HEALTH & SCIENCE UNIVERSITY

(A Component Unit of the State of Oregon)

Table of Contents

KPMG LLP
Suite 3800
1300 South West Fifth Avenue
Portland, OR 97201

Independent Auditors' Report

The Board of Directors
Oregon Health & Science University:

We have audited the accompanying financial statements of the business-type activities and discretely presented component unit of Oregon Health & Science University (OHSU), which comprise the statements of net position as of June 30, 2019 and 2018, and the related statements of revenue, expenses, and changes in net position and cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise OHSU's basic financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We audited the financial statements of the aggregate discretely presented component unit for the years ended June 30, 2019 and 2018. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Oregon Health & Science University, the discretely presented component unit as of June 30, 2019 and 2018 and the respective changes in its financial position and, where applicable its cash flows thereof, for the years then ended in accordance with U.S. generally accepted accounting principles.

KPMG LLP is a Delaware limited liability partnership and the U.S. member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Other Matters

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 3 through 26, the schedule of funding progress for the postemployment healthcare benefit plan on page 102, the proportionate share of the net pension liability, and related ratios on page 102, and the schedule of defined-benefit pension plan contributions on page 102, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information, in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements as a whole. The supplemental information included in schedules 1 and 2 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted accounting principles. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

KPMG LLP

Portland, Oregon
October 25, 2019

OREGON HEALTH & SCIENCE UNIVERSITY

(A Component Unit of the State of Oregon)

Management Discussion and Analysis

June 30, 2019 and 2018

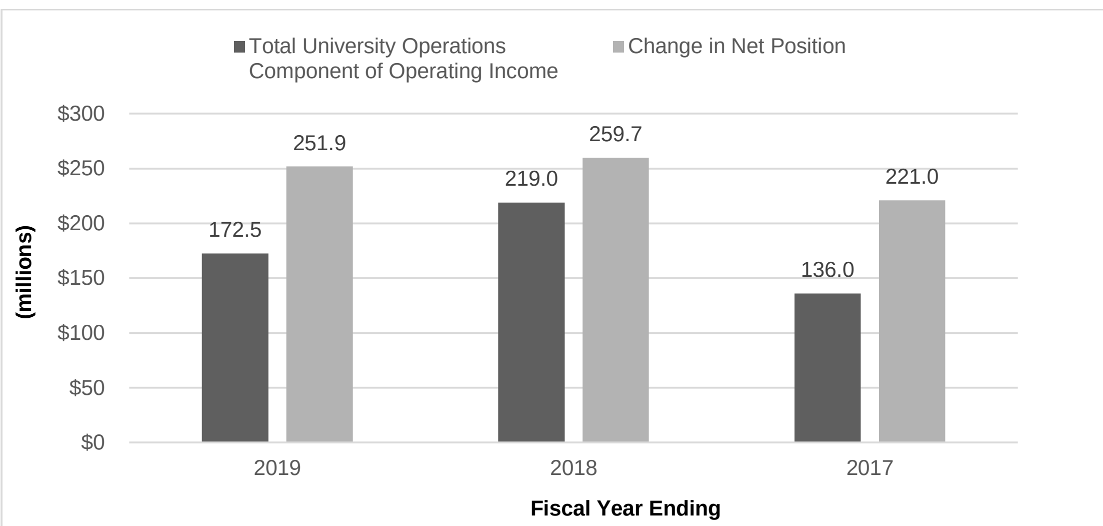
Introduction

Oregon Health & Science University (OHSU or the University) is Oregon's only public health sciences university and major academic health center. It is a national leader in education of health professionals and scientists, advanced biomedical and healthcare research, leading-edge patient care and outreach. As part of its multifaceted public mission, OHSU strives for excellence in education, research and scholarship, clinical practice and community service. Through its dynamic interdisciplinary environment, OHSU stimulates the spirit of inquiry, initiative and collaboration among students, faculty and staff.

The following discussion and analysis provides an overview of the financial activities of OHSU for the year ended June 30, 2019 and should be read in conjunction with the financial statements and related note disclosures. This discussion was prepared by management and is designed to focus on current activities, resulting changes, and current known facts with selective comparative information for the years ended June 30, 2018 and June 30, 2017.

Financial Highlights

To manage its operations and monitor its financial position, OHSU focuses on two key indicators: the Total University operations component of operating income (before consolidation of the Foundations and reclassification of state appropriations to nonoperating revenues) and the total change in consolidated net position, which includes the Foundations, investment income and other nonoperating items.



The broadest measure of OHSU's financial strength is net position, or assets and deferred outflows, less liabilities and deferred inflows. In fiscal year 2019, net position increased by $252 million or 7.5% from strong operating income and investment returns. This follows two preceding years of increase in net position of $260 million or 8.4% in 2018 and $221 million or 7.6% in 2017, also driven by strong operations and investments, as well as the State grant to the Knight Cancer Challenge. Over these three years, OHSU's net position increased by a cumulative 25.2% to $3.62 billion.

The recording of large gifts, the State grant to the Knight Cancer Challenge, and accrued expense for pension have caused large swings in OHSU's revenues and expenses over the past several years. Management uses the following analysis of changes in net position to track underlying operating performance on a consistent basis.

On the Consolidating Statements of Revenues, Expenses and Changes in Net Position (Schedule 2) included at the end of the financial statements, the "Total University" column presents revenues and expenses before consolidation of the Foundations, with gifts recorded when transferred from the Foundations to the University for use, rather than when pledged. In addition, State appropriations are included within operating revenues to match the operating expenses for education and operations that the appropriations support. From this column, two other adjustments are made: revenue from the State grant to the Knight Cancer Challenge is removed, and expenses for pension benefits are recorded on a cash basis, rather than an accrual basis, as they were prior to adoption of GASB 68.

Components of OHSU Change in Net Position

(Dollars in thousands)

		2019	2018	Change
Total University operating income less Knight Cancer Challenge funding and accrual adjustments for pension benefits	$	176,479	137,863	38,616
Knight Cancer Research Building – KCI Funding		22,061	3,999	18,062
State grant to Knight Cancer Challenge		8,332	116,085	(107,753)
Accrual adjustments for pension benefits		(34,336)	(38,938)	4,602
Total university operations		172,536	219,009	(46,473)
Foundations operations		(115,053)	(72,054)	(42,999)
Elimination of Foundations' restricted capital activity		25,223	152	25,071
Reclassification of state appropriations		(37,276)	(37,026)	(250)
Consolidated operating income		45,430	110,081	(64,651)

Components of OHSU Change in Net Position

(Dollars in thousands)

	2019	2018	Change
State appropriations	$ 37,276	37,026	250
Investment and other nonoperating income (expense)	137,121	92,543	44,578
Consolidated net income	219,827	239,650	(19,823)
Capital/nonexpendable contributions and other	32,081	20,034	12,047
Total change in net position	251,908	259,684	(7,776)
Net position – beginning of year	3,367,291	3,111,581	255,710
Adjustment due to implementation of GASB Statement No. 75	—	(3,974)	3,974
Net position – end of year	$ 3,619,199	3,367,291	251,908

Using the noted management adjustments, Total University operating income was $176 million in fiscal year 2019, an increase of $39 million or 28.0% from $137 million in fiscal year 2018. Excluding the $200 million State grant to the Knight Cancer Challenge and netting the provider tax, total core operating revenues increased by 10.3% in fiscal year 2019 and 7.4% in 2018. These results reflect the consistency of OHSU's underlying operating performance, despite an environment where health care cost containment and industry consolidation, government budget constraints, and high student debt levels all limit the payment rate increases possible for most OHSU revenue streams.

	Fiscal year ending June 30			Variance	
Total University	2019	2018	2017	2019 v 2018	2018 v 2017
Total operating revenues	$ 3,284,778	3,136,131	2,912,907	4.7 %	7.7 %
Less state grant to Knight Cancer Challenge	8,332	116,085	59,037	(92.8)	96.6
Less provider tax	—	49,600	87,766	(100.0)	(43.5)
Total core operating revenues	$ 3,276,446	2,970,446	2,766,104	10.3 %	7.4 %

Results of Operations

The statements of revenues, expenses, and changes in net position present OHSU's results of operations, including the Foundations. In accordance with generally accepted accounting principles for a government entity, revenues and expenses are classified as either operating or nonoperating.

Condensed Statements of Revenues, Expenses, and Changes in Net Position

(Dollars in thousands)

	2019	2018	2017
Patient service revenue, net	$ 2,350,926	2,210,653	2,097,255
Gifts, grants and contracts	611,080	613,352	554,829
All other operating revenues	216,112	226,053	196,690
Total operating revenues	3,178,118	3,050,058	2,848,774
Salaries, wages and benefits	1,859,136	1,732,915	1,623,266
Defined benefit pension	72,043	76,587	85,277
All other operating expenses	1,201,509	1,130,475	1,091,677
Total operating expenses	3,132,688	2,939,977	2,800,220
Operating income	45,430	110,081	48,554
State appropriations	37,276	37,026	35,560
Other nonoperating revenues (expenses)	137,121	92,543	112,197
Other changes in net position	32,081	20,034	24,731
Total increase in net position	$ 251,908	259,684	221,042

In fiscal year 2019, OHSU opened several new buildings on the South Waterfront campus, including the Knight Cancer Research Building (KCRB) a transformational 320,000 square foot cancer research facility made possible by a commitment of $200 million grant funding from the State opened in August 2018. The state support contributed to the OHSU Knight Cancer Challenge and helps create new health care opportunities for Oregonians across the state, in addition to short and long-term economic benefits for the region.

OHSU also opened two other buildings in early 2019 on the South Waterfront: Center for Health & Healing Building 2 (CHH-2) and the Gary and Christine Rood Family Pavilion. The CHH-2 operates as a high-acuity ambulatory care facility specializing in highly complex outpatient surgery and invasive procedures. It has extended stay capacity where patients can recover up to 48 hours. The building also houses clinical space for the Knight Cancer Institute, including oncology clinics, infusion and clinical trials. CHH-2 allows patients previously filling inpatient beds to be cared for in an advanced outpatient and short-stay setting, with access to leading-edge diagnostic and treatment services

To the east of CHH-2 is the Gary and Christine Rood Family Pavilion. The Rood Family Pavilion includes a guest house serving both pediatric and adult traveling patients and their families as well as a parking structure, conference center and space for a future urgent care facility.

As a result of the OHSU Knight Cancer Challenge initiatives, fiscal year 2019 operating income reflects both revenues and expenses related to the South Waterfront campus buildings and supporting programs, some of which are one-time activities, others of which are ongoing to the total university operating income. Additionally, operating income reflects the multi-year initiative called Accelerate OHSU that is designed to narrow the gap between payment rate and unit cost inflation; to facilitate volume growth across missions; to moderate variable costs; and to reduce current expense base until new capacity can be brought fully online.

Revenues Supporting Core Activities

OHSU's operating revenues for the fiscal year end June 30, 2019 totaled $3.18 billion driven by continued growth in net patient service revenue and gifts, grants and contracts. This follows increases in the two preceding fiscal years, with operating revenues of $3.05 billion and $2.85 billion in 2018 and 2017, respectively.

Net patient service revenue increased in fiscal year 2019 by 6.3% (adjusting for a half year of provider tax in fiscal year 2018 the underlying revenue growth was 8.8%) to $2.35 billion, reflecting continued high occupancy in specialty adult medical-surgical beds, higher case mix, and surgical and ambulatory growth. In January of fiscal year 2018, through an intergovernmental transfer approach, the State of Oregon (the State) and OHSU worked closely to secure federal funding to ensure Medicaid patients have access to high-quality specialty care and support activities essential to the quality of health care across the state of Oregon. This new approach replaced other funding mechanisms and ended OHSU's participation in Oregon's provider tax.

	Fiscal year ending June 30			Variance	
	2019	2018	2017	2019 v 2018	2018 v 2017
	(Dollars in thousands)				
Patient service revenue	$ 2,350,926	2,210,653	2,097,255	6.3 %	5.4 %
Provider tax	—	49,600	87,766	(100.0)	(43.5)
Patient service revenue net of provider tax	$ 2,350,926	2,161,053	2,009,489	8.8 %	7.5 %

Grants, gifts and contracts continue to remain strong in fiscal year 2019 at $611 million, compared to $613 million in 2018 and $555 million in 2017, despite the conclusion of revenue recognition associated with the State's $200 million grant supporting the Knight Cancer Challenge research facility. The State supported the Knight Cancer Challenge with a $200 million grant, for research and clinical trial facilities on the South Waterfront campus, first recognized in fiscal year 2016 with the last application in 2019 of $8 million.

The University continues to report consistent growth in federal government and industry grants, an indicator of the success of OHSU's research and other programs, along with steady increases in medical contracts over the last three fiscal years, reflecting partnerships that extend OHSU programs across the region.

Gifts are recorded at the OHSU Foundation and Doernbecher Children's Hospital Foundation (the Foundations) when pledged, and at the University when transferred from the Foundations and applied to program expenditures. The receipt of large gifts pledged in one year, received in cash over time, then spent during subsequent periods, results in significant fluctuation in the gift component of OHSU revenues on a combined basis. Gifts from the Foundations, such as the Knight Cancer Institute gift supporting the KCRB at $22 million in

2019 and $4 million in 2018, continue to provide critical funding to faculty in support of programs and academic initiatives.

		Fiscal year ending June 30		
		2019	**2018**	**2017**
			(Dollars in thousands)	
University grants and contracts, direct portion	$	457,088	356,587	336,206
University grants and contracts, indirect cost recovery		97,974	91,869	86,430
State grant to the Knight Cancer Challenge		8,332	116,085	59,037
Foundation gifts, net of eliminations, transferred to the University		47,686	48,811	73,156
Total gifts, grants and contracts	$	611,080	613,352	554,829

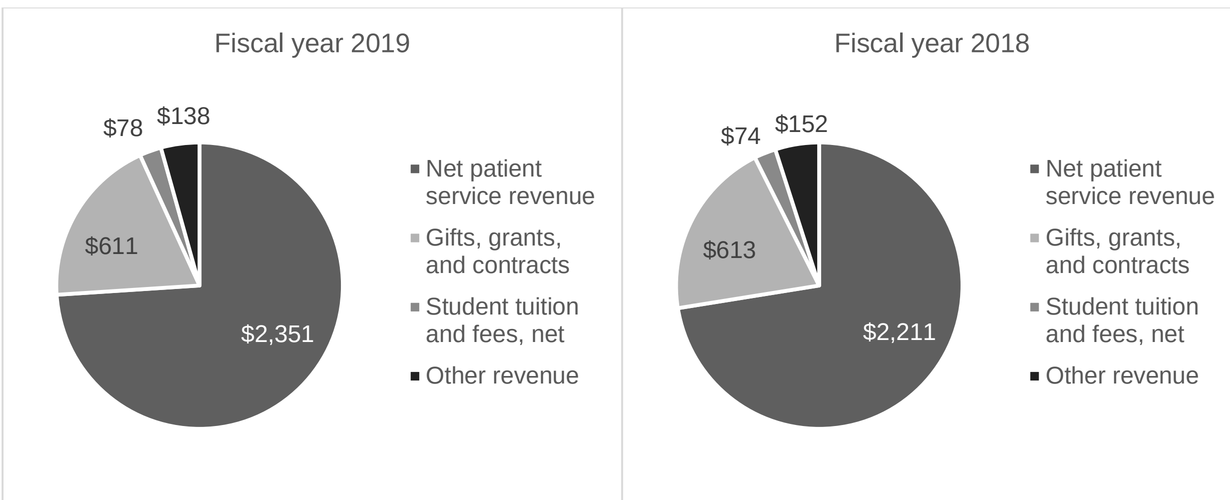
Student tuition and fees were $78 million and $74 million in fiscal year 2019 and 2018, respectively. Fiscal year 2019 marks the sixth year of the OHSU Tuition Promise. Under this initiative, students enrolled in eligible clinical degree programs pay a tuition rate that is fixed for the remainder of their studies, as long as they complete the degree within the normal timeframe specified by the program.

Certain revenues relied upon and budgeted for in operational support of education and service programs of the University are required to be recorded as nonoperating revenues. For management purposes, OHSU measures operating results including state appropriations. State appropriations totaled $37 million in both fiscal year 2019 and 2018. State appropriations support education in the Schools of Nursing, Dentistry and Medicine, as well as operations of the Child Development and Rehabilitation Center, the Office of Rural Health, and the Poison Center.

Investment returns, reflected in other nonoperating revenues (expenses), totaled $141 million in fiscal year 2019 compared to $91 million in fiscal year 2018, largely due to higher market returns.

Operating Revenue by Source
Fiscal years 2019 and 2018 (Total $3.18 billion and $3.05 billion, respectively)

(Dollars in millions)



Expenses Associated with Core Activities

OHSU's total operating expenses on a combined basis increased by $193 million, or 6.6%, in fiscal year 2019, and $140 million, or 5.0%, in fiscal year 2018.

As a result of the OHSU Knight Cancer Challenge initiatives, expenses related to the South Waterfront campus buildings and supporting programs, including salaries, wages, and benefits, services, supplies and other, and depreciation and amortization, increased in the current fiscal year. These were offset by a reduction in OHSU's proportionate share of the Oregon Public Employees Retirement System (PERS) defined-benefit pension expense and provider tax.

Fiscal year 2019 and 2018 operating expense also included integrated clinical operations support for Adventist Health Portland at $5 million and $5 million, respectively, an affiliate since January 1, 2018, and Tuality Healthcare (Tuality) at $8 million and $7 million, respectively, a partner since February 2017.

Salaries, wages, and benefits (excluding the impact of defined-benefit pension expense) comprised approximately 59.3% of total expenses, increased by $126 million, or 7.3%, in 2019 and $110 million, or 6.8%, in 2018, respectively. In the current fiscal year, the increase was due to recruitment for clinical programs and staff in support of CHH-2 ambulatory building with cancer clinical trial space and the Rood Family Pavilion for patient and family housing. This was offset by a slight reduction in the PERS defined benefit pension of $5 million. In fiscal year 2018 salaries and wages were adjusted to reflect market compensation levels for highly productive clinical staff, as well as recruitment for clinical programs that supported the continued growth in patient revenues.

Services, supplies, and other expenses, showed an increase of $82 million, or 9.1%, in 2019, and $73 million, or 8.8%, in 2018 representing the nonlabor costs associated with the targeted program growth noted above and increased direct foundation support, along with approximately $16 million in CHH-2 one time startup costs in fiscal year 2019 and OHSU's participation ending in Oregon's provider tax.

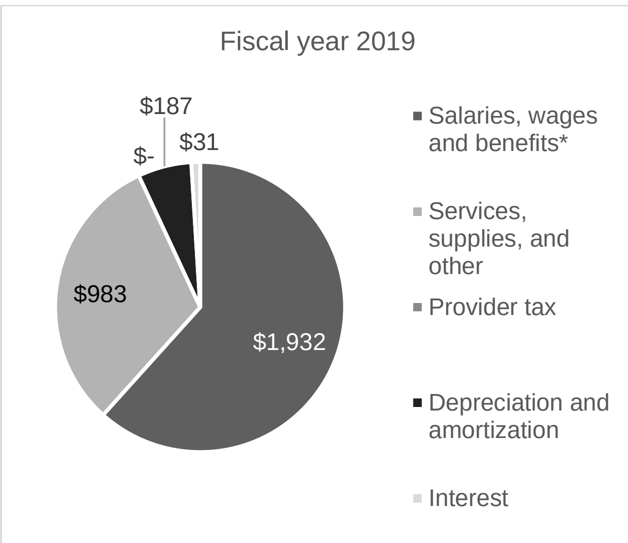
Depreciation and amortization, which represents the reduction in value of capital assets with the passage of time, increased by $36 million, or 23.6%, in 2019, and $4.5 million, or 3.1%, in 2018. In 2019, the increase in depreciation reflects the opening of the new buildings noted previously along with a change in capitalization threshold for capital assets of $17 million.

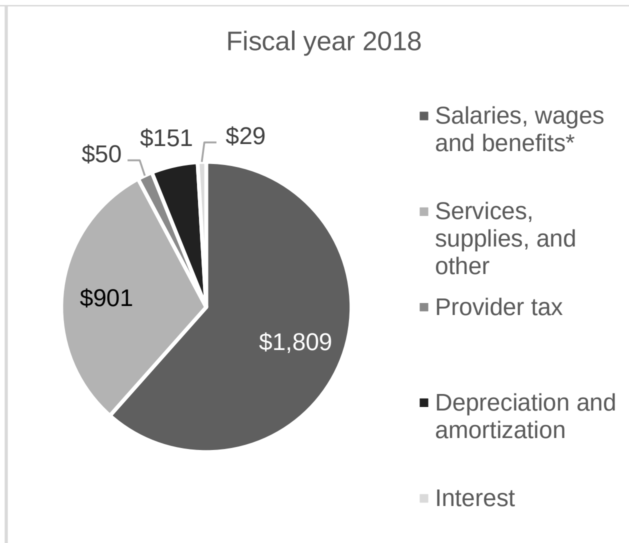
Interest expense increased by $2.8 million, or 9.7%, in fiscal year 2019. The increase in interest expense in 2019 is largely driven by a reduction in capitalized interest. Capitalized interest for 2019 and 2018 was

$6.1 million and $8.7 million, respectively. Capitalized interest decreased as a consequence of decreased capital spending with the completion of CHH-2 in fiscal year 2019.

Operating Expenses
Fiscal years 2019 and 2018 (Total $3.13 billion and $2.94 billion, respectively)

(Dollars in millions)





* Salaries, wages, and benefits figures include OHSU's proportionate share of the Oregon PERS's net pension liability of $72 million and $77 million expensed in fiscal years 2019 and 2018, respectively.

Operating Expenses by Functional Classification

(Dollars in thousands)

		2019	2018	2017
Instruction, research, and public service	$	507,049	471,869	436,645
Clinical activity		1,986,762	1,860,679	1,745,058
Auxiliary activities		7,498	7,470	8,740
Internal service centers		10,327	9,082	12,184
Student services		14,800	13,545	12,459
Academic support		82,662	82,955	84,353
Institutional support		146,093	164,421	159,342
Operations, maintenance, and other		118,943	106,288	104,195
Direct foundation expenditures		37,499	33,635	36,606
Depreciation and amortization		186,719	151,095	146,597
Defined pension benefit, net of contribution		34,336	38,938	54,041
Total operating expenses	$	3,132,688	2,939,977	2,800,220

Financial Position

The statements of net position present the assets and liabilities, deferred inflows of resources and deferred outflows of resources, and net position of OHSU as of a point in time. Net position, the difference between total assets and deferred outflows as compared to total liabilities and deferred inflows, presents the financial position at the end of the fiscal year and is one of the broadest measures of the financial condition of OHSU, while the change in net position is an indication of whether the overall financial condition has improved or worsened during the year.

The following table summarizes OHSU's statements of net position for the past three years by major category of assets, liabilities, deferred inflows and outflows, and net position.

Condensed Statements of Net Position

(Dollars in thousands)

		2019	2018	2017
Assets:				
Current assets	$	1,125,847	1,155,648	1,209,077
Capital assets		2,072,996	2,009,564	1,742,740
Other noncurrent assets		2,371,988	2,229,923	2,143,462
Total assets		5,570,831	5,395,135	5,095,279
Deferred outflows		205,752	182,548	299,377
Total assets and deferred outflows	$	5,776,583	5,577,683	5,394,656
Liabilities:				
Current liabilities	$	460,019	536,439	517,683
Noncurrent liabilities		1,503,847	1,498,180	1,619,739
Total liabilities		1,963,866	2,034,619	2,137,422
Deferred inflows		193,518	175,773	145,653
Net position:				
Net investment in capital assets		1,239,304	1,160,403	997,731
Restricted, expendable		717,100	813,026	842,794
Restricted, nonexpendable		274,762	249,931	231,908
Unrestricted		1,388,033	1,143,931	1,039,148
Total net position		3,619,199	3,367,291	3,111,581
Total liabilities, deferred outflows and net position – end of year	$	5,776,583	5,577,683	5,394,656

Assets

The largest components of OHSU's assets are cash and investments and capital assets, or physical plant.

Cash and Investments. During fiscal year 2019, OHSU's unrestricted and restricted cash and investments increased from $2.14 billion to $2.37 billion attributable to operating and investment performance and the Foundations activity. Policies set by OHSU and the Foundations dictate how investments are allocated and what risk profiles are assumed. Working capital is primarily invested in short duration, liquid fixed-income assets. Long-term investment strategy, including the investment of endowment funds and the associated spending distribution policy at the OHSU Foundations, is equity oriented, aiming to maximize total return, promote diversification, preserve capital, and provide for cash flow needs of the University.

Consolidated Asset Allocation of
Unrestricted and Restricted Cash and Investments

(Dollars in thousands)

		2019	2018	2017
Unrestricted cash and investments:				
Cash and equivalents	$	96,419	60,678	82,583
Fixed-income investments		974,916	894,594	764,344
Equity investments		251,643	221,997	268,164
Mutual funds		151,418	138,980	126,396
Other		202,225	165,504	68,950
Subtotal		1,676,621	1,481,753	1,310,437
Restricted cash and investments:				
Cash and equivalents		16,480	13,374	3,712
Fixed-income investments		166,309	138,320	185,551
Equity investments		342,747	353,108	418,256
Mutual funds		—	—	9,181
Other		166,239	152,009	22,913
Subtotal		691,775	656,811	639,613
Totals	$	2,368,396	2,138,564	1,950,050

The unrestricted portion of cash and investments is represented in the calculation of days cash on hand for OHSU. Days cash on hand increased from 212 days in 2018 to 228 days in 2019, the effect of a 13.1% increase in unrestricted operating cash and investments compared to a 5.3% increase in net unrestricted operating expenses.

Days Unrestricted Cash and Investments on Hand

(Dollars in thousands)

		2019	2018	2017
OHSU:				
Unrestricted cash and investments	$	1,171,106	1,025,102	881,840
Less nonoperating cash and investments		(45,297)	(38,909)	(33,508)
Operating cash and investments	$	1,125,809	986,193	848,332
Unrestricted operating expenses:				
Total operating expenses	$	2,777,553	2,607,181	2,487,844
Less depreciation and amortization		(186,621)	(150,986)	(146,473)
Net unrestricted operating expenses	$	2,590,932	2,456,195	2,341,371
Daily expense	$	7,098	6,729	6,415
Days cash on hand		159	147	132
OHSU plus OHSU and Doernbecher Foundations:				
Unrestricted cash and investments	$	1,676,621	1,481,753	1,310,436
Less nonoperating cash and investments		(45,297)	(38,909)	(33,508)
Operating cash and investments	$	1,631,324	1,442,844	1,276,928
Unrestricted operating expenses:				
Total operating expenses	$	2,797,999	2,630,036	2,511,126
Less depreciation and amortization		(186,720)	(151,095)	(146,596)
Net unrestricted operating expenses	$	2,611,279	2,478,941	2,364,530
Daily expense	$	7,154	6,792	6,478
Days cash on hand		228	212	197

The following table presents the days unrestricted cash on hand for OHSU as of fiscal year ended June 30, 2019, 2018, and 2017, calculated with the removal of pension adjustments due to the adoption of GASB 68.

Days Unrestricted Cash and Investments on Hand Pre-GASB 68 Adjustment

(Dollars in thousands)

		2019	2018	2017
OHSU plus OHSU and Doernbecher Foundations:				
Operating cash and investments	$	1,631,324	1,442,844	1,276,928
Net unrestricted operating expenses	$	2,611,279	2,478,941	2,364,530
Pension adjustment GASB 68		(34,336)	(38,938)	(54,041)
Adjusted net unrestricted operating expenses	$	2,576,943	2,440,003	2,310,489
Daily expense	$	7,060	6,685	6,330
Days cash on hand (pre-GASB 68)		231	216	202

Capital Assets. Capital investments in patient care, research, education and outreach are scaled and paced to available funding from operating earnings and philanthropy. Capital assets, net of accumulated depreciation, increased by $63 million and $267 million, respectively, during fiscal years 2019 and 2018. In 2019 and 2018, capital expenditures included the design, construction and completion of CHH-2, KCRB, and the Gary and Christine Rood family pavilion. Additionally in fiscal year 2019, capital assets increased due to the initial activities associated with the Elks Children's Eye Clinic/Casey Eye Institute expansion and the OHSU Hospital Expansion Project (OHEP) along with annual capital for replacement, infrastructure and new capacities.

Liabilities

Total liabilities decreased by $71 million, or 3.5%, in fiscal year 2019. This follows a decrease of $103 million, or 4.8%, in fiscal year 2018. In fiscal year 2019, the decreases were related to activities in other noncurrent liabilities, compensated absences payable and noncurrent liabilities. In fiscal year 2018, the decreases were primarily due to recognition of unearned revenue associated with the State grant supporting the Knight Cancer Challenge and a reduction of OHSU's proportionate share of the PERS pension liability.

Current liabilities consist primarily of the current portion of long-term debt, including capital leases, and self-funded insurance, accounts payable and accrued expenses, salaries, wages, and benefits payable and unearned revenue. In fiscal year 2019, the reduction in current liabilities is primarily due to a decrease in intergovernmental transfers (IGT) payables to the State of $69 million and $15.8 million of retainage payables related to the new buildings reflected in other current liabilities. Compensated absences payable lowered by $23 million due to the implementation of a new paid time off program implemented in fiscal year 2019. These decreases were offset by accrued salaries, wages, and benefits and accounts payable and accrued expenses.

Noncurrent liabilities increased $6 million in fiscal year 2019 due to an increase in the pension liability offset by long-term debt less current portion.

Debt Management. At the close of fiscal years 2019 and 2018, OHSU had a total of approximately $951 million and $977 million in long-term debt and capital leases outstanding, respectively, excluding current portion.

Due to OHSU's sustained operating performance and increasing net position in 2019 and 2018, credit ratings have remained strong and stable. OHSU has maintained its Standard & Poor's and Fitch ratings of AA-, and Moody's rating of Aa3.

One measure of the degree of leverage on the University's statements of net position is the ratio of total debt to net position, shown below. From fiscal years 2017 to 2019, this metric has decreased (improved) as the newly issued long-term debt related to the new ambulatory care tower was offset by operating results and investment returns.

		2019	2018	2017
			(Dollars in millions)	
Total debt and capital leases	$	979	1,002	1,009
Net position, as adjusted		3,619	3,367	3,112
Total debt and capital leases to net position	$	0.27	0.30	0.32

Maximum Annual Debt Service Coverage. The maximum annual debt service coverage ratio for an entity represents the amount of cash flow available to meet the maximum annual interest and principal payment on debt. Per bond covenants, OHSU's credit group must maintain a debt coverage ratio of 1.10 times or greater. The University continues to exceed this minimum requirement with ratios of 6.65 in fiscal year 2019, 4.90 in 2018, and 4.70 in 2017.

Calculation of Maximum Annual Debt Service Coverage Ratio – Unrestricted

(Dollars in thousands)

		2019	2018	2017
Total excess of revenues over expenses	$	219,827	239,650	196,311
Add/subtract restricted net loss/gain		51,905	(95,251)	(56,505)
Unrestricted excess of revenues over expenses	$	271,732	144,399	139,806

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Calculation of Maximum Annual Debt Service Coverage Ratio – Unrestricted

(Dollars in thousands)

		2019	2018	2017
Adjustments:				
Net unrealized (gain) loss in fair value of investments	$	(58,639)	(22,856)	(34,788)
Loss on disposal of assets		411	296	255
Interest expense[1]		30,965	27,319	28,657
Depreciation and amortization		186,720	151,095	146,596
Other		—	—	—
	$	159,457	155,854	140,720
Income available for debt service	$	431,189	300,253	280,526
Maximum annual debt service		64,879	61,230	59,629
Maximum annual debt service coverage		6.65	4.90	4.70

[1] Interest expense is decreased by investment income on trust accounts.

The following table presents the maximum annual debt service coverage ratio for the last three fiscal years, calculated with the removal of pension adjustments due to the adoption of GASB 68.

Calculation of Maximum Annual Debt Service Coverage Ratio – Unrestricted
Pre-GASB 68 Adjustment

(Dollars in thousands)

		2019	2018	2017
Income available for debt service	$	431,189	300,253	280,526
Pension adjustment GASB 68		34,336	38,938	54,041
Adjusted income available for debt service	$	465,525	339,191	334,567
Maximum annual debt service	$	64,879	61,230	59,629
Maximum annual debt service coverage (pre-GASB 68)		7.18	5.54	5.61

Deferred Inflows and Outflows

Under GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, certain deferred outflows are presented below assets and certain deferred inflows are presented below liabilities.

In fiscal year 2019, the increase in deferred outflows of $23 million and increase of deferred inflows of $18 million were primarily attributed to changes in the defined-benefit pension obligations. In fiscal year 2018, the deferred outflows decreased $117 million and the deferred inflows increased $30 million due to several items of significance, including deferred amortization of derivative instruments, gains and losses on refunding debt, and obligations related to defined-benefit pension activities and the addition of the life income agreements and pending funds.

Within the deferred outflows section of the statements of net position is the deferred amortization of derivative instruments. OHSU currently holds one interest rate swap agreement. Previously, OHSU held two interest rate swap agreements, which were novated during 2016 and reassigned to a new counterparty under different terms. The 2019 and 2018 deferred outflow for the amortization of derivative instruments was $7.3 million and $8.5 million, respectively.

Losses and gains on refunding of debt are amortized over the shorter of the life of the new debt or the remaining life of the old debt. Absent any refunding activity, these numbers will slowly decline. OHSU has both deferred gains and losses. The deferred loss on refunding of debt of $22.3 million in 2019 and $23.8 million in 2018 is reported in the deferred outflows section below assets. The deferred gain on refunding of debt of $1.8 million in 2019 and $2.2 million in 2018 is reported in the deferred inflows section below liabilities. The last refunding transaction occurred in 2016 with the advance refunding of the Series 2009A Revenue Bonds.

With the adoption of GASB 68 in fiscal year 2015, defined-pension obligation activities are now included in deferred inflows and outflows. In fiscal year 2019 and 2018, the deferred outflows related to the Oregon PERS pension obligation were $174 million and $149 million, respectively, primarily representing assumption changes. Contributions made post measurement date are also reflected in deferred outflows. In fiscal year 2019, OHSU's contributions were $48 million, which included an additional $10 million in excess contribution above the contractually required $38 million. In fiscal year 2018, OHSU's contributions made post measurement date were $47 million. Deferred inflows related to pension activities for fiscal years 2019 and 2018 were $69 million and $52 million, respectively, representing an increase in proportionate share.

Net Position

As noted earlier, total net position increased $252 million during fiscal year 2019, as compared to an increase of $260 million during fiscal year 2018.

In fiscal years 2019 and 2018, the increase of net position occurred within net investment in capital assets and unrestricted, with net investment in capital assets up $79 million in 2019 and $163 million in 2018. Unrestricted net position increased $244 million and $105 million in 2019 and 2018, respectively. Restricted net position, which is 27.4% and 31.6% of OHSU's total net position, decreased by $71 million and $12 million, in 2019 and 2018, respectively, primarily driven by programmatic spending on research and academics. In fiscal year 2018, the restricted net position included an adjustment related to irrevocable split-interest agreements with adoption of GASB 81.

When evaluating OHSU's net position, it is important to note that OHSU's Marquam Hill property is leased from the State for renewable 99-year periods, at a lease payment equal to the debt service on bonds outstanding at the time of OHSU's separation from the Oregon University System. As that debt service is relatively low, the capitalized net present value of those lease payments is significantly less than the fair value of the included land and buildings.

OHSU Missions

The University launched a new strategic planning process in fiscal year 2019 called OHSU 2025, which has identified five major goals.

- Build a diverse, equitable environment where all can thrive and excel
- Be the destination for transformational learning
- Enhance health and health care in every community
- Discover and innovate to advance science and optimize health worldwide
- Partner with communities for a better world

These goals advance OHSU's core missions of healing, teaching and discovery, striving to:

- Educate tomorrow's health professionals, scientists, engineers and managers in top-tier programs that prepare them for a lifetime of learning, leadership and contribution.
- Explore new basic, clinical and applied research frontiers in health and biomedical sciences, environmental and biomedical engineering and information sciences, and translate these discoveries, wherever possible, into applications in the health and commercial sectors.
- Deliver excellence in health care, emphasizing the creation and implementation of new knowledge and cutting-edge technologies.
- Lead and advocate for programs that improve health for all Oregonians, and extend OHSU's education, research and healthcare missions through community service, partnerships and outreach.

The following sections highlight achievements for each of our missions.

OHSU Education

One foundation of OHSU's mission is the education and training of dentists, nurses, physicians, physician assistants, other health professionals, biomedical scientists and engineers, through a broad range of undergraduate and graduate programs that provide healthcare and biomedical workforce for Oregon and beyond. Educational programs are conducted on the OHSU campus in Portland and at various locations throughout the State.

Collaborative programs enable OHSU to offer a joint Doctor of Pharmacy degree through an affiliation with Oregon State University (OSU) as well as a joint Ph.D. degree and a joint Master of Science degree in Medical Physics. In partnership with Oregon Institute of Technology (OIT), OHSU offers a joint B.S. degree in Medical Laboratory Science, a joint B.S. degree in Emergency Medical Services Management and a joint Associate of Applied Science degree in Emergency Medical Technology–Paramedic. OHSU also offers a joint Master of Business Administration in Health Care Management with Portland State University (PSU) and has also established a joint School of Public Health with PSU comprised of several undergraduate and graduate joint programs including Bachelor degrees, Graduate Certificates, Master of Science, Master of Public Health and Ph.D. programs.

As of the fall 2018 term, OHSU had 2,999 students enrolled in its various programs (excluding students enrolled in the joint degree programs with OSU and OIT as well as the School of Public Health joint degree students registered by PSU). The following table sets forth the number of students enrolled in OHSU's programs for each of the past three academic years.

Fall Headcount Enrollment [(a)]
For Programs in the Years Indicated

	2018/2019	2017/2018	2016/2017
School of Dentistry:			
Graduate	27	27	27
Professional	296	290	294
Subtotal	323	317	321
School of Medicine:			
Undergraduate	18	14	13
Graduate	812	773	827
Professional	603	592	578
Subtotal	1,433	1,379	1,418
School of Nursing:			
Undergraduate	764	762	764
Graduate	222	214	217
Professional	44	40	41
Subtotal	1,030	1,016	1,022
School of Public Health:			
Graduate	213	183	138
Total	2,999	2,895	2,899

(a) This table excludes interns, residents and trainees. This table also excludes students enrolled in the joint Pharm.D. degree program with OSU, the joint undergraduate programs with OIT and the School of Public Health joint degree students registered by PSU.

(b) Public Health enrollment under the Schools of Medicine and Nursing were transferred to the School of Public Health.

OHSU Research

OHSU is a national leader in neuroscience; cancer research; hearing; microbiology; ophthalmology; infectious disease and immunology; reproductive biology; atomic, molecular, cellular, and tissue imaging; and evidence-based medicine. In 2019, OHSU research projects received 70% of the grants made by the National Institutes of Health (NIH) in the state of Oregon, with the next largest recipient receiving 12% of the grants. OHSU was ranked 25th out of the 2,532 entities that received funding from the NIH in 2019. Faculty members include five members of the National Academy of Sciences and six members of the National Academy of Medicine. Researchers at OHSU have developed many of the leading advances in medicine, including the first artificial heart valve, pioneering use of optical coherence tomography, the first percutaneous angioplasty procedure, and the first molecularly targeted cancer therapy (Gleevec®).

OHSU's many institutes are nationally and internationally recognized, including the Knight Cancer Institute, the only National Cancer Institute designated Comprehensive Cancer Center in Oregon, the Vollum Institute, privately endowed and dedicated to basic science research that has led to new treatments for neurological and psychiatric diseases, the Casey Eye Institute, a world-recognized academic regional eye center that attracts top specialists from around the globe, the Vaccine and Gene Therapy Institute, which focuses on serious viral disease threats and programs intended to span the continuum between basic and clinical science, where discoveries are rapidly advanced from the level of molecular and cellular biology through animal models and ultimately into clinical testing, and the Oregon Non-Human Primate Research Center, one of the seven National Primate Research Centers supported by the National Institutes of Health. Their world-class translational research programs focus on current, developing and projected high-priority human medical needs that are projected to increase in importance over the coming decades.

OHSU actively pursues private and public partnerships on important and innovative research projects to supplement federal funding, with corporate partners such Thermo Fisher Scientific's Analytical Instrumentals Segment, a leading electronic microscopy company, and other major information technology and life sciences companies, and with academic partners such as PSU, OSU, University of Oregon, Pacific Northwest National Laboratory and Lawrence Berkeley National Laboratory.

In May 2018, OHSU was awarded a $42 million, 6-year grant to establish the Pacific Northwest Center for Cryo-EM. This state-of-the-art electron microscopy user facility is operated jointly by OHSU and Pacific Northwest National Laboratory, and will allow researchers from a diverse range of backgrounds to tackle the most challenging scientific problems and train the next generation of cryo-electron microscopy (cryo-EM) specialists and users. With the purchase of four revolutionary microscopes to be located in the Robertson Life Sciences Building, cryo-EM researchers can visualize biological molecules at an atomic scale, leading to advances in diseases such as Parkinson's, Alzheimer's, and cancer.

OHSU Healthcare

OHSU is home to Oregon's only major academic health center, which serves a multistate area with tertiary health care services from its campus in Portland, Oregon, where it operates two hospitals, OHSU Hospital and OHSU Doernbecher Children's Hospital (Doernbecher Hospital and, collectively with OHSU Hospital, the OHSU Hospitals), with 576 licensed beds. During 2019, the OHSU Hospitals represented 8.4% of the available beds and 11.8% of the filled beds for the entire State. The OHSU Hospitals had an 85% occupancy rate for available beds in 2019, compared to the Oregon statewide average of 60% according to the Oregon Association of Hospitals and Health Systems' Oregon DataBank. As an academic health center, OHSU's professional staff is composed primarily of the faculty of OHSU's School of Medicine. The OHSU Practice Plan (OPP) is the largest organized clinical practice in Oregon. As of June 30, 2019, there were over 1,879 active faculty practice plan members, including physicians, nurse practitioners, physician assistants and other licensed independent practitioners from across all medical specialties.

	Fiscal year ending June 30			Variance	
OHSU Patient Activity	**2019**	**2018**	**2017**	**2019 v 2018**	**2018 v 2017**
	(Dollars in thousands)				
Inpatient admissions	29,174	29,213	29,747	(0.1)%	(1.8)%
Average length of stay	6.12	5.94	5.92	3.0	0.3
Average daily census	476	464	470	2.6	(1.3)
Day/observation patients	42,320	40,378	37,552	4.8 %	7.5 %
Emergency visits	47,856	48,461	47,193	(1.2)	2.7
Ambulatory visits	987,024	955,857	893,999	3.3	6.9
Surgical cases	37,080	35,560	33,892	4.3	4.9
Casemix index	2.26	2.18	2.09	3.7 %	4.3 %
Outpatient share of activity	52.3 %	51.5 %	49.5 %	1.6	4.0
CMI/OP adjusted admissions	137,995	131,210	122,967	5.2	6.7

In addition to its tertiary care focus in Portland, OHSU is working with other health care providers noted below to leverage expertise and resources throughout Oregon.

Adventist Health. Adventist Health Portland and OHSU finalized an agreement to integrate their clinical activities and services in the Portland metropolitan area through an affiliation effective January 1, 2018. This agreement makes OHSU and Adventist Health Portland part of the same Portland metropolitan health system, bringing together Adventist's health care enterprise that includes a 302-bed medical center, 34 medical clinics and home care and hospice services in the Portland-Vancouver metro area. Under this affiliation, OHSU and Adventist Health will share a bottom line and operate as a unified system. The agreement does not include OHSU's research and education missions. The other nineteen Adventist Health hospitals in the western United States are also excluded from the agreement. Each organization will retain its existing hospital licenses, capital assets and employees. Each entity will continue to maintain its own mission and culture but together will seek to transform access and the delivery of health to Oregonians through a unified clinical enterprise and shared brand experience.

***Tuality Healthcare*.** On February 1, 2016, OHSU affiliated with Tuality through the execution of a management agreement (the Tuality Agreement) between the organizations. Tuality owns and operates Tuality Community Hospital, a 215-licensed-bed acute care hospital located in Hillsboro, Oregon. Under the Tuality Agreement, OHSU agrees to oversee the unified and integrated clinical enterprises of OHSU and Tuality as a single, integrated economic unit. OHSU and Tuality remain as separate entities, own their own assets and continue to be the licensed operators of their own facilities. Under the Tuality Agreement, OHSU agrees to be responsible for Tuality's operating income and loss, including making cash payments to Tuality in an amount equal to any Tuality operating loss, in the manner specified in the Tuality Agreement. Tuality is a component unit of OHSU as OHSU approves Tuality's annual operating budget. Since Tuality has a separate board of directors and they do not provide services exclusively to OHSU, they are presented as a discretely presented component unit of OHSU.

***Mid-Columbia Medical Center*.** In August 2014, Mid-Columbia Medical Center (MCMC) and OHSU signed a 10-year mutual cooperation agreement. MCMC is a 49-bed general medical and surgical hospital in The Dalles, Oregon, approximately 85 miles east of Portland. The collaboration supports the continued and enhanced availability and local provision of primary care and specialty services at MCMC and in the MCMC service area recruitment. As part of the collaboration, OHSU supports the management and delivery of outpatient services at MCMC, and MCMC added an eighth position to its board of directors, selected by OHSU. In addition, MCMC converted to the EPIC electronic health records system, as used by OHSU.

Columbia Memorial Hospital. OHSU and Columbia Memorial Hospital (CMH) in Astoria, Oregon, have collaborated on programs, including cardiology and cancer, offering chemotherapy, imaging, pharmacy, and other services for individuals on the North Oregon Coast. OHSU and CMH jointly organize and operate an Oncology Collaboration, including a 18,000-square-foot comprehensive cancer treatment center and specialty clinic, with radiation therapy. CMH owns and operates the cancer treatment center, opened in October 2017, under its license while OHSU has provided the professional services and medical direction through OHSU-employed physicians.

OHSU and Doernbecher Foundations

OHSU has two designated independent nonprofit foundations – the Oregon Health and Science University Foundation (the OHSU Foundation) and the Doernbecher Children's Hospital Foundation (the Doernbecher Foundation), collectively, the Foundations. The Foundations exist to secure private philanthropic support to advance OHSU's vital missions and to invest and manage gifts responsibly to honor donors' wishes.

The OHSU Foundation is an Oregon nonprofit corporation promoting the charitable, scientific, and educational purposes of OHSU. Doernbecher Foundation is an Oregon nonprofit corporation promoting interest in and support for Doernbecher Children's Hospital. Both Foundations are component units of OHSU for financial reporting purposes, but are not part of the OHSU Obligated Group established pursuant to the Master Indenture, which currently consists solely of OHSU. Both Foundations have self-perpetuating boards of directors, on which the OHSU president sits as an ex officio voting member.

As OHSU's designated foundations, all development activities conducted by the Foundations must be coordinated with OHSU. In accepting gifts, the Foundations must obtain OHSU approval for all endowments and any gifts that result in new programs. In addition, if either foundation were dissolved or if the OHSU president were to revoke recognition of either foundation as an OHSU-designated foundation, the assets of such Foundation would, within the limits of legal and fiduciary rights, be distributed to OHSU, its successor in interest, or to another entity recognized by OHSU as an institution foundation. These interrelated functions and requirements have been further confirmed and implemented in the articles and bylaws of the Foundations. The table below identifies major gifts, which are reported as required under the Council for Advancement and Support of Education (CASE) Reporting Standards and Management Guidelines, which may differ from recognition rules under governmental accounting standards.

Amount	OHSU major gifts description	Fiscal year
$25 million	OHSU and Doernbecher Children's Hospital gift	2017–18
$14.7 million	SMMART Trials grant	2017–18
$10 million	Doernbecher Children's Hospital Foundation NICU construction gift	2017–18
$15 million	Center for Pancreatic Health gift	2016–17
$15 million	Casey Eye Institute gift	2015–16
$12 million	Gary and Christine Rood Family Pavilion gift	2015–16
$500 million	Knight Cancer Institute gift	2014–15
$100 million	Knight Cancer Institute gift	2014–15
$38.8 million	Vaccine and Gene Therapy Institute, Oregon National Primate Research Center, and Behavioral Neuroscience grant	2014–15
$28.9 million	Knight Cancer Institute and OHSU Parkinson Center gift	2013–14
$25 million	Center for Pancreatic Health gift	2013–14
$10 million	Knight Cancer Institute gift	2013–14
$125 million	Gift to create a Cardiovascular Institute at OHSU	2012–13
$25 million	Bob and Charlee Moore Institute for Nutrition gift	2011–12
$10 million	New School of Dentistry gift	2010–11
$100 million	Knight Cancer Institute gift	2008–09

Economic Outlook

As the U.S. economy enters the eleventh year of recovery from the 2008 financial crisis and ensuing recession, the US and Oregon economies have exhibited continued economic growth accompanied with robust labor markets. The Oregon unemployment rate continued to maintain historically low levels during the fiscal year, remaining unchanged from 4.0% in June 2018 to 4.0% as of June 2019. Nationally, the unemployment rate decreased from 3.9% in June 2018 to 3.7% in June 2019. Economic growth has modestly accelerated above the post-recession trend of approximately 2% annually, with real GDP growing 2.3% year over year from March 2018 to March 2019.

For much of the past decade post financial crisis, interest rates in the U.S. and much of the developed world remained at historically low levels, with periodic temporary increases followed by subsequent reversion. This trend continued during the first half of the fiscal year. During the second half of the year however concerns over trade and the health of the aggregate global economy mounted. For the full fiscal year, the bull market in equities continued with the Russell 3000 Index, a broad-based measure of US Equity performance posting a 8.8% return. The fixed income markets also performed well with the Barclays Aggregate posting a 9.5% return, with May and June 2019 in particular contributing to the strong absolute returns as concerns over trade and geopolitics subsumed market attention and drove safe haven asset returns.

The healthcare regulatory environment continues to exhibit policy uncertainty, especially at the federal level. Although legislative efforts to modify or repeal the Affordable Care Act (ACA) appear to have subsided, executive actions continue to be considered and taken which have the potential to materially affect the functioning of the law going forward.

Since inception, Oregon and OHSU have leaned into the ACA, to significant effect on both. Approximately 500,000 Oregonians have gained health insurance coverage through the Oregon Health Plan (Medicaid expansion) or the new individual insurance market, with 95% of adults and 98% of children now covered. This has substantially reduced OHSU's share of patient activity without any insurance coverage, from approximately 5% to 1%.

The economic trends described above are major inputs to OHSU's financial and strategic planning. In response, the University continues to build a diverse and equitable environment for all its members, refine its partnership strategy to maintain access for Oregonians to their public academic health center, to accelerate the development and application of new knowledge, and to educate health professionals and scientists across disciplines to improve health and well-being. Results over the past several fiscal years show that OHSU's financial position remains strong, with net position increasing 25.2% over the last three fiscal years, from $2.89 billion in June 2016 to $3.62 billion in June 2019, driven by strong operating performance, public support, philanthropy and investment returns.

OHSU's financial strength is further recognized by its credit ratings, Aa3/AA-/AA- with stable outlooks, confirmed during the past fiscal year with Moody's, S&P and Fitch, respectively. The University's disciplined budget process and long range financial planning are designed to maintain this trajectory, while continuing to invest in faculty, programs, technology and facilities consistent with a nationally ranked health sciences university. On this path, OHSU has continued to receive unwavering public and philanthropic support, as evidenced by the Knight Cancer Challenge, the OHSU Onward campaign to raise a second billion dollars, success in federal and nonfederal research awards, and continued support from the State of Oregon through biennial appropriations, capital support and Medicaid funding.

OREGON HEALTH & SCIENCE UNIVERSITY
(A Component Unit of the State of Oregon)

Statements of Net Position

June 30, 2019 and 2018

(Dollars in thousands)

		2019	2018
Assets:			
Current assets:			
Cash and cash equivalents	$	87,015	52,918
Short-term investments		325,165	312,765
Current portion of funds held by trustee		42,891	48,893
Patients accounts receivable, net of bad debt allowances of $3,150 in 2019 and $2,346 in 2018		390,249	413,197
Student receivables		26,184	22,255
Grant and contract receivables		62,550	75,845
Interest receivable		912	1,204
Current portion of pledges and estates receivable		74,160	129,510
Other receivables, net		42,362	42,645
Inventories at cost		44,421	24,088
Prepaid expenses		29,938	32,328
Total current assets		1,125,847	1,155,648
Noncurrent assets:			
Capital assets, net of accumulated depreciation		2,072,996	2,009,564
Funds held by trustee – less current portion		13,040	12,734
Long-term receivables		33,500	33,500
Long-term investments:			
Long-term investments, restricted		680,006	653,068
Long-term investments, unrestricted		1,276,210	1,119,813
Total long-term investments		1,956,216	1,772,881
Deferred financing costs, net		1,932	2,163
Pledges and estates receivable – less current portion		351,332	390,704
Restricted postemployment benefit asset		3,493	1,389
Other noncurrent assets		12,475	16,552
Total noncurrent assets		4,444,984	4,239,487
Total assets		5,570,831	5,395,135
Deferred outflows:			
Deferred amortization of derivative instruments		7,330	8,529
Loss on refunding of debt		22,306	23,777
Pension obligation		173,514	149,247
Goodwill		523	639
Other postemployment benefits (OPEB) obligation		2,079	356
Total deferred outflows		205,752	182,548
Total assets and deferred outflows	$	5,776,583	5,577,683

OREGON HEALTH & SCIENCE UNIVERSITY
(A Component Unit of the State of Oregon)

Statements of Net Position

June 30, 2019 and 2018

(Dollars in thousands)

		2019	2018
Liabilities:			
Current liabilities:			
Current portion of long-term debt	$	23,971	23,394
Current portion of long-term capital leases		3,919	866
Current portion of self-funded insurance programs liability		33,221	29,885
Accounts payable and accrued expenses		168,693	159,453
Accrued salaries, wages, and benefits		101,775	90,058
Compensated absences payable		62,338	85,111
Unearned revenue		60,565	57,428
Other current liabilities		5,537	90,244
Total current liabilities		460,019	536,439
Noncurrent liabilities:			
Long-term debt – less current portion		949,535	974,677
Long-term capital leases – less current portion		1,906	2,714
Liability for self-funded insurance programs – less current portion		39,682	38,060
Liability for life income agreements		23,235	23,975
Pension liability		456,006	424,000
Other noncurrent liabilities		33,483	34,754
Total noncurrent liabilities		1,503,847	1,498,180
Total liabilities		1,963,866	2,034,619
Deferred inflows:			
Deferred amortization of derivative instruments		643	7,051
Gain on refunding of debt		1,834	2,165
Life income agreements		33,681	31,919
Pending fund		86,456	81,181
Pension obligation		68,675	52,078
Other postemployment benefits (OPEB) obligation		2,229	1,379
Total deferred inflows		193,518	175,773
Net position:			
Net investment in capital assets		1,239,304	1,160,403
Restricted, expendable		717,100	813,026
Restricted, nonexpendable		274,762	249,931
Unrestricted		1,388,033	1,143,931
Total net position		3,619,199	3,367,291
Total liabilities, deferred inflows, and net position	$	5,776,583	5,577,683

See accompanying notes to financial statements.

OREGON HEALTH & SCIENCE UNIVERSITY
(A Component Unit of the State of Oregon)

Statements of Revenues, Expenses, and Changes in Net Position

Years ended June 30, 2019 and 2018

(Dollars in thousands)

		2019	2018
Operating revenues:			
Patient service revenue, net of bad debt adjustments of $21,221 in 2019 and $19,064 in 2018	$	2,350,926	2,210,653
Student tuition and fees, net		78,332	73,975
Gifts, grants, and contracts		611,080	613,352
Other revenue		137,780	152,078
Total operating revenues		3,178,118	3,050,058
Operating expenses:			
Salaries, wages, and benefits		1,859,136	1,732,915
Defined benefit pension		72,043	76,587
Services, supplies, and other		983,489	901,243
Provider tax		—	49,600
Depreciation and amortization		186,720	151,095
Interest		31,300	28,537
Total operating expenses		3,132,688	2,939,977
Operating income		45,430	110,081
Nonoperating revenues, net:			
Investment income and gain in fair value of investments		141,110	90,823
State appropriations		37,276	37,026
Other		(3,989)	1,720
Total nonoperating revenues, net		174,397	129,569
Net income before contributions for capital and other		219,827	239,650
Other changes in net position:			
Contributions for capital and other		7,593	3,053
Nonexpendable donations		24,488	16,981
Total other changes in net position		32,081	20,034
Total increase in net position		251,908	259,684
Net position – beginning of year, as adjusted*		3,367,291	3,111,581
Adjustment due to implementation of GASB Statement No. 75		—	(3,974)
Net position – end of year	$	3,619,199	3,367,291

* Beginning year net position for year ended June 30, 2018 was adjusted by ($3,974) to reflect the impact of implementing GASB 75 – *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions.*

See accompanying notes to financial statements.

OREGON HEALTH & SCIENCE UNIVERSITY
(A Component Unit of the State of Oregon)

Statements of Cash Flows

Years ended June 30, 2019 and 2018

(Dollars in thousands)

		2019	2018
Cash flows from operating activities:			
Receipts for patient services	$	2,305,006	2,214,830
Receipts from students		74,403	76,152
Receipts of gifts, grants, and contracts		637,002	530,789
Other receipts		141,099	133,140
Payments to employees for services		(1,912,941)	(1,769,659)
Payments to suppliers		(1,008,031)	(919,627)
Net cash provided by operating activities		236,538	265,625
Cash flows from noncapital financing activities:			
Federal direct loan proceeds		72,396	54,447
Federal direct loan disbursements		(61,081)	(64,967)
State appropriations		37,276	37,026
Nonexpendable donations and life income agreements		8,289	9,482
Net cash provided by noncapital financing activities		56,880	35,988
Cash flows from capital and related financing activities:			
Scheduled principal payments on long-term debt		(14,488)	(4,503)
Interest payments on long-term debt		(41,477)	(30,276)
Acquisition of capital assets		(250,476)	(418,215)
Net capital lease activity		2,245	(719)
Contributions received for capital and other		7,593	3,053
Net cash used for capital and related financing activities		(296,603)	(450,660)
Cash flows from investing activities:			
Purchases of investments		(3,779,698)	(4,280,745)
Proceeds from sales and maturities of investments		3,716,431	4,380,219
Interest on investments and cash balances		100,549	21,721
Net cash provided by investing activities		37,282	121,195
Net increase (decrease) in cash and cash equivalents		34,097	(27,852)
Cash and cash equivalents, beginning of year		52,918	80,770
Cash and cash equivalents, end of year	$	87,015	52,918

(Continued)

OREGON HEALTH & SCIENCE UNIVERSITY
(A Component Unit of the State of Oregon)

Statements of Cash Flows

Years ended June 30, 2019 and 2018

(Dollars in thousands)

		2019	2018
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	$	45,430	110,081
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization		186,720	151,095
Provision for bad debts		21,221	19,064
Interest expense reported as operating expense		31,300	28,537
Noncash contribution		(73,298)	(11,050)
Defined benefit pension		24,336	28,938
Net changes in assets and liabilities:			
Patient accounts receivable		1,727	(85,797)
Student receivables		(3,929)	2,177
Grant and contracts receivable		1,980	(21,245)
Pledges and estates receivable		94,722	52,280
Other receivables, assets, and deferred outflows		3,319	(18,938)
Inventories		(20,333)	(1,299)
Prepaid expenses		2,390	(5,188)
Accounts payable and accrued expenses		9,240	22,127
Accrued salaries, wages, and benefits		11,717	6,376
Compensated absences payable		(22,773)	4,529
Due to contractual agencies		(68,868)	
Other current liabilities		(15,839)	80,955
Liability for life income agreements		(740)	42
Unearned revenue		3,137	(115,916)
Liability for self-funded insurance programs		4,958	5,531
Other noncurrent liabilities and deferred inflows		121	13,326
Net cash provided by operating activities	$	236,538	265,625
Supplemental schedule of noncash capital and related financing and investing activities:			
Unrealized change in fair value of investments	$	36,357	9,257
Loss on disposal of capital assets		(411)	(296)
Prior year adjustment for GASB Statement No. 75		—	(3,974)

See accompanying notes to financial statements.

TUALITY HEALTHCARE AND SUBSIDIARIES

Consolidated Balance Sheets

June 30, 2019 and 2018

Assets		2019	2018
Current assets:			
Cash and cash equivalents	$	3,716,600	15,201,900
Short-term investments		524,600	814,800
Patient accounts receivable, net of allowance for uncollectible accounts of $3,943,100 and $3,354,300		30,624,700	26,195,400
Other receivables		7,713,000	4,975,200
Supplies inventory		3,758,300	3,427,900
Prepaid expenses and other		2,791,300	1,994,500
Current portion of assets whose use is limited		972,900	954,000
Total current assets		50,101,400	53,563,700
Assets whose use is limited:			
Board-designated funds		35,489,400	38,305,400
Under bond indenture agreement – held by Trustee		900	900
Donor-restricted – specific purpose		4,792,700	4,408,900
Donor-restricted – endowment		2,782,200	2,788,000
Required for current liabilities		(972,900)	(954,000)
Total assets whose use is limited		42,092,300	44,549,200
Property and equipment:			
Property and equipment, net of accumulated depreciation and amortization		59,756,100	49,402,300
Other assets:			
Other receivables – noncurrent		1,749,000	1,315,400
Investments in unconsolidated affiliates		2,136,600	3,023,200
Deferred compensation plan		2,357,800	2,265,300
Cash value of life insurance		529,300	502,700
Deferred costs and other		230,200	230,200
Intangible assets		1,687,000	1,747,300
Goodwill		318,500	318,500
Total other assets		9,008,400	9,402,600
Total assets	$	160,958,200	156,917,800

TUALITY HEALTHCARE AND SUBSIDIARIES

Consolidated Balance Sheets

June 30, 2019 and 2018

Liabilities and Net Assets	2019	2018
Current liabilities:		
Accounts payable	$ 15,390,900	14,222,000
Accrued payroll and employee benefits	12,301,700	11,341,400
Estimated liabilities for Medicare and Medicaid settlements	452,800	562,300
Long-term debt due within one year	1,047,000	1,191,900
Accrued bond interest payable	97,900	104,000
Total current liabilities	29,290,300	27,421,600
Long-term liabilities:		
Long-term debt, net of amount due within one year	13,069,000	14,092,900
Liability for pension benefits	51,789,600	41,420,700
Other long-term liabilities	20,509,200	11,892,200
Total long-term liabilities	85,367,800	67,405,800
Total liabilities	114,658,100	94,827,400
Net assets:		
Net assets without donor restrictions	38,542,600	54,733,400
Net assets with donor restrictions	7,757,500	7,357,000
Total net assets	46,300,100	62,090,400
Total liabilities and net assets	$ 160,958,200	156,917,800

See accompanying notes to consolidated financial statements.

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TUALITY HEALTHCARE AND SUBSIDIARIES

Consolidated Statements of Operations

For the years ended June 30, 2019 and 2018

		2019	2018
Net patient service revenue:			
Patient service revenue (net of contractual allowances and discounts)	$	203,114,800	188,998,200
Provision for bad debts		(11,986,900)	(11,893,900)
Total net patient service revenue		191,127,900	177,104,300
Other revenue:			
OHSU support		7,556,100	7,235,700
Other revenue		10,266,400	9,493,200
Total other revenue		17,822,500	16,728,900
Total revenue		208,950,400	193,833,200
Operating expenses:			
Salaries and wages		85,227,800	85,211,100
Employee benefits		22,035,500	21,824,400
Supplies and other expenses		75,934,700	67,247,300
Professional fees		18,533,900	11,643,900
Depreciation and amortization		8,176,600	7,408,600
Interest		733,800	739,300
Total operating expenses		210,642,300	194,074,600
Loss from operations		(1,691,900)	(241,400)
Other income:			
Realized income on investments whose use is limited by board designation		713,000	727,700
Gain on investments in affiliated companies		1,095,800	1,110,200
Gain (loss) on disposal of property and equipment		90,900	234,700
Other nonoperating expenses		—	(35,000)
Total other income		1,899,700	2,037,600
Excess of revenue over expenses		207,800	1,796,200
Contributions for property and equipment acquisition		29,100	89,500
Change in net unrealized gain on other-than-trading securities		623,100	500,600
Pension-related changes		(17,050,800)	3,091,800
(Decrease) increase in net assets without donor restrictions	$	(16,190,800)	5,478,100

See accompanying notes to consolidated financial statements.

TUALITY HEALTHCARE AND SUBSIDIARIES

Consolidated Statements of Changes in Net Assets

Years ended June 30, 2019 and 2018

		2019	2018
Net assets without donor restrictions:			
Excess of revenue over expenses	$	207,800	1,796,200
Contributions for property and equipment acquisition		29,100	89,500
Change in net unrealized gain on other-than-trading securities		623,100	500,600
Pension-related changes		(17,050,800)	3,091,800
(Decrease) increase in net assets without donor restrictions		(16,190,800)	5,478,100
Net assets with donor restrictions:			
Gifts, grants, and bequests		1,523,300	1,430,500
Investment income		129,900	476,700
Net assets released from restrictions		(1,280,800)	(1,016,400)
Contributions for endowment funds		28,100	3,800
Increase in net assets with donor restrictions assets		400,500	894,600
Change in net assets		(15,790,300)	6,372,700
Net assets, beginning of year		62,090,400	55,717,700
Net assets, end of year	$	46,300,100	62,090,400

See accompanying notes to consolidated financial statements.

(1) Organization and Summary of Significant Accounting Policies

(a) Organization

As the only health sciences university and major academic health center in the state of Oregon (the State), Oregon Health & Science University (OHSU or the University) is dedicated to the education and training of healthcare professionals, research, patient care, outreach, and public service. In addition to the School of Medicine, School of Nursing, School of Dentistry, the joint College of Pharmacy with Oregon State University, and the joint School of Public Health with Portland State University, OHSU comprises several other academic and research units, including the Vollum Institute, the Vaccine and Gene Therapy Institute, Oregon National Primate Research Center, OHSU Brain Institute, Oregon Institute of Occupational Health Science, Oregon Clinical and Translational Research Institute, and the Pacific Northwest Center for Cryo-EM. OHSU also comprises several clinical units, including OHSU Hospital (the Hospital), the OHSU Practice Plan (OPP), and the Institute on Development and Disability (IDD). Doernbecher Children's Hospital is a unit of the Hospital serving pediatric patients. The Knight Cancer Institute is the only National Cancer Institute designated cancer center in the State, and the Knight Cardiovascular Institute provides the State's most comprehensive clinical and research heart program. In addition, OHSU operates a captive insurance company domiciled in Arizona for self-insurance purposes, OHSU Insurance Company (INSCO), which is blended in the accompanying financial statements.

Pursuant to an act of the Oregon Legislature (the Act), on July 1, 1995, OHSU was restructured from one of seven component units of the Oregon University System (OUS) to an independent public corporation. OHSU remains a component unit of the State.

The majority of the real property that constitutes OHSU's main campus on Marquam Hill (and certain off-campus properties) in Portland is owned by the State. Pursuant to the Act, the State retained title of such real property and OHSU was granted exclusive care, custody, and control of such real property. To evidence this condition, the State and OHSU entered into a 99-year lease, dated July 1, 1995 (the State Lease), under which the State leased to OHSU all of the State's leasable interest in such real property. Under the terms of the State Lease, the State may terminate the State Lease if, prior to such termination, the State causes the defeasance or discharge of all then-outstanding obligations of OHSU that were issued to finance improvements on the property subject to the State Lease or to refinance obligations of OHSU to the State. Under the State Lease, improvements include completed and partially completed buildings, fixtures, structures, and other improvements constructed on the property subject to the State Lease. In addition, OHSU was granted ownership of all personal property of the University, as it existed prior to the enactment of the Act.

Oregon Health & Science University Foundation (OHSU Foundation) and Doernbecher Children's Hospital Foundation (together, the Foundations) are separately incorporated nonprofit foundations affiliated with OHSU. The primary purpose of the Foundations is to raise money for OHSU research, scientific, charitable, and educational purposes and to promote support for Doernbecher Children's Hospital. Consequently, the financial position and the changes in financial position of the Foundations are blended in the accompanying financial statements.

Additionally, the University Medical Group (UMG) is included as a blended component unit of OHSU. UMG is an Oregon public benefit corporation, organized and operated to provide billing and reporting services solely for the OPP within the School of Medicine at OHSU. The OPP management committee acts as the board of directors for UMG and is responsible for the day-to-day oversight of the clinical practice. As the board of UMG is under the supervision and control of the OPP, and therefore, OHSU, UMG is a blended component unit of OHSU.

On February 1, 2016, OHSU affiliated with Tuality Healthcare (Tuality) through the execution of a management agreement (the Tuality Agreement) between the organizations. Tuality owns and operates Tuality Community Hospital, a 215-licensed-bed acute care hospital located in Hillsboro, Oregon. Under the Tuality Agreement, OHSU agrees to oversee the unified and integrated clinical enterprises of OHSU and Tuality as a single, integrated economic unit. OHSU and Tuality remain as separate legal entities, own their own assets, and continue to be the licensed operators of their respective facilities. Tuality is a component unit of OHSU as OHSU approves Tuality's annual operating budget. Since Tuality has a separate board of directors and they do not provide services exclusively to OHSU, they are presented as a discretely presented component unit of OHSU.

(b) Accounting Standards

The accompanying financial statements are prepared in accordance with accounting principles generally accepted in the United States of America using the accrual basis of accounting. OHSU's financial statements and note disclosures are based on all applicable Governmental Accounting Standards Board (GASB) pronouncements and interpretations. OHSU uses proprietary fund accounting.

OHSU prepares and presents its financial information in accordance with GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* (GASB 34), known as the "Reporting Model" statement. GASB 34 established the requirements and reporting model for annual financial statements. GASB 34 requires that financial statements be accompanied by a narrative introduction and analytical overview of the reporting entity in the form of "management's discussion and analysis." This reporting model also requires the use of a direct-method cash flow statement.

OHSU has also adopted GASB Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities – an amendment of GASB Statement No. 34*. This statement establishes accounting and financial reporting standards for public colleges and universities within the financial reporting guidelines of GASB 34.

(c) New Accounting Pronouncements

During the year ended June 30, 2019, OHSU adopted GASB Statement No. 83, *Certain Asset Retirement Obligations* (GASB 83). GASB 83 provides financial statement users with information about asset retirement obligations (AROs) that were not addressed in GASB standards by establishing uniform accounting and financial reporting requirements for these obligations. GASB 83 establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred

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outflow of resources for ARO's. The adoption of GASB 83 did not have a significant impact on the financial statements taken as a whole.

(d) Accounting Standards Impacting the Future

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities* (GASB 84), which is effective for reporting periods beginning after December 15, 2018. The objective of GASB 84 is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. GASB 84 establishes criteria for identifying activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. Governments with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position. An exception to that requirement is provided for a business-type activity that normally expects to hold custodial assets for three months or less. GASB 84 describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria. The University is currently analyzing the impact of this statement.

In June 2017, GASB issued Statement No. 87, *Leases* (GASB 87), which is effective for reporting periods beginning after December 15, 2019. The objective of GASB 87 is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. GASB 87 increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as deferred inflows of resources or deferred outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the principle that leases are financings of the right to use an underlying asset. Under GASB 87, a lessee is required to recognize a lease liability and an intangible right to use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The University is currently analyzing the impact of this statement.

In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period* (GASB 89), which is effective for reporting periods beginning after December 15, 2019. The objectives of GASB 89 are to (1) enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reported period and (2) simplify accounting for interest cost incurred before the end of a construction period. GASB 89 requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. GASB 89 also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. The University is currently analyzing the impact of this statement.

In August 2018, GASB issued Statement No. 90, *Majority Equity Interests* (GASB 90), which is effective for reporting periods beginning after December 15, 2018. The objective of GASB 90 is to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value. The University is currently analyzing the impact of this statement.

(e) Financial Reporting Entity

As defined by generally accepted accounting principles, the financial reporting entity consists of OHSU as the primary government and its component units, which are legally separate organizations for which the primary government is financially accountable. Financial accountability is defined as a) appointment of the voting majority of the component units' board, and either (1) the ability to impose will by the primary government or (2) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government, or (b) the component unit is financially dependent on and there is potential for the component unit to provide specific financial benefits to, or impose specific burdens on, the primary government.

Component units are reported as part of the reporting entity under the blended or discrete method of presentation. Blending involves merging the component unit data with the primary government. There are three situations when blending is allowed: (1) when the board of the component unit is substantially the same as that of the primary government and there is a financial benefit or burden relationship between the primary government and the component unit or management of the primary government has operational responsibility for the component unit, (2) when the component unit provides services entirely, or almost entirely, to the primary government or otherwise exclusively, or almost exclusively, benefits the primary government even though it does not provide services directly to it, or (3) the component unit's total debt outstanding, including leases, is expected to be repaid entirely or almost entirely with resources of the primary government. OHSU Foundation, Doernbecher Children's Hospital Foundation, INSCO and UMG are considered to be blended component units as they serve the primary government exclusively. All transactions between OHSU and its blended component units are eliminated upon consolidation. Tuality is presented discretely since it has a separate board of directors and it does not provide services exclusively to OHSU. It is considered a nonmajor component unit as there are no significant transactions with OHSU and there is not a significant financial benefit/burden relationship with OHSU.

Financial reports for INSCO, UMG, OHSU Foundation, and Doernbecher Children's Hospital Foundation that include financial statements and required supplementary information are publicly available. These reports, and those of Tuality, may be obtained by contacting the management of OHSU.

(f) Basis of Accounting

Basis of accounting refers to the timing of when revenues and expenses are recognized in the accounts and reported in the financial statements. OHSU reports as a proprietary fund within the governmental model. OHSU's financial statements have been prepared using the accrual basis of accounting with the economic resources measurement focus. Under this method of accounting, revenue is recognized when earned and expenses are recorded when liabilities are incurred without regard to receipt or disbursement of cash.

(g) Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates in OHSU's financial statements include patient accounts receivable allowances, liabilities related to self-insurance programs, the fair value of interest rate swap agreements, and valuation of pension liabilities.

(h) Cash and Cash Equivalents

OHSU held no cash equivalents within cash and cash equivalents at June 30, 2019 or 2018.

(i) Investments

Investments are carried at fair value. Fair values are determined based on quoted market prices, where available. Investments in joint ventures are recorded using the equity method of accounting. Alternative investments, which are not readily marketable, are carried at estimated fair values as provided by investment managers, primarily using net asset values (NAVs). OHSU reviews and evaluates the values provided by the investment managers and agrees with the valuation methods and assumptions used in determining the fair value of the alternative investments. These estimated fair values may differ from the values that would have been used had a ready market for those securities existed.

Net unrealized gains and losses are included in the net unrealized gain (loss) in fair value of investments in nonoperating revenues in the statements of revenues, expenses, and changes in net position. Interest, dividends, and realized gains and losses on investments are included in nonoperating revenues as investment income when earned.

(j) Inventories

Inventories consist primarily of supplies in organized stores at various locations across the campus and in the Hospital. Inventories are recorded using several different methodologies dependent upon the operational use of the supplies and system capabilities. OHSU utilizes standard-cost and average-cost methodologies to record and report inventory value. In fiscal year 2019, pharmaceutical supplies were moved to inventory. The impact of this change in policy did not have a significant impact in the financial position or results of operations of OHSU as of and for the year ended June 30, 2019.

(k) Capital Assets

Capital asset acquisitions are stated at cost. Donated items are recorded on the basis of fair market value at the date of donation. Effective July 1, 2018, OHSU capitalizes equipment additions greater than $5 and capital projects greater than $25 which is a change from the prior threshold of $3 for equipment and $10 for capital projects. The impact of this change in policy did not have a significant impact in the financial position or results of operations of OHSU as of and for the year ended June 30, 2019. Maintenance, repairs, and minor replacements are expensed as incurred. When properties are retired or otherwise disposed of, the related cost and accumulated depreciation are removed from the respective accounts and any gain or loss on disposition is recorded as other in nonoperating revenue.

Interest on borrowed amounts during major construction is capitalized and amortized over the depreciable life of the related asset. During fiscal years 2019 and 2018, OHSU capitalized interest expense of approximately $6,095 and $8,701, respectively. This was net of approximately $15 and $941, respectively, of interest income on unspent project funds.

The provision for depreciation is determined by the straight-line method at rates calculated to amortize the cost of assets over the shorter of their estimated useful lives or the related lease term as follows: buildings and other improvements, 10 to 40 years; and equipment, 3 to 20 years.

(l) Net Position Classifications

Net position is classified into four net asset categories, in accordance with donor-imposed restrictions:

- Net investment in capital assets represents the depreciated value of capital purchases, net of related debt.
- Net position restricted, expendable, carries externally imposed time or purpose restrictions that expire in the future.
- Net position restricted, nonexpendable, carries externally imposed restrictions that never expire.
- Net position unrestricted carries no externally imposed restrictions.

Investment income earned on donor-restricted endowment funds in excess of the annual spending distribution is accounted for in the expendable restricted net position category.

The Foundations first apply restricted resources to an expense where an expense is incurred for a purpose for which both restricted and unrestricted funds are available.

(Dollars in thousands)

A summary of restricted funds by restriction category for fiscal years ended June 30, 2019 and 2018 is as follows:

		2019	2018
Restricted expendable:			
Research	$	506,307	595,298
Academic support		47,974	40,720
Instruction		40,218	38,225
Capital projects and planning		29,756	52,646
Student aid		54,156	52,123
Clinical support		12,525	12,939
Institutional support		3,400	3,340
Defined-benefit OPEB		3,493	1,389
Other		19,271	16,346
	$	717,100	813,026
Restricted nonexpendable:			
Research	$	38,615	32,406
Instruction		74,657	68,620
Clinical support		450	429
Public service		4,710	4,603
Academic support		88,370	80,614
Student aid		45,760	44,316
Other		22,200	18,943
	$	274,762	249,931

(m) Endowments

The endowment corpus is accounted for in the restricted, nonexpendable net position category and reported on the statements of net position as restricted long-term investments. The Foundations' spending policy for endowment funds is determined by the boards of trustees and is based on a three-year moving average of the fair value of the endowment fund. The boards of trustees authorized a 4.5% distribution in the years ended June 30, 2019 and 2018.

The Foundations' management and investment of donor-restricted endowment funds are subject to the provisions of the Uniform Prudent Management of Institutional Funds Act enacted by the State in January 2008.

The endowment fund investment pool (endowment fund) held by the Foundations is the repository for funds from restricted, nonexpendable contributions where the principal amount cannot be used, but a spending distribution, described below, can be used for the designated purpose. The endowment fund also holds quasi-endowment funds, which have been designated as endowment by the Foundations' boards of trustees. All interest, dividends, and changes in fair value on the endowment fund are allocated to the appropriate unrestricted or restricted net position classification as specified by the donor at the time of receipt. Endowment accounts receive spending distributions subject to the Foundations' boards of trustees approved spending policy, which provides a predetermined amount of total return that can be spent for purposes designated by the donor. All expendable income restricted by the donor is carried as restricted, expendable net position until such time as the restriction has been met. At June 30, 2019 and 2018, the fair value of investments in the endowment fund was $773,900 and $651,900, respectively. The fair value of the unspent portion of endowments in excess of corpus at June 30, 2019 and 2018 was $60,300 and $59,600, respectively.

Spending distributions were not made for certain endowment accounts during 2019 and 2018 because the market value of the individual endowment accounts dropped below the corpus. Spending distributions on these accounts will be resumed if specifically authorized by the Foundations' boards of trustees or at the time that the earnings of the endowment are sufficient to restore the corpus and support the annual spending distribution. At June 30, 2019 and 2018, the accumulated loss of $0 and $0, respectively, related to endowment accounts with market value below corpus was reflected in nonexpendable restricted net position.

(n) Federal Income Taxes

OHSU, as a division of the State, is not subject to federal income taxes of the Internal Revenue Code, except for unrelated business income.

(o) State Appropriations

The Oregon State Legislature makes an appropriation to OHSU on a biennial basis. The appropriation is recognized as nonoperating revenues over the related appropriation period as applicable eligibility requirements are met.

(p) Research Activity

Restricted grants receivable represent receivables for grant activities on which OHSU has met all applicable eligibility requirements and on which the funds are available from the granting agency. As of June 30, 2019 and 2018, the grants receivable balance was $26,905 and $36,025, respectively, and was included in grant and contract receivables in the accompanying statements of net position. The balance in unearned revenue as of year-end represents amounts advanced for which OHSU has not met all applicable eligibility requirements. As of June 30, 2019 and 2018, the grants unearned revenue balance was $38,309 and $31,613, respectively; additionally, unearned revenue for the Knight Cancer Challenge State Grant of $0 and $7,217 was included in unearned revenue in the accompanying statements of net position as of June 30, 2019 and 2018, respectively.

(q) Operating Revenues

OHSU includes patient service revenue, student tuition and fees, gifts, grants and contracts, and other income from sales and services in operating revenues. These revenues are key components of the operations of OHSU.

(Dollars in thousands)

(r) Net Patient Service Revenue

A summary of patient service revenues during the years ended June 30, 2019 and 2018 is as follows:

		2019	2018
Gross patient charges	$	5,450,576	4,958,597
Contractual discounts		(3,078,429)	(2,728,880)
Bad debt adjustments		(21,221)	(19,064)
Net patient service revenues	$	2,350,926	2,210,653

OHSU has agreements with third-party payors that provide for payments at amounts different from established rates. Payment arrangements include prospectively determined rates per discharge, outpatient case rates, reimbursed costs, discounted charges, and per diem payments. Net patient service revenue is reported at the estimated net realizable amounts due and determined to be collectible from patients, third-party payors, and others for services rendered and includes estimates for potential retroactive revenue adjustments under reimbursement agreements with third-party payors. Such estimates are adjusted in future periods as final settlements are determined.

A significant portion of OHSU's services are provided to Medicare, Medicaid, and Oregon Health Plan (OHP) patients under contractual arrangements. Inpatient acute care services rendered by OHSU to Medicare, Medicaid, and OHP program beneficiaries are generally reimbursed at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors (i.e., Medicare severity diagnosis related groups or MS DRGs). Such payments include a capital cost component and may be greater or less than the actual charges for services. Most outpatient services related to Medicare beneficiaries are reimbursed prospectively under the ambulatory payment classifications methodology. Home health services related to Medicare beneficiaries are reimbursed under a prospective payment system methodology. OHSU is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after audits of OHSU's annual cost reports by the Medicare fiscal intermediary and Medicaid.

During fiscal year 2018, OHSU partnered with the State of Oregon (the State) and created an innovative collaboration leveraging significant federal funding for Oregon's Medicaid program. Through the Intergovernmental Transfer (IGT) partnership with the State this program enabled support for OHSU's research and education missions and in fiscal years 2019 and 2018 the program generated $116,000 and $55,000, respectively. The legislature approved the program in the Oregon Health Authority's 2017–2019 budget and Oregon's OHSU IGT Program was approved by Centers for Medicare and Medicaid Services (CMS) and implemented on January 1, 2018. By reducing OHSU's losses from the Medicaid program, the IGT program enables OHSU to fund research and education missions. This new approach replaces several of OHSU's previous funding mechanisms and ended OHSU's participation in Oregon's provider tax.

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(Dollars in thousands)

The laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. As a result, there is at least a reasonable possibility that estimated third-party payor settlements payable, net will change by a material amount in the near term. For the years ended June 30, 2019 and 2018, OHSU received third-party settlements of $151 and $104, respectively, as a result of final settlements of prior years' cost reports and revisions of estimates for prior years cost report settlements.

OHSU has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations to provide medical services to subscribing participants. The basis for payment to OHSU under these agreements includes prospectively determined rates per discharge, discounts from established charges, prospectively determined fee schedules, and certain capitated per member per month payment arrangements.

Significant concentrations of gross patient accounts receivable as of June 30, 2019 and 2018 were approximately as follows:

	2019	2018
Medicare and Medicare managed care contracts	24 %	25 %
Medicaid and OHP	21	20
Commercial and managed care insurance	53	53
Nonsponsored	2	2
	100 %	100 %

(s) Student Tuition and Fees Revenues

A summary of student tuition and fees revenues during the years ended June 30, 2019 and 2018 is as follows:

		2019	2018
Gross student tuition	$	92,392	86,521
Exemptions		(14,060)	(12,546)
Student tuition and fees revenues, net	$	78,332	73,975

(t) Charity Care

OHSU provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its published rates. Because OHSU does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue.

OHSU maintains records to identify and monitor the level of charity care it provides. These records include the amount of charges forgone for services and supplies furnished under its charity care policy.

Charity care provided measured as charges forgone and based on established rates was $52,799 and $45,537 in 2019 and 2018, respectively.

(u) Pledges and Estates Receivable

Pledges and estates receivable are recorded as receivables and revenues in the appropriate net asset category based upon donor-imposed restrictions and are reported at fair value at the date the promise is received. Pledges are generally received within 5 to 10 years of the date of original commitment. The majority of estates are received within one year. Pledges and estates receivable, less reserves for estimated uncollectible amounts, are discounted to their present value using rates that range from 0.30% to 4.88%.

(v) Life Income Agreements

The Foundations have been named as remainder beneficiaries for various life income agreements. Life income agreements provide for contractual payments to designated beneficiaries for a specific period, after which the remaining principal and interest revert to the Foundations. Contributions received under life income agreements are included in long-term investments, restricted, with the corresponding commitment to the beneficiary included in liability for life income agreements in the accompanying statements of net position. The Foundations have investments with a fair value of $55,400 and $56,500 as at June 30, 2019 and 2018, respectively, related to its individually managed life income agreements.

(w) Moda Note Receivable

OHSU has contracts with, and receives patient revenues from the major health plans in Oregon. OHSU's guiding principle in developing payor provider partnerships is to ensure that Oregonians continue to have access to Oregon's public health sciences university and academic health center and its affiliates and that OHSU has access to major populations of Oregon across its missions of patient care, education, research, and outreach.

Since 2013, OHSU has partnered with Moda Health Plan, Inc. (Moda) to advance population health management. In December 2014, OHSU invested $50,000 in Moda through a 10-year surplus note to help capitalize Moda's Oregon healthcare efforts. The principal balance of this note shall become due and payable in full on December 15, 2024, and the note bears interest on its unpaid principal balance at a rate equal to 4% per annum. Payment of interest and principal is subject to approval by the Oregon insurance commissioner, which is part of the Department of Consumer and Business Services (DCBS).

Moda had a large share of Oregon's new individual insurance market during the initial years of the Affordable Care Act and has significant receivables due from the federal government under the risk corridor program that was designed to encourage plans to offer individual coverage. However, it is uncertain if, or when, the federal government will pay these amounts. In light of uncertain payment of federal risk corridor receivables, higher risk from losses at Moda, and the likelihood that interest payments will be deferred, OHSU recorded a valuation reserve of $16,500 against the surplus note receivable as of June 30, 2015.

PUBLIC OHSU_Notice_00876

(Dollars in thousands)

In February 2016, DCBS issued a consent order requiring Moda to sell a variety of assets and take steps to improve its financial position. In June 2017, as a result of Moda completing several transactions to generate the capital needed to meet regulatory standards, together with Moda reducing its risk by withdrawing from some markets, DCBS lifted the consent order. In February 2019, Delta Dental of California and Moda announced the completion of a $152,400 investment by Delta Dental of California for a 49.5% ownership interest in Moda. The California Department of Managed Health Care (DMHC) and Oregon's DCBS have approved the investment. As a result of the improved financial position of Moda, the Oregon insurance commissioner allowed payment of accrued interest to OHSU for $7,000 in fiscal year 2019.

OHSU reviewed the valuation of the note receivable as of June 30, 2019 and 2018 and has retained the current net valuation of $33,500, which represents 0.9% and 1.00% of the University's total net position as of June 30, 2019 and June 30, 2018, respectively.

(2) Cash and Investments

OHSU holds substantially all of its cash, cash equivalents, and investment balances at financial institutions. OHSU's cash is insured by the Federal Deposit Insurance Corporation subject to standard limits. Additionally, a portion of cash and cash equivalents are collateralized deposits as required under the Oregon Revised Statutes (ORS).

OHSU's investment policies are approved by the board of directors and are accounted for as prescribed by GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Changes in the fair value of investments are included in nonoperating revenues. The composition of investments at fair value at June 30, 2019 and 2018 is as follows:

		2019	2018
Short-term investments:			
Cash and cash equivalents	$	423	409
Mutual funds		151,418	138,980
U.S. government securities		—	2,145
U.S. agency securities		505	785
Corporate obligations		57,619	79,924
Fixed income		115,200	90,522
		325,165	312,765
Funds held by trustee, current portion:			
Fixed income		42,891	48,893
		42,891	48,893

(Dollars in thousands)

		2019	2018
Funds held by trustee, less current portion:			
Other fixed income	$	13,040	12,734
		13,040	12,734
Long-term investments – less current portion:			
Cash and cash equivalents		28,703	22,771
U.S. government securities		379,017	313,149
U.S. agency securities		57,957	21,879
Corporate obligations		374,797	406,642
Fixed income		152,684	115,823
Equities		369,779	362,749
Alternative investments		204,178	215,177
Joint ventures and partnerships		343,958	280,071
Real estate investments and other		45,143	34,620
		1,956,216	1,772,881
Total investments, all categories	$	2,337,312	2,147,273

The methods used to determine the fair value of financial instruments reflect market participant objectives and are based on the application of a valuation hierarchy. These methods are prescribed by GASB No. 72, *Fair Value Measurement and Application*. The hierarchy is based on the reliability of inputs as follows:

- Level 1 – Valuation is based on quoted prices for identical financial instruments in active markets. OHSU does not adjust the quoted price for Level 1 financial instruments.
- Level 2 – Valuation is based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and independent pricing models or other model-based valuation techniques using observable inputs.
- Level 3 – Certain types of financial instruments are classified as Level 3 within the valuation hierarchy because these financial instruments trade infrequently and, therefore, have little or no price transparency.

(Dollars in thousands)

The following table presents a categorization, based on the foregoing valuation hierarchy, of OHSU's financial instruments measured at fair value as of June 30, 2019:

	Level 1	Level 2	Level 3	Fair value
Cash and money market funds	$ —	143,987	—	143,987
U.S. government securities	—	379,017	—	379,017
U.S. agency securities	—	58,462	—	58,462
Domestic equity securities	92,827	2	134	92,963
International equity securities	74,002	—	—	74,002
Commercial paper	—	7,779	—	7,779
U.S. corporate securities	—	283,528	—	283,528
Non-U.S. corporate securities	—	148,886	—	148,886
Asset-backed securities	—	65,745	—	65,745
Venture capital and private equity	—	—	8,554	8,554
Mutual funds – fixed income only	126,704	5,335	—	132,039
Municipal bonds	—	2,326	—	2,326
Other fixed income	1,820	600	—	2,420
Mutual funds – other	151,418	—	—	151,418
Real estate investments and other	1,273	1,607	2,191	5,071
	$ 448,044	1,097,274	10,879	1,556,197
Investments measured using NAV per share or its equivalent				735,820
Equity-method investments				45,295
Total assets				$ 2,337,312

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(Dollars in thousands)

The following table presents a categorization, based on the foregoing valuation hierarchy, of OHSU's financial instruments measured at fair value as of June 30, 2018.

		Level 1	Level 2	Level 3		Fair value
Cash and money market funds	$	—	126,433	—		126,433
U.S. government securities		—	315,294	—		315,294
U.S. agency securities		—	22,664	—		22,664
Domestic equity securities		85,383	—	134		85,517
International equity securities		43,694	—	—		43,694
Commercial paper		—	9,508	—		9,508
U.S. corporate securities		—	337,807	—		337,807
Non-U.S. corporate securities		—	148,758	—		148,758
Asset-backed securities		—	58,023	—		58,023
Venture capital and private equity		—	—	47,354		47,354
Mutual funds – fixed income only		85,351	6,045	—		91,396
Municipal bonds		—	5,622	—		5,622
Other fixed income		—	1,633	—		1,633
Mutual funds – other		138,980	—	—		138,980
Real estate investments and other		1,209	1,797	5,382		8,388
	$	354,617	1,033,584	52,870		1,441,071
Investments measured using NAV per share or its equivalent						667,293
Equity-method investments						38,909
Total assets					$	2,147,273

There were no transfers of financial instruments between Level 1 or Level 2 classifications either in 2019 or 2018. Changes in Level 3 financial instruments are as follows:

		2019	2018
Balance at beginning of year	$	52,870	5,558
Net realized losses		(115)	(132)
Net unrealized gains		99	108
Purchases		8,569	47,371
Sales		(3,190)	(35)
Transfer to NAV per share, or its equivalent, classification from sales		(47,354)	—
Balance at end of year	$	10,879	52,870

Net realized and unrealized gains and losses on financial instruments classified as Level 3 are reported as nonoperating revenues as investment income when earned.

OHSU uses a practical expedient for the estimation of the fair value of investments in funds for which the investment does not have a readily determinable fair value. The practical expedient used by OHSU for certain financial instruments is the NAV per share. Valuations provided by fund administrators for these financial instruments consider variables such as the financial performance of underlying investments, recent sales prices and other pertinent information. The valuation is adjusted when changes to inputs and assumptions are corroborated by evidence, such as completed or pending third-party transactions in the underlying security and changes in financial results, data or cash flows. Management or its discretionary investment partner reviews the valuations and assumptions provided by fund administrators for reasonableness and believes that the carrying amounts of these financial instruments are reasonable estimates of fair value.

The following table presents information for investments where either the NAV per share or its equivalent was used to value the investments as of June 30, 2019 and 2018:

	Redemption frequency	Redemption notice period
Domestic equities	Quarterly	3–90 days
Non-U.S. equities	Weekly to every four years	3–90 days
Global equities	Quarterly	3–90 days
Venture capital/private equity	Event-driven	N/A
Marketable alternative investments	Monthly to annually	15–95 days
Real estate investments and contracts	Event-driven	N/A

Domestic Equities, Non-U.S. Equities, Global Equities and Natural Resources funds represent investments in equities, both U.S. and international, and may include investments in developed and emerging markets.

(Dollars in thousands)

(3) Investments and Related Policies

(a) Interest Rate Risk

As of June 30, 2019 and 2018, OHSU had the following investments and maturities at fair value:

	2019				
	Maturity				
	Less than 1 year	1–5 Years	6–10 Years	More than 10 years or none	Total
Cash and money market funds	$ 143,636	351	—	—	143,987
U.S. government securities	1,029	358,864	17,713	1,411	379,017
U.S. agency securities	505	48,564	1,385	8,008	58,462
Domestic equity securities	—	—	—	128,885	128,885
International equity securities	—	—	—	240,894	240,894
Commercial paper	7,779	—	—	—	7,779
U.S. corporate securities	44,594	226,103	10,929	1,902	283,528
Non-U.S. corporate securities	23,554	121,914	3,418	—	148,886
Asset-backed securities	20,250	23,411	2,539	19,545	65,745
Joint ventures and partnerships	—	—	—	343,957	343,957
Mutual funds – fixed income only	43,833	50,222	25,331	13,120	132,506
Municipal bonds	71	994	1,037	224	2,326
Other fixed income	—	535	65	—	600
Mutual funds, other	—	—	—	151,418	151,418
Alternative investments	—	—	—	204,179	204,179
Real estate investments and other	—	—	—	45,143	45,143
	$ 285,251	830,958	62,417	1,158,686	2,337,312

(Dollars in thousands)

	2018				
	Maturity				
	Less than 1 year	1–5 Years	6–10 Years	More than 10 years or none	Total
Cash and money market funds	$ 123,884	2,549	—	—	126,433
U.S. government securities	4,943	301,671	7,470	1,210	315,294
U.S. agency securities	785	12,889	4,685	4,305	22,664
Domestic equity securities	—	—	—	125,746	125,746
International equity securities	—	—	—	237,002	237,002
Commercial paper	9,508	—	—	—	9,508
U.S. corporate securities	68,757	257,188	9,664	2,198	337,807
Non-U.S. corporate securities	24,352	122,196	1,965	245	148,758
Asset-backed securities	19,221	24,163	1,359	13,280	58,023
Joint ventures and partnerships	—	—	—	280,071	280,071
Mutual funds – fixed income only	32,170	26,237	21,128	10,400	89,935
Municipal bonds	87	4,058	1,015	462	5,622
Other fixed income	—	1,299	334	—	1,633
Mutual funds, other	—	—	—	138,980	138,980
Alternative investments	—	—	—	215,177	215,177
Real estate investments and other	—	—	—	34,620	34,620
	$ 283,707	752,250	47,620	1,063,696	2,147,273

OHSU held $65,745 and $58,023 of asset-backed securities collateralized primarily by auto loans, credit card receivables, and collateralized mortgage obligations as of June 30, 2019 and 2018, respectively. These securities are valued at their estimated fair values. The valuation of these securities is sensitive to principal prepayments, which may result from a decline in interest rates, and they are sensitive to an increase in average maturity, which may result from interest rate increases that lead to decreasing prepayments.

At June 30, 2019 and 2018, OHSU had certain joint ventures and partnerships, alternative investments, real estate investments, and other investments. These investments may contain elements of both credit and market risk. Such risks may include limited liquidity, absence of regulatory oversight, dependence upon key individuals, and nondisclosure of portfolio composition. Because these investments are not readily marketable, their estimated fair value is subject to uncertainty and, therefore, may differ from the value that would have been used had a ready market for such investments existed. Such differences could be material.

OHSU's investment policies vary based on the investment objectives of the portfolio. The operating and trustee-held portfolios seek to preserve principal with the intent of maximizing total return within appropriate risk parameters. Maturities of securities selected in these portfolios are driven by prevailing market conditions, while considering cash requirements of the organization.

The endowment portfolio, which is included in long-term investments in the accompanying statements of net position, seeks to produce a predictable and stable payout stream that increases over time while achieving growth of corpus. Foundation investment policies are established based on the investment objectives of the portfolio. Each portfolio has its own board-authorized asset allocation guidelines. The objective for the current fund is to provide a reliable source of liquidity to meet short-term working capital needs. The current fund may invest in cash, cash equivalents, fixed income securities, equity mutual funds and ETFs, and quasi endowment within the endowment fund. The duration of the current fund 1-5 year portfolio shall be within a range of 75% to 125% of the Barclay's 1–5 Year Government/Credit Bond Index. The objective for the endowment fund is to produce a predictable and stable payout stream that increases over time, while achieving growth of corpus. The endowment fund may invest in cash and cash equivalents, fixed-income securities, U.S. and non U.S. equity securities and other alternative investments. The charitable gift annuity pool seeks to produce a relatively predictable and stable payout stream that will satisfy the funds distribution obligations while achieving long-term capital appreciation of the overall fund balance. The charitable gift annuity pool may invest in cash and cash equivalents, U.S. and non-U.S. equities, fixed-income, and real estate. Charitable trusts are managed to provide for the distribution of a stated income payment while attempting to achieve reasonable expected total returns. Charitable trust investment objectives and asset allocation guidelines are determined based on the individual circumstances of each trust account. Allowable investments for charitable trusts include cash and cash equivalents, U.S. and non-U.S. equities, fixed-income, real estate and commodities.

(b) Credit Risk

The operating and trustee-held portfolios require the following minimum ratings or better from Moody's or Standard & Poor's (S&P) at the date of purchase:

	Minimum Moody's rating	Minimum S&P rating
Bankers acceptances	P-1	A-1
Commercial paper	P-2	A-2
Certificates of deposit	Baa3/P-2	BBB-/A-2
Deposit notes	Baa3/P-2	BBB-/A-2
Eurodollar certificate of deposits (CD) or Eurodollar time deposits	Baa3/P-2	BBB-/A-2
Yankee CDs	Baa3/P-2	BBB-/A-2
Corporate debt	Baa3	BBB-
Foreign government and supranational debt	Baa3	BBB-
Insurance company annuity contracts and guaranteed investment contracts	A3	A-
Mortgage pass-through securities	Aaa	AAA
Structured securities, including asset-backed securities	Aaa	AAA
Pooled investments	Aa	AA
Municipal bonds (taxable or tax-exempt)	A2/P-1	A/A-1

The current fund investment policy requires minimum ratings or better from S & P's, Moody's, or Fitch as follows:

	Minimum Standard & Poor's rating	Minimum Moody's rating	Minimum Fitch rating
U.S. and foreign corporate indebtedness	BBB- or A-2	Baa3 or P-2	BBB- or F-2
Certificates of deposit	BBB- or A-2	Baa3 or P-2	BBB- or F-2
Foreign government, foreign agency or supranational organization debt	A or A-1	A2 or P-1	A or F-1
Agency mortgage-backed securities	AAA	Aaa	AAA
Commercial mortgage-backed securities	AAA	Aaa	AAA
Asset-backed securities	AAA	Aaa	AAA
Municipal bonds	A	A2	A

(Dollars in thousands)

At the time of purchase, securities must be rated by at least two of the three rating agencies. If the security is rated by all three agencies, the middle rating will apply. If only two ratings are available, then the lower rating will be used.

If the credit quality of a holding in the current fund declines so that it is below the level required as stated above, a decision will be made by the Investment Committee to hold or sell the security.

Investments in the charitable gift annuity pool shall have a minimum credit quality rating of Baa/BBB or an average credit rating of Baa/BBB for mutual funds or pooled funds and a minimum rating of A-1/P-1 for investments in commercial paper. The charitable trust investments generally have a minimum credit quality rating in investment-grade Baa/BBB bond investments and a minimum rating of A-1/P-1 for investments in commercial paper. However, an individual trust may hold up to 9% of the portfolio in below-investment-grade investments.

As of June 30, 2019 and 2018, OHSU had the following investments with credit rating at fair value:

Investment type	Credit rating S&P or equivalent	Total 2019	Total 2018
Cash and money market funds	AAA	$ 54,493	2,926
	AA-	1,006	—
	A+	1,005	1,002
	A-1+	74,902	3,024
	A-1	—	11,809
	Not rated	884	40,595
	NA	11,697	67,077
U.S. government securities	AAA	87,448	64,850
	AA+	291,569	236,046
	AA	—	1,525
	AA-	—	2,662
	A+	—	3,618
	A	—	1,677
	A-	—	508
	BBB	—	117
	BBB-	—	1,155
	B	—	3,135
U.S. agency securities	AAA	10,649	7,979
	AA+	47,812	14,686
	A-1+	—	3,431
	A-1	7,779	4,844
	A-2	—	746

(Dollars in thousands)

Investment type	Credit rating S&P or equivalent	Total 2019	Total 2018
	NA	$ —	486
U.S. corporate securities	AAA	714	1,238
	AA+	2,047	3,718
	AA	9,950	12,545
	AA-	19,093	24,153
	A+	36,568	19,119
	A	58,214	89,137
	A-	39,605	46,955
	BBB+	51,076	54,244
	BBB	55,611	76,238
	BBB-	8,493	6,155
	BB	1,164	1,320
	B	341	324
	Below B	45	37
	Not rated	607	612
	n/a	—	2,013
Non-U.S. corporate securities	AAA	—	4,922
	AA-	19,158	25,449
	A+	18,791	24,009
	A	33,838	55,760
	A-	28,053	8,620
	BBB+	23,074	11,145
	BBB	17,287	10,621
	BBB-	7,370	7,021
	A-1	998	—
	Not rated	—	567
	NA	319	645
Asset-backed securities	AAA	39,430	37,053
	AA+	—	193
	AA	4,370	2,528
	AA-	267	—
	A	753	880
	BBB	280	156
	BB	179	46
	B	62	50
	Below B	1,535	1,368
	A-1+	5,247	5,138
	Not rated	2,682	852
	NA	10,940	9,760

(Dollars in thousands)

Investment type	Credit rating S&P or equivalent		Total 2019	Total 2018
Mutual funds – fixed income only	AAA	$	84,940	56,904
	AA		6,456	4,917
	A		14,136	7,892
	BBB		12,606	8,540
	BB		3,574	3,136
	B		4,426	3,369
	Below B		2,828	2,282
	Not rated		3,539	2,893
Municipal bonds	AAA		163	1,874
	AA		1,995	2,236
	A		168	1,513
Other fixed income	BBB		265	342
	BB		193	760
	B		123	524
	Below B		8	5
	Not rated		10	1
Joint ventures and partnerships	NA		343,958	280,071
Mutual funds – other	NA		151,418	138,980
Alternative investments	NA		204,179	215,177
Real estate investments and other	NA		45,143	34,620
Domestic equity securities	NA		128,885	125,746
International equity securities	NA		240,894	237,002
		$	2,337,312	2,147,273

(c) Concentration of Credit Risk

OHSU's operating and trustee-held portfolios limit investments in any one issue to a maximum of 5% (10% prior to investment policy amendment adopted by the board in October 2013) depending upon the investment type, except for issues of the U.S. government, which may be held without limitation, or

U.S. government agencies limited to 15% (without limit prior to policy amendment). The current fund's investment policy limits investments in any issuer or issuer as follows:

	Maximum concentration
U.S. and foreign corporate indebtedness	No more than 3% per issuer
Certificates of deposit	No more than 5% per issuer
Foreign government, foreign agency, or supranational organization debt	No more than 5% per issuer
Agency mortgage-backed securities	No more than 15% per cusip
Commercial mortgage-backed securities	No more than 5% per cusip
Asset-backed securities	No more than 5% per cusip
Municipal bonds	No more than 5% per cusip

The endowment and charitable gift annuity portfolios limit investments in any one issue to a maximum of 5%, except for issues of the U.S. government or agencies of the U.S. government or diversified mutual funds, which may also be held without limitation. The Foundations' policies relating to the charitable gift annuity pool limit investments in any one issue to a maximum of 5%, except for issues of the U.S. government and its agencies or diversified mutual funds, which may be held without limitation. The Foundations' investment policy for charitable trusts limits investments in any one issue to a maximum of 5%, except for issues of the U.S. government and its agencies or diversified mutual funds. The current fund investment policy places no limit on the amount that may be invested in any one issuer, except that a maximum of 3% may be invested in the securities of any nongovernmental issuer. As of June 30, 2019 or 2018, OHSU had no investments in excess of the thresholds discussed above.

(d) Foreign Currency Risk

OHSU's investment policies permit investments in international equities and other asset classes, which can include foreign currency exposure. The endowment fund allows for investments in international equities and in non-U.S. dollar-denominated bonds. The current fund allows up to 20% of the portfolio to be invested in non-U.S. sovereign or supranational issues. The charitable gift annuity pool investment policy allows up to 30% of the portfolio to be invested in international equities. The charitable trust investment policy allows up to 32% of the portfolio to be invested in international equities, based on the individual circumstances of each trust account. The following table details the fair value of foreign denominated securities by currency type:

(Dollars in thousands)

Foreign currency		Value (U.S. dollar) 2019	2018
British sterling pound	$	9,655	5,265
Canadian dollar		8,122	7,228
Euro		19,438	4,462
Total	$	37,215	16,955

(4) Due from/to Contractual Agencies

Due from contractual agencies, reflected in patient accounts receivable under current assets in the statements of net position, represents amounts receivable from the State Medicaid Program (Medicaid), the Federal Medicare Program (Medicare), and other contractual agencies. Due to contractual agencies, reflected in other current liabilities in the statements of net position, represents amounts payable to Medicaid, Medicare and other contractual agencies. A summary of the balances as of June 30, 2019 and 2018 is as follows:

		Due from contractual agencies		Due to contractual agencies		Net, due from (to)	
		As of June 30, 2019	As of June 30, 2018	As of June 30, 2019	As of June 30, 2018	As of June 30, 2019	As of June 30, 2018
Medicaid	$	14,682	18,693	—	—	14,682	18,693
Intergovernmental transfer		18,984	77,295	(4,215)	(73,136)	14,769	4,159
Medicare		—	—	(815)	(647)	(815)	(647)
Other contractual agencies		6,351	4,420	—	—	6,351	4,420
	$	40,017	100,408	(5,030)	(73,783)	34,987	26,625

In 2017, OHSU worked with the state legislature and the Oregon Health Authority to build a new program that would leverage additional federal funds for the state’s Medicaid program, maintain historical principles of support for OHSU’s missions, and simplify the complexity of prior funding programs between OHSU and the State. The legislature approved the program in the Oregon Health Authority’s 2017–2019 budget and Oregon’s OHSU Intergovernmental Transfer (IGT) Program was approved by the U.S. Centers for Medicare and Medicaid Services (CMS) and implemented on January 1, 2018, with the corresponding funding payments between entities beginning in March 2018. Under this new IGT program, OHSU no longer pays the hospital tax paid by other hospitals in Oregon. Instead, because OHSU is an Oregon public corporation, it transfers funds directly to the state to be used for Oregon’s Medicaid program. The federal government matches funds used in the Medicaid program on approximately a three-to-one basis.

(Dollars in thousands)

Oregon's Medicaid coordinated care organizations (CCO's) pay OHSU an additional amount per clinical service provided to patients as Quality and Access payments. These additional payments have been approved by CMS and are funded through a combination of OHSU's IGT and federal dollars. The purpose of these funds is to maintain access to the high quality unique academic health center services OHSU provides to Medicaid patients.

During fiscal year 2019 and 2018 respectively, OHSU made intergovernmental transfers of $299,570 and $71,850 to the State of Oregon. The State of Oregon used these dollars, and the corresponding federal match, for payment of Medicaid services throughout Oregon. Oregon's Medicaid CCO's paid OHSU $357,415 and $113,946, in fiscal year 2019 and 2018 respectively, through Quality and Access payments. The Quality and Access Payments and the Intergovernmental transfers, are included as a net reduction in the contractual discounts and represents a portion of the Medicaid payment for patient care services. A net benefit of the program, including funding from other federal and state sources, allows the University to have resources available to support OHSU's missions. During the year ended June 30, 2019 and 2018, the University was able to provide support for research and education of $116,000 and $55,000, respectively.

(5) Capital Assets

Capital assets for fiscal years ended June 30, 2019 and 2018 are listed by category below:

		2019	2018
Land and land improvements	$	83,645	83,645
Buildings and other improvements		2,655,655	2,123,230
Equipment		1,058,487	986,769
Construction in progress		102,172	523,114
Accumulated depreciation		(1,826,963)	(1,707,194)
Total capital assets, net	$	2,072,996	2,009,564

(Dollars in thousands)

The following is a summary of capital assets for the fiscal years ended June 30, 2019 and 2018:

	Balance June 30, 2018	Increases	Decreases	Balance June 30, 2019
Capital assets not depreciated:				
Land and land improvements	$ 83,645	—	—	83,645
Construction in progress	523,114	—	(420,942)	102,172
Total capital assets not depreciated	606,759	—	(420,942)	185,817
Other capital assets:				
Buildings and other improvements	2,123,230	554,193	(21,768)	2,655,655
Equipment	986,769	128,614	(56,896)	1,058,487
Total other capital assets	3,109,999	682,807	(78,664)	3,714,142
Less accumulated depreciation:				
Buildings and other improvements	(951,805)	(93,289)	13,646	(1,031,448)
Equipment	(755,389)	(74,956)	34,830	(795,515)
Total accumulated depreciation	(1,707,194)	(168,245)	48,476	(1,826,963)
Other capital assets, net	1,402,805	514,562	(30,188)	1,887,179
Total capital assets, net	$ 2,009,564	514,562	(451,130)	2,072,996

(Dollars in thousands)

		Balance June 30, 2017	Increases	Decreases	Balance June 30, 2018
Capital assets not depreciated:					
Land and land improvements	$	79,580	4,065	—	83,645
Construction in progress		255,019	394,014	(125,919)	523,114
Total capital assets not depreciated		334,599	398,079	(125,919)	606,759
Other capital assets:					
Buildings and other improvements		2,047,035	76,284	(89)	2,123,230
Equipment		940,085	69,788	(23,104)	986,769
Total other capital assets		2,987,120	146,072	(23,193)	3,109,999
Less accumulated depreciation:					
Buildings and other improvements		(868,826)	(83,068)	89	(951,805)
Equipment		(710,153)	(68,027)	22,791	(755,389)
Total accumulated depreciation		(1,578,979)	(151,095)	22,880	(1,707,194)
Other capital assets, net		1,408,141	(5,023)	(313)	1,402,805
Total capital assets, net	$	1,742,740	393,056	(126,232)	2,009,564

(6) Compensated Absences Payable

Vacation pay for classified employees is earned at 8 to 24 hours per month, depending on the length of service and classification, with a maximum accrual of up to 364 hours per employee and a maximum payment upon separation of up to 364 hours. A maximum of 96 to 288 hours of vacation can be earned per year, depending on the length of service and classification. Vacation pay for unclassified employees is earned at 14.67 hours per month, with a maximum accrual of 256 hours. The maximum payment of unused vacation hours at termination varies from 80 to 136 hours at a 50% payment rate. There are a few exceptions, such as: the previous Management Service employees who transitioned to Unclassified Administrative on July 8, 1996 will be paid up to 250 hours unused accrued vacation at 100% pay rate. Eligible employees have the opportunity to cash-out unused accrued vacation hours, up to 100 hours per year based on their representational group.

Sick leave is recorded as an expense when paid. Sick leave for employees is earned at the rate of 8 hours per month and a maximum of 96 hours per year, with no restrictions on maximum hours accrued. Employees in the following groups earn sick leave at the rate of 1 hour for 30 hours worked: resource, flex, temporary, unclassified below 0.5FTE, OHSU student, non-OHSU student, graduate assistant. No liability exists for terminated employees.

(7) Retirement Plans

The University, excluding blended component units, offers various pension plans to all qualified employees: the State's Public Employees Retirement System (PERS), which includes a cost-sharing, defined-benefit plan and a defined-contribution plan (individual account plan – IAP), the University Pension Plan (UPP), and the Clinical Retirement Plan (CRP).

(a) Defined-Benefit Pension Plan Descriptions

PERS is a cost-sharing, multiemployer retirement system available to units of state government, political subdivisions, community colleges, and school districts, containing multiple actuarial pools. Plan assets may be used to pay the benefits of the employees of any employer that provides pensions through the plan. As of the June 30, 2018 measurement date, there were 904 participating employers.

PERS is administered in accordance with ORS Chapter 238, Chapter 238A, and Internal Revenue Code Section 401(a). The State's legislature has delegated authority to the Public Employees Retirement Board (PERS Board) to administer the system. The PERS Board is composed of five trustees who administer retirement (service and disability), death, and retiree health insurance benefits. All members of the PERS Board are appointed by the governor and confirmed by the state senate. The governor designates the chairperson. Statute specifies PERS Board membership must be three people with experience in business management, pension management, or investing who are not members of the PERS system; one person who is either an employee of the state in a management position or a person who holds an elective office in the governing body of a participating public employer other than the state; and one person representing public employees and retirees.

The State's PERS issues a publicly available financial report that includes financial statements and required supplementary information, including a 10-year historical trend information showing the accumulation of sufficient assets to pay benefits when due. Copies of the State's PERS's Comprehensive Annual Financial Report and Actuarial Valuations may be obtained from the PERS Web site at https://www.oregon.gov/pers/EMP/Pages/Actuarial-Financial-Information.aspx.

PERS comprises three separate defined-benefit groups: PERS Tier 1, PERS Tier 2, and Oregon Public Service Retirement Plan (OPSRP).

(i) Benefits Provided

The following describes the benefits provided through the PERS plan:

(1) PERS Tier 1/PERS Tier 2

(a) The Tier 1/Tier 2 plans are closed to new members hired on or after August 29, 2003.

(b) Members are provided retirement, disability, and death benefits.

(c) Vesting occurs if either of the following conditions are met, unless the account is withdrawn:

1. An active member in each of 5 calendar years

2. Reached at least 55 years of age while working in a qualifying position (age 50 for police and fire members).

(d) The retirement allowance is payable monthly for life. It may be selected from 13 retirement benefit options. These options include survivorship benefits and lump-sum refunds.

(e) The basic benefit is based on years of service and final average salary. A percentage (2.00% for police and fire employees, 1.67% for general employees) is multiplied by the number of years of service and the final average salary. Benefits may also be calculated under either a formula plus annuity (for members who were contributing before August 21, 1981) or a money match computation if a greater benefit results.

(f) Normal retirement age for general members is age 58 for Tier 1 and age 60 for Tier 2, or any age with 30 years or more of retirement credit. Normal retirement age for police and fire members is age 55, or age 50 with 25 years or more of retirement credit. Benefits are reduced if normal retirement age is not attained.

(g) Annual Cost of Living Adjustments (COLA) of up to 2% annually for service time accrued before October 1, 2013; COLA for service time after that date uses a lower rate. Service time accrued in both periods is "blended."

(2) PERS OPSRP

(a) The OPSRP plan is open to members hired on or after August 29, 2003.

(b) Members are provided retirement, disability, and death benefits.

(c) Vesting occurs if either of the following conditions are met, unless the account is withdrawn:

1. Completion of at least 600 hours of service in each of five calendar years

2. Reached normal retirement age as an active member on that date.

(d) The retirement allowance is payable monthly for life.

(e) The basic benefit is based on years of service and final average salary. A percentage (1.8% for police and fire employees, 1.5% for general employees) is multiplied by the number of years of service and the final average salary.

(f) Normal retirement age for general members is age 65, or age 58 with 30 years or more of retirement credit. Normal retirement age for police and fire members is age 60, or age 53 with 25 years or more of retirement credit. Benefits are reduced if normal retirement age is not attained.

(g) Annual COLA of up to 2% annually for service time accrued before October 1, 2013; COLA for service time after that date uses a lower rate. Service time accrued in both periods is "blended."

(ii) Contributions

PERS funding policy provides for monthly employer contributions at actuarially determined rates. These contributions, expressed as a percentage of covered payroll, are intended to accumulate sufficient assets to pay benefits when due. This funding policy applies to the PERS defined-benefit plan and the OPEBs.

The employer contribution rate for active employees is established by the PERS Board based upon actuarial valuations, which are performed once every two years to determine the level of employer contributions. Employer contribution rates during the period were based on the December 31, 2015 actuarial valuation. The rates were based on a percentage of payroll and first became effective July 1, 2017. The employer contribution rate for PERS Tier 1 and Tier 2 was 14.98% from July 1, 2017 to June 30, 2019. The employer contribution rate for OPSRP was 7.86% (OPSRP Police and Fire, 12.63%) from July 1, 2017 to June 30, 2019.

The State and certain schools, community colleges, and political subdivisions have made lump-sum payments to establish side accounts and their rates have been reduced. OHSU made $10,000 lump-sum payments to PERS during fiscal years 2019 and 2018, respectively. Amounts contributed post measurement date, including fiscal year 2019 and 2018 side account contributions of $10,000, are recorded as deferred outflows in the amount of $47,919 and $47,087 for the years ended June 30, 2019 and 2018, respectively.

The defined-benefit pension plan contributions can be found in the required supplementary information.

(iii) Net Pension Liability

OHSU's proportionate share of the net pension liability for PERS as of June 30, 2019 and 2018 is $456,006 and $424,000, respectively, utilizing a June 30, 2018 and 2017 measurement date, respectively. The net pension liability for the June 30, 2019 and 2018 fiscal year-end was determined based on the results of the December 31, 2016 and December 31, 2015 actuarial valuation rolled forward to the respective measurement dates using standard actuarial procedures.

The basis for OHSU's proportion is actuarially determined by comparing OHSU's projected long-term contribution effort to the PERS cost-sharing, multiple-employer defined benefit pension plan with the total projected long-term contribution effort of all participating employers. OHSU's proportionate share was 3.01% for the June 30, 2018 measurement date and 3.15% for the June 30, 2017 measurement date.

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of PERS, and additions to/deductions from PERS' fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

(iv) Proportionate Share of Pension Expense and Deferrals Related to Pensions

OHSU's pension expense for the years ended June 30, 2019 and 2018 was $72,043 and $76,587, respectively. The pension expense, which is considered period interest cost, service cost, amortization of deferred outflows and inflows, and changes in benefit terms, has decreased since prior year.

In July 2017, the assumed rate of return on investments was reduced from 7.50% to 7.20%. The new assumed rate became effective for Tier One earnings crediting in calendar year 2018, and was used as the basis for updated actuarial equivalency factors effective January 1, 2018. The new assumed rate was also used in the actuarial valuation which established the employer contribution rates for the 2019-21 biennium.

(Dollars in thousands)

Deferred outflows of resources and deferred inflows of resources for pensions were related to the following sources as of the fiscal years ended June 30, 2019 and 2018:

	Deferred outflow of resources		Deferred inflow of resources	
	2019	**2018**	**2019**	**2018**
Differences between expected and actual experience	$ 15,512	20,505		—
Changes of assumptions	106,021	77,288		—
Net difference between projected and actual earnings on pension plan investments		4,367	(20,250)	—
Changes in proportionate share		—	(45,026)	(46,547)
Differences between contributions and OHSU's proportionate share of system contributions	4,062	—	(3,399)	(5,531)
Total (prior to post-MD contributions)	125,595	102,160	(68,675)	(52,078)
Contributions subsequent to the measurement date	47,919	47,087	—	—
Gross deferred outflow (inflow) of resources	$ 173,514	149,247	(68,675)	(52,078)

The contributions made subsequent to the measurement date of $47,919 will be recognized as a reduction in the net pension liability during the year ending June 30, 2020.

(Dollars in thousands)

Remaining amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Fiscal year ending		Deferred outflow/(inflow) of resources
2020	$	40,836
2021		25,517
2022		(13,962)
2023		2,188
2024		2,341
Total	$	56,920

(v) *Actuarial Methods and Assumptions*

The following methods and assumptions were used in developing total pension liability reported as of June 30, 2019 and 2018.

Actuarial methods and assumptions	2019	2018
Valuation date	December 31, 2016	December 31, 2015
Measurement date	June 30, 2018	June 30, 2017
Experience study report	2016, published July 2017 Based on data for the experience period January 1, 2013 to December 31, 2016	2014, published Sep. 2015 Based on data for the experience period January 1, 2011 to December 31, 2014
Actuarial assumptions:		
Actuarial cost method	Entry Age Normal	Entry Age Normal
Inflation rate	2.50%	2.50%
Long-term expected rate of return	7.20%	7.20%
Discount rate	7.20%	7.20%
Projected salary increases	3.50%	3.50%
Cost of Living Adjustments (COLA)	Blend of 2% COLA and graded COLA (1.25%/ 0.15%) in accordance with Moro case decision; blend based on service	Blend of 2% COLA and graded COLA (1.25%/ 0.15%) in accordance with Moro case decision; blend based on service

(Dollars in thousands)

Actuarial methods and assumptions	2019	2018
Mortality	***Healthy retirees and beneficiaries:*** RP-2014 Healthy annuitant, sex-distinct, generational with Unsex, Social Security Data Scale, with collar adjustments and set-backs as described in the valuation ***Active members:*** RP-2014 Employees, sex-distinct, generational with Unisex, Social Security Data Scale, with collar adjustments and set-backs as described in the valuation ***Disabled retirees:*** RP-2014 Disabled retirees, sex-distinct, generational with Unsex, Social Security Data Scale.	***Healthy retirees and beneficiaries:*** RP-2000 sex-distinct, generational per Scale BB, with collar adjustments and setbacks, as described in the valuation ***Active members:*** Mortality rates are a percentage of healthy retiree rates that vary by group, as described in the valuation. ***Disabled retirees:*** Mortality rates are a percentage (70% for males and 95% for females) of the RP-2000 sex-distinct, generational per Scale BB, disabled mortality table.

Actuarial valuations of an ongoing plan involve estimates of the value of projected benefits and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Experience studies are performed as of December 31 of even numbered years. The 2016 experience study, used in developing total pension liability reported as of June 30, 2019, was based on the data for the experience period January 1, 2013 to December 31, 2016 and the 2014 experience study, used in developing total pension liability reported as of June 30, 2018, was based on the data for the experience period January 1, 2011 to December 31, 2014.

(vi) *Discount Rate*

The discount rate used to measure the total pension liability at June 30, 2018 was 7.20% and at June 30, 2017 was 7.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for PERS was applied to all periods of projected benefit payments to determine the total pension liability. The impact of a 1.00% decrease and increase in the discount rate on the net pension liability is as follows:

Discount Rate Sensitivity – Net Pension Liability
(Dollars in thousands)

OHSU's proportionate share		1% Decrease	Current discount rate	1% Increase
June 30, 2019	$	762,072	456,006	203,373
June 30, 2018		722,573	424,000	174,337

(vii) Investments

The Oregon State Treasury is the investment officer for the State. Investment standards are established in ORS 293.726 and require funds to be managed as a prudent investor would do. The Oregon Investment Council (OIC) establishes policies for the investment and reinvestment of moneys in the Oregon Public Employees Retirement Fund (OPERF).

ORS 293.701 defines the investment funds over which OIC has responsibility. Included is the OPERF, which comprises the defined benefit pension plan, the individual account program, and the other postemployment benefit plans. OIC establishes policies for the investment and reinvestment of moneys in the investment funds as well as the acquisition, retention, management, and disposition of investments in the investment funds. OIC is also responsible for providing an examination of the effectiveness of the investment program.

(1) Assumed Asset Allocation

The following table illustrates both the assumed asset allocation. Deferred outflows of resources and deferred inflows of resources for pensions were related to the following sources as of the measurement date June 30, 2018:

OIC Target and Actual Investment Allocation as of June 30, 2018*

Asset class/strategy	OIC policy low range	OIC policy high range	OIC target allocation	Asset class/strategy	Actual allocation
Cash	— %	3.0 %	— %	Cash	5.2 %
Debt securities	15.0	25.0	20.0	Debt securities	18.9
Public equity	32.5	42.5	37.5	Public equity	36.7
Real estate	9.5	15.5	12.5	Real estate	10.1
Private equity	13.5	21.5	17.5	Private equity	19.7
Alternative equity	—	12.5	12.5	Alternative equity	7.3
Opportunity portfolio[1]	—	3.0	—	Opportunity portfolio[1]	2.1
Total			100.0 %	Total	100.0 %

[1] Opportunity portfolio is an investment strategy, and it may be invested up to 3% of total plan net assets.

(Dollars in thousands)

The following table illustrates both the assumed asset allocation. Deferred outflows of resources and deferred inflows of resources for pensions were related to the following sources as of the measurement date June 30, 2017:

OIC Target and Actual Investment Allocation as of June 30, 2017*

Asset class/strategy	OIC policy low range	OIC policy high range	OIC target allocation	Asset class/strategy	Actual allocation
Cash	— %	3.0 %	— %	Cash	4.1 %
Debt securities	15.0	25.0	20.0	Debt securities	19.2
Public equity	32.5	42.5	37.5	Public equity	38.8
Real estate	9.5	15.5	12.5	Real estate	11.2
Private equity	14.0	21.0	17.5	Private equity	19.4
Alternative equity	—	12.5	12.5	Alternative equity	5.3
Opportunity portfolio[1]	—	3.0	—	Opportunity portfolio[1]	2.0
Total			100.0 %	Total	100.0 %

1 Opportunity portfolio is an investment strategy, and it may be invested up to 3% of total plan net assets.

* The OIC target allocations are based on OIC asset classes as determined by each manager's primary investment type, not the financial statement classification of individual holdings. The target allocation amounts do not include deferred compensation plan investments. The actual investment allocation is based on the financial statement investment classifications, including deferred compensation plan investments.

(2) Long-Term Expected Rate of Return

To develop an analytical basis for the selection of the long-term expected rate of return assumption the PERS Board reviews long-term assumptions developed by the consulting actuary's capital market assumptions team and the OIC investment advisers. The table below shows the actuary's assumptions for each of the asset classes in which the plan was invested at that time based on the OIC long-term target asset allocation. The OIC's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions and includes adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

(Dollars in thousands)

Asset class	2019 Target allocation*	2019 Compound annual return (Geometric)	2018 Target allocation**	2018 Compound annual return (Geometric)
Core fixed income	8.00 %	3.49 %	8.00 %	4.00 %
Short-term bonds	8.00	3.38	8.00	3.61
Bank/leveraged loans	3.00	5.09	3.00	5.42
High-yield bonds	1.00	6.45	1.00	6.20
Large/mid cap U.S. equities	15.75	6.30	15.75	6.70
Small cap U.S. equities	1.30	6.69	1.30	6.99
Micro cap U.S. equities	1.30	6.80	1.30	7.01
Developed foreign equities	13.13	6.71	13.13	6.73
Emerging market equities	4.12	7.45	4.12	7.25
Non-U.S. small cap equities	1.88	7.01	1.88	7.22
Private equity	17.50	7.82	17.50	7.97
Real estate (property)	10.00	5.51	10.00	5.84
Real estate (REITs)	2.50	6.37	2.50	6.69
Hedge fund of funds – diversified	2.50	4.09	2.50	4.64
Hedge fund – event-driven	0.63	5.86	0.63	6.72
Timber	1.88	5.62	1.88	5.85
Farmland	1.88	6.15	1.88	6.37
Infrastructure	3.75	6.60	3.75	7.13
Commodities	1.88	3.84	1.88	4.58
Assumed inflation – mean	—	2.50	—	2.50
	100.00 %		100.00 %	

* Based on the OIC Statement of Investment Objectives and Policy Framework for the Oregon Public Employees Retirement Fund, revised as of December 3, 2014. The revised allocation was adopted at the June 7,2017 OIC meeting.

** Based on the OIC Statement of Investment Objectives and Policy Framework for the Oregon Public Employees Retirement Fund, revised as of December 3, 2014. The revised allocation was adopted at the June 26, 2015 OIC meeting.

(b) Other Retirement Plans

In addition to the PERS defined benefit retirement plan, OHSU has three defined-contribution plans – the PERS IAP, the UPP, and the CRP.

Effective January 1, 2004, employees participating in PERS (Tier 1, Tier 2, and OPSRP) have had their 6% member contributions placed in the IAP. The IAP is a defined-contribution plan and is managed separately from the defined-benefit portion of the PERS pension plan.

(Dollars in thousands)

Effective July 1, 1996, OHSU established the UPP. The UPP is a defined-contribution plan, which is available as an alternate to PERS for employees who are not eligible for the CRP. Employees become fully vested in employer contributions over a three- to four-year period (depending on collective bargaining agreements) or upon reaching age 50. Contribution levels are determined by the collective bargaining agreements for union represented employees and the board of directors of OHSU for noncollective bargaining employees. In fiscal years 2019 and 2018, all employer contributions to the plan were 6% of salary.

For Oregon Nurse Association (ONA) represented employees and noncollective bargaining employees, which includes faculty, research, and unclassified administrative participating in the UPP; OHSU offers a 6% employee contribution, which is employer paid and is fully vested at the time of the contribution.

In January 2016, the 6% employee contributions that OHSU funded for American Federation of State, County and Municipal Employees (AFSCME) represented employees, were eliminated per a Memorandum of Understanding of the July 19, 2015–June 30, 2019 collective bargaining agreement, which states that the Employer will discontinue the 6% employee contribution pickup for eligible employees participating in the UPP.

In July 2016, the 6% employee contributions that OHSU funded for the OHSU Police Association-represented employees, were eliminated from the July 1, 2016–June 30, 2019 collective bargaining agreement, which states that the Employer shall continue to make a 6% employee retirement plan contribution for eligible employees participating in the UPP prior to the first full-pay period following July 1, 2016, at which time the contribution will be discontinued.

For employees who are members of the OPP who work in a qualifying position, OHSU offers participation in the CRP. The CRP is an employer-paid, defined-contribution plan, and contributions to this plan are fully vested at the time of the contribution. A variable contribution rate is used for employees enrolled prior to January 1, 2009. After January 1, 2009, a 12% contribution rate is used.

		2019	2018
UPP:			
Employer contribution	$	41,305	37,551
Employee contribution [1]		23,989	24,185
	$	65,294	61,736
CRP:			
Employer contribution	$	28,620	26,308
	$	28,620	26,308

[1] Of the employees’ share, the employer paid $23,989 and $24,185 related to noncollective bargaining employees and ONA-represented employees in fiscal years 2019 and 2018, respectively.

(Dollars in thousands)

OHSU offers all eligible employees, full and part time, an option to participate in one of two tax-deferred savings plans through the University Voluntary Savings Program. The 403(b) Plan is often referred to as a tax-deferred investment plan while the 457(b) Plan is referred to as a deferred compensation plan. Both plans offer a variety of investment options. The contribution and investment earnings under these plans are tax deferred, which may be accumulated by the employee for distribution at a future date. All contributions to these plans are made by the employee and are fully vested at the time of the contribution.

The Foundations have defined-contribution plans available for substantially all employees. The plans are funded through the purchase of a group annuity contract with an insurance company at a discretionary amount equal to 12% of eligible compensation. Contributions are fully vested after five years. The Foundations contributed $1,000 and $1,000 for the purchase of retirement annuities during the fiscal years ended June 30, 2019 and 2018, respectively.

(8) Postemployment Benefits Other than Pensions (OPEB)

OHSU administers a single-employer, defined-benefit healthcare plan for qualified employees and postemployment healthcare for retiring employees eligible to receive medical coverage. Additionally, for eligible PERS members, PERS administers the Retirement Health Insurance Account (RHIA) cost-sharing, multiple-employer defined-benefit OPEB plan.

(a) Single-Employer, Defined-Benefit Plans

(i) Plan Description

OHSU provides retiree health program coverage to current and future retirees of OHSU who qualify for retirement. Members who terminate prior to retirement eligibility or are not participating in the plan at retirement are not eligible to participate in the program. The employee must be actively enrolled in an OHSU medical plan at the time of separation from OHSU.

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

(ii) Employees Covered by Benefit Terms

The plan provides access for retiring employees to OHSU's employee medical plans at the same premium rates assessed to active employees. As of the measurement date of October 1, 2018, the following employees were covered by the benefit terms.

	October 1, 2018	October 1, 2017
Active employees	13,018	13,018
Retired members and others, receiving benefits	101	101
Total participants	13,119	13,119

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(Dollars in thousands)

(iii) Benefit Payments

Benefit payments made for the fiscal year end June 30, 2019 and June 30, 2018 were $458 and $663, respectively.

(iv) Total OPEB Liability

The total OPEB liability as of the reporting date June 30, 2019 and 2018 is $12,335 and $12,506, respectively. The total OPEB liability was determined by an actuarial valuation as of October 1, 2017, calculated based on the discount rate and actuarial assumptions below, and was then projected forward to the measurement date. The liability is included in other noncurrent liabilities in the accompanying statements of net position.

(v) Actuarial Assumptions and Other Inputs

The following methods and assumptions were used in developing the total OPEB liability.

Fiscal year ending	June 30, 2019	June 30, 2018
Valuation date	October 1, 2017	October 1, 2017
Measurement date	October 1, 2018	October 1, 2017
Reporting date	June 30, 2019	June 30, 2018
Experience study report	2016 Oregon PERS Experience Study Based on January 1, 2013 to December 31, 2016	2016 Oregon PERS Experience Study Based on January 1, 2013 to December 31, 2016
Inflation	2.50%	2.50%
Discount rate*	4.18%	3.64%

* The discount rate was based on the Bond Buyer General Obligation 20-Bond Municipal Index.

(vi) Expense and Deferred (Inflows)/Outflows of Resources Related to OPEB

The OPEB expense, which is considered concurrent period interest cost, service cost, amortization of deferred outflows and inflows, and effect of plan changes, was $1,033 and $1,140 for the fiscal year ended June 30, 2019 and June 30, 2018, respectively.

(Dollars in thousands)

As of June 30, 2019 and 2018 the deferred inflows and outflows of resources were as follows:

		Deferred outflow of resources		Deferred inflow of resources	
		2019	**2018**	**2019**	**2018**
Differences between expected and actual experience	$	—		—	—
Changes of assumptions		—		(1,249)	(709)
Total (prior to post-MD contributions)		—	—	(1,249)	(709)
Contributions subsequent to the measurement date		458	205		—
Gross deferred outflow (inflow) of resources	$	458	205	(1,249)	(709)

The contributions made subsequent to the measurement date of $458 will be recognized as a reduction in the total OPEB liability during the year ending June 30, 2020.

(b) Cost-Sharing, Multiple-Employer Defined-Benefit Plans

(i) Plan Description

ORS 238.420 established the RHIA. RHIA is a cost-sharing, multiple-employer OPEB plan for 904 participating employers. The plan was closed to new entrants hired on or after August 29, 2003.

The State's PERS issues a publicly available financial report that includes financial statements and required supplementary information, including a 10-year historical trend information showing the accumulation of sufficient assets to pay benefits when due. Copies of the Oregon Public Employees Retirement System's Comprehensive Annual Financial Report and Actuarial Valuations may be obtained from the PERS Web site at:
www.oregon.gov/pers/Pages/Financials/Actuarial-Financial-Information.aspx.

(ii) Benefits Provided

The plan authorizes a payment of up to sixty dollars from RHIA toward the monthly cost of health insurance for eligible PERS members.

(iii) Contributions

Contributions are advance-funded on an actuarially determined basis. The contractually required contributions for retiree healthcare liabilities for the period July 1, 2017 through June 30, 2019 are 0.43% of all PERS-covered salaries to amortize the unfunded actuarial accrued liability and 0.07%

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of PERS-covered salaries for Tier One and Tier Two members normal cost portion of RHIA benefits. These rates were based on the December 31, 2015 actuarial valuation.

Contributions to the OPEB plan from OHSU were $1,590 and $1,656 for the years ended June 30, 2019 and June 30, 2018, respectively. Employees are not required to contribute to the OPEB plan.

(iv) OPEB Asset/(Liability), OPEB Expense/(Income), and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At fiscal year ended June 30, 2019 and 2018, OHSU reported an asset of $3,493 and $1,389 for its proportionate share of the net OPEB asset/(liability), respectively. The net OPEB asset/(liability) was measured as of June 30, 2018 and 2017 and the total OPEB asset/(liability) used to calculate the net OPEB asset/(liability) was determined by an actuarial valuation as of December 31, 2016 and December 31, 2015, respectively. OHSU's proportion of the net OPEB asset/(liability) was based on a projection of OHSU's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating members, actuarially determined. At the June 30, 2018 and 2017 measurement date, OHSU's proportionate share was 3.13% and 3.33%, respectively.

The OPEB expense/(income), which is considered concurrent period interest cost, service cost, amortization of deferred outflows and inflows, and effect of plan changes, was $(1) and $(3), for the year ended June 30, 2019 and 2018, respectively. As of June 30, 2019 and 2018, the deferred inflows and outflows of resources were as follows:

(Dollars in thousands)

	Deferred outflow of resources		Deferred inflow of resources	
	2019	**2018**	**2019**	**2018**
Differences between expected and actual experience	$ —	—	(198)	—
Changes of assumptions	—	—		—
Net difference between			(11)	
projected and actual earnings on investments	—	—	(753)	—
Changes in proportionate share	31	—	(18)	(643)
Differences between				(27)
contributions and OHSU's proportionate share of system contributions	—	—	—	—
Total (prior to post-MD contributions)	31	—	(980)	(670)
Contributions subsequent to the measurement date	1,590	151	—	—
Gross deferred outflow (inflow) of resources	$ 1,621	151	(980)	(670)

The contributions made subsequent to the measurement date of $1,590 will be recognized as a reduction in the total OPEB liability during the year ending June 30, 2020.

(Dollars in thousands)

(v) *Actuarial Assumptions and Other Inputs*

The total OPEB liability/(asset) in the December 31, 2016 and 2015 actuarial valuations were determined using the following actuarial assumptions, applied to all periods included in the measurement.

Fiscal year ending	June 30, 2019	June 30, 2018
Valuation date	December 31, 2016	December 31, 2015
Measurement date	June 30, 2018	June 30, 2017
Reporting date	June 30, 2019	June 30, 2018
Experience study report	2016, published July 26, 2017 Based on data for the experience period January 1, 2013 to December 31, 2016	2014, published September 23, 2015 Based on data for the experience period January 1, 2011 to December 31, 2014
Actuarial assumptions:		
Actuarial cost method	Entry age normal	Entry age normal
Inflation rate	2.50%	2.50%
Long-term expected rate of return	7.20%	7.50%
Discount rate	7.20%	7.50%

(9) Long-Term Debt, Bonds, and Capital Leases

Long-term debt, including related unamortized original issue discounts and premiums and capital leases at June 30, 2019 and 2018, is as follows:

		2019	2018
Debt Service Payment Agreement (DSPA)	$	3,976	5,864
Tenancy in Common Agreement (TIC)		24,682	25,258
Bonds payable, revenue bonds, Series 1995A		32,180	41,023
Bonds payable, revenue bonds, Series 2012A, B, C, and E		272,289	281,418
Bonds payable, revenue bonds, Series 2015A and B		137,320	138,380
Bonds payable, revenue bonds, Series 2015C		100,000	100,000
Bonds payable, revenue bonds, Series 2016A and B		268,018	269,015
Bonds payable, revenue bonds, Series 2017A and B		119,935	120,152
Local improvement district agreements		15,106	16,961
Capital leases		5,825	3,580
Less current portion of debt and capital leases		(27,890)	(24,260)
	$	951,441	977,391

(a) Debt Service Payment Agreement

OHSU became an independent public corporation pursuant to an act of the Oregon Legislative Assembly in 1995 (the Act). Pursuant to the Act, OHSU assumed liability for outstanding indebtedness of the State previously incurred for the benefit of OHSU. To evidence this obligation, OHSU and the Oregon State Board of Higher Education (on behalf of the State of Oregon) entered into a DSPA, dated as of July 1, 1995, as subsequently amended (the State DSPA), pursuant to which OHSU makes payments to the State in amounts sufficient to pay when due all principal, interest, and any other charges with respect to such previously issued debt. In fiscal year 2017, the State refunded a portion of the 2007 Bonds included as part of the State DSPA with the 2017 Series I Bonds, which resulted in decreased debt service payments over time. Payment under the terms of the DSPA by OHSU represents full satisfaction of any legal obligation related to such outstanding indebtedness.

(b) Tenancy in Common Agreement – Robertson Life Sciences Building

During fiscal year 2011, OHSU entered into a joint construction project with the Oregon State Board of Higher Education (previously referred to as Oregon University System) to build the Robertson Life Sciences Building (previously referred to as the Collaborative Life Sciences Building) on OHSU's Schnitzer Campus located in Portland's South Waterfront to be jointly owned, developed, and operated collaboratively with Portland State University and Oregon State University. As partial consideration for OHSU's receipt of 50% undivided percentage interest in the tenancy in common of the Robertson Life Sciences Building, OHSU agreed to pay to the State one half of each assigned scheduled fixed-rate Series 2011F and G State Bonds debt service issued to fund the construction of the project. Subsequently, in fiscal year 2017, the State refunded a portion of the 2011 Series G Bonds with the 2017 Series I Bonds, which resulted in decreased debt service payments over time. Payments under the terms of the TIC by OHSU represents full satisfaction of any legal obligation related to such outstanding indebtedness.

(c) Bonds Payable

During fiscal year 1996, OHSU issued its first Insured Revenue Bonds Series A and B (1995 Revenue Bonds), which were partially refunded in fiscal years 2005 and 2012. The remaining outstanding 1995 Revenue Bond maturities are due July 1, 2019 through July 1, 2021 requiring semiannual interest payments with outstanding rate of 5.75%. Under the terms of the outstanding 1995 Revenue Bonds, OHSU is required to maintain funds held by a trustee for debt service reserve requirements for these bonds in amounts sufficient to pay specified principal and interest payments. The 1995 Revenue Bonds are limited obligations of OHSU and are secured by OHSU's gross revenue. Pursuant to the Oregon Uniform Revenue Bond Act, the 1995 Revenue Bonds are not general obligation bonds and are payable solely from the revenue pledged.

In fiscal year 2012, as part of a comprehensive bond portfolio restructuring, OHSU issued refunding Revenue Bonds, Series 2012A, Series 2012C, and Series 2012D, which refinanced over 50% of its existing outstanding debt portfolio. The Series 2012A was issued as fixed-rate bonds with remaining outstanding maturities due July 1, 2019 through July 1, 2028 requiring semiannual interest payments with outstanding rates ranging from 3.0% to 5.0%. The Series 2012C was issued as variable rate bond with remaining outstanding maturities due July 1, 2019 through July 1, 2027. The Series 2012D was issued as direct placement variable rate bonds and subsequently refunded with a new Series 2015B in fiscal year 2015. In fiscal year 2013, Series 2012E was issued as fixed-rate bonds with maturities due beginning July 1, 2023 to July 1, 2032 requiring semiannual interest payments with rates ranging from 4.0% to 5.0%. The 2012 Revenue Bonds are limited obligations of OHSU and are secured by OHSU's gross revenues. Pursuant to the Oregon Uniform Revenue Bond Act, the 2012 Revenue Bonds are not general obligation bonds and are payable solely from revenue pledged.

Additionally, in fiscal year 2012, during the restructuring process, OHSU simultaneously issued $85,570 of new tax-exempt variable rate revenue bonds, the Series 2012B-1, 2012B-2, and 2012B-3 to pay for certain costs of construction and other costs of issuance for the expanded CLSB Skourtes Tower project, which contains the OHSU School of Dentistry. The Series 2012B-1 and 2012B-2 were refunded with a new Series 2015A in fiscal year 2015. The remaining Series 2012B-3 bonds have maturities due beginning July 1, 2040 through July 1, 2042. The 2012 Revenue Bonds are limited obligations of OHSU and are secured by OHSU's gross revenues. Pursuant to the Oregon Uniform Revenue Bond Act, the 2012 Revenue Bonds are not general obligation bonds and are payable solely from revenue pledged.

In fiscal year 2015, OHSU restructured its Series 2012B 1, 2012B 2, and 2012D variable rate bonds with the Series 2015A and 2015B refunding revenue bonds to extend and stagger renewal dates of letters of credit and direct placement expiration dates. The Series 2015A refunded the 2012B-1 and 2012B-2 bonds. The Series 2015A was issued as direct placement variable rate bonds, with maturities due beginning July 1, 2040 to July 1, 2042. The Series 2015B refunded the Series 2012D bonds. The Series 2015B was issued as direct placement variable rate bonds, with and has remaining outstanding maturities due July 1, 2019 to July 1, 2032. No economic gain or loss was incurred as a result of this restructuring. The 2015 Revenue Bonds are limited obligations of OHSU and are secured by OHSU's gross revenues. Pursuant to the Oregon Uniform Revenue Bond Act, the 2015A and 2015B Revenue Bonds are not general obligation bonds and are payable solely from revenue pledged. In fiscal year 2016, OHSU issued the federally taxable Series 2015C Revenue Bonds in the amount of $100,000. The Series 2015C was issued as fixed-rate bonds with a maturity date of July 1, 2045 requiring semiannual interest payments at a rate of 5.0%. The proceeds from the Series 2015C will be used for general public corporation or other public purposes, including, but not limited to, financing capital expenses, noncapital expenses, and costs related to the issuance of the bonds. The 2015C Revenue Bonds are limited obligations of OHSU and are secured by OHSU's gross revenues. Pursuant to the Oregon Uniform Revenue Bond Act, the 2015C Revenue Bonds are not general obligation bonds and are payable solely from revenue pledged.

In fiscal year 2016, OHSU issued the Series 2016A Revenue Bonds in the amount of $50,000. The Series 2016A was issued as direct placement bonds with maturities due beginning July 1, 2043 through July 1, 2046 requiring monthly interest payments currently calculated at a rate of 2.30%. The Series 2016A was issued for capital improvements related to the construction of a new ambulatory care tower and as a prerequisite to the receipt of state matching grant funds for the construction of a new Knight Cancer Research Building. The 2016A Revenue Bonds are limited obligations of OHSU and are secured by OHSU's gross revenues. Pursuant to the Oregon Uniform Revenue Bond Act, the 2016A Revenue Bonds are not general obligation bonds and are payable solely from revenue pledged.

Additionally in fiscal year 2016, OHSU issued the Series 2016B Revenue Bonds in the amount of $199,835. The Series 2016B was issued as fixed-rate bond with maturities due beginning July 1, 2028 through July 1, 2046 requiring semiannual interest payments with outstanding interest rates ranging from 2.5% to 5.0%. The Series 2016B was issued to advance refund the Series 2009A and for capital improvements related to the construction of a new ambulatory care tower and as a prerequisite to the receipt of state matching grant funds for the construction of a new Knight Cancer Research Building. The 2016B Revenue Bonds are limited obligations of OHSU and are secured by OHSU's gross revenues. Pursuant to the Oregon Uniform Revenue Bond Act, the 2016B Revenue Bonds are not general obligation bonds and are payable solely from revenue pledged.

The Series 2009A Revenue Bonds, which were advance refunded in fiscal year 2016, were fixed rate bonds with maturities due beginning July 1, 2033 through July 1, 2039. The amount of in-substance defeased debt outstanding as of June 30, 2019 is $158,505. The Series 2009A bonds are considered to be defeased in substance and the liability related to these bonds has been removed from long-term debt. At the time of the advance refunding, funds were deposited into an irrevocable escrow account to provide for all future payments of principal and interest for the Series 2009A up to the redemption date of July 1, 2019 on which the University intends to redeem the bonds. The funds held in escrow for the refunding of the Series 2009A as of June 30, 2019 is $163,074.

While the advance refunding of the Series 2009A resulted in an economic gain for OHSU, the event generated a deferred accounting loss, which has been reflected as a deferred outflow in the financial statements. The deferred accounting loss is being amortized using the effective-interest method over the original life of the Series 2009A. The balances of the deferred accounting loss from the advance refunding of the Series 2009A as of June 30, 2019 and 2018 were $20,640 and $21,839, respectively.

In fiscal year 2017, OHSU issued the Series 2017A Revenue Bonds in the amount of $65,460. The Series 2017A Revenue Bonds were issued as fixed rate bonds with maturities due beginning July 1, 2033 through July 1, 2046 requiring semiannual interest payments with outstanding interest rates ranging from 3.5% to 5.0%. The Series 2017A Revenue Bonds were issued for capital improvements related to the construction of a new ambulatory care tower and as a prerequisite to the receipt of State matching grant funds for the construction of a new Knight Cancer Research Building. The 2017A Revenue Bonds are limited obligations of OHSU and are secured by OHSU's gross revenues. Pursuant to the Oregon Uniform Revenue Bond Act, the 2017A Revenue Bonds are not general obligation bonds and are payable solely from revenue pledged.

Additionally, in fiscal year 2017, OHSU issued the Series 2017B Revenue Bonds in the amount of $50,000. The Series 2017B Revenue Bonds were issued as direct placement bonds with a maturity date of July 1, 2047, requiring monthly interest payments currently calculated at a rate of 2.16%. The Series 2017B Revenue Bonds were issued for capital improvements related to the construction of a new ambulatory care tower and as a prerequisite to the receipt of state matching grant funds for the construction of a new Knight Cancer Research Building. The 2017B Revenue Bonds are limited obligations of OHSU and are secured by OHSU's gross revenues. Pursuant to the Oregon Uniform Revenue Bond Act, the 2017B Revenue Bonds are not general obligation bonds and are payable solely from revenue pledged.

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(Dollars in thousands)

OHSU has multiple credit enhancement facilities, including irrevocable standby letters of credit with U.S. Bank NA and direct placements with Wells Fargo Municipal Capital Strategies LLC and JPMorgan Chase Bank, NA as bondholder representative for DNT Asset Trust, as noted in the tables below for the periods ended June 30, 2019 and 2018:

2012BC and 2015AB variable rate debt as of June 30, 2019

Series	Facility counterparty	Principal outstanding	Facility matures	LT Ratings S&P/Moody's /Fitch	Reset
2012B-3	U.S. Bank, NA	$ 28,520	7/31/2020	AA-/A1/AA-	Daily
2012C	U.S. Bank, NA	14,685	7/31/2020	AA-/A1/AA-	Daily
2015A	Wells Fargo Municipal Capital Strategies LLC	57,050	5/2/2022	A+/Aa2/AA-	Monthly
2015B	JPMorgan Chase Bank NA/DNT Asset Trust	80,270	5/3/2027	A+/Aa2/AA	Monthly
		$ 180,525			

2012BC and 2015AB variable rate debt as of June 30, 2018

Series	Facility counterparty	Principal outstanding	Facility matures	LT Ratings S&P/Moody's /Fitch	Reset
2012B-3	U.S. Bank, NA	$ 28,520	5/21/2020	AA-/Aa2/AA	Daily
2012C	U.S. Bank, NA	14,905	5/21/2020	AA-/Aa2/AA	Daily
2015A	Wells Fargo Municipal Capital Strategies LLC	57,050	5/2/2022	AA-/Aa2/AA	Monthly
2015B	JPMorgan Chase Bank NA/DNT Asset Trust	82,410	5/3/2027	A+/Aa3/AA-	Monthly
		$ 182,885			

The letters of credit will fund any put made by bondholders that is not successfully remarketed. In the event the standby letter of credit funds a put by bondholders, no principal payments are due for 367 days.

The indenture and other loan agreements contain, among other things, provisions placing restrictions on additional borrowings and leases and require the maintenance of days cash of hand and debt service coverage ratio. Management believes that it is in compliance with its debt covenants.

(d) Local Improvement District Assessments

OHSU initially entered into various local improvement district agreements (LIDs) with the City of Portland, Oregon during fiscal years 2007 and 2008 for real improvements to Portland's South Waterfront District, of which $30,000 of the initial debt is considered to be nonrecourse obligations of

(Dollars in thousands)

OHSU. During fiscal year 2012, OHSU entered into additional LIDs with the City of Portland for real improvements to the same Portland South Waterfront District for $4,807. All outstanding LID debt is scheduled to be repaid in semiannual installments, with final maturities through fiscal year 2029 and interest rates ranging between 4.19% and 4.71%. The total outstanding balances due as of June 30, 2019 and 2018 are $15,106 and $16,961, respectively, and have been included in long-term debt in the statements of net position.

(e) Interest Rate Swap Agreement

As of June 30, 2019 and 2018, OHSU held one interest rate swap agreement with Wells Fargo Bank, NA. The balances of OHSU's swap as of June 30, 2019 and 2018 are as follows:

		Notional		Fair value	
		2019	**2018**	**2019**	**2018**
Wells Fargo swap	$	70,200	70,200	(13,413)	(6,272)
	$	70,200	70,200	(13,413)	(6,272)

The notional amount of the outstanding swap with Wells Fargo Bank, NA and the principal amounts of the associated debt decline over time and terminate on July 1, 2042. The Series 2012B-3 and Series 2015A bonds are the assigned hedges under the current swap agreement with Wells Fargo Bank, NA. The swap has the option of early termination with a cash settlement. Under the swap agreement with Wells Fargo Bank, NA, OHSU makes fixed-rate interest payments of 2.51% and receives a variable-rate payment computed as 70.00% of the London Interbank Offered Rate. The fair value represents the estimated amount that OHSU would pay or receive if the swap agreement was terminated at year-end, taking into account current interest rates and the creditworthiness of the underlying counterparty. Total cash payments made to the swap counterparty were $590 and $993 during the years ended June 30, 2019 and 2018, respectively.

OHSU's interest rate swap agreement with Wells Fargo Bank, NA was established when OHSU entered into an International Swaps and Derivatives Association swap novation in fiscal year 2016. Previously, OHSU held two interest rate swap agreements with U.S. Bank, NA. Prior to the swap agreements with U.S. Bank, NA, OHSU held swap agreements with UBS originally established in fiscal year 2005 and subsequently novated in fiscal year 2013. The assigned hedges at the time of novation in fiscal year 2013 were the Series 2012B-1, Series 2012B-2, and Series 2012B-3 Bonds. Subsequently, the Series 2012B-1 and 2012B-2 Bonds were refunded with the Series 2015A Bonds in fiscal year 2015, at which point the Series 2012B-3 and Series 2015A Bonds were established as the new assigned hedges. The Series 2012B-3 and Series 2015A Bonds are the assigned hedges under the current agreement with Wells Fargo Bank, NA.

Management has evaluated the effectiveness of the current hedges assuming hybrid instruments; each swap consists of a companion debt instrument, amortized using the effective-interest method, representing the value of the swap at the inception of the current hedge, and a hedging instrument, amortized using the effective-interest method, representing the hypothetical value of the swap had it held no value at the inception of the hedge.

The companion debt instrument for the Wells Fargo Bank, NA swap was determined at the date of novation in fiscal year 2016 and is reported in other liabilities. The liability is being amortized over the remaining term of the swap agreement on an effective-interest basis as an offset to interest expense. The value of the companion debt instrument as of June 30, 2019 and 2018 is $13,871 and $14,501, respectively. The value of the debt instrument is offset by deferred amortization of debt instruments, a deferred outflow, which is amortized on an effective-interest method and has a balance of $7,330 and $8,529 as of June 30, 2019 and 2018, respectively.

The on-market value portion of the hedging derivative instrument for the Wells Fargo Bank, NA swap is recorded in other noncurrent liabilities, with an offsetting balance recorded in either deferred outflows or deferred inflows dependent on the fair value as of fiscal year-end. Any changes to the value of the hedging instruments are recorded by increasing or decreasing the statements of net position accounts. During the current fiscal year, the total value changed from a liability and corresponding deferred outflow to an asset and corresponding deferred inflow. The total value recorded is an asset of $643 and $7,051 as of June 30, 2019 and 2018, respectively.

OHSU is exposed to swap credit risk, which is the risk that the counterparty will not fulfill its obligation. As of June 30, 2019 and 2018, the counterparties' long-term credit ratings were A+ from Standard & Poor's, Aa2 from Moody's, and AA- from Fitch. Additionally, the swap exposes OHSU to basis risk, which is the risk that arises when the relationship between the rates on the variable rate bonds and the swap formulas noted above vary from historical norms. If this occurs, swap payments received by OHSU may not fully offset its bond interest payments. As these rates change, the effective synthetic rate on the bonds will change.

OHSU may be additionally responsible for posting collateral based on its credit ratings and if the total swap liability exceeds a predetermined value on its reporting date. Based on current credit ratings for OHSU and the current market value of the swap, OHSU is not required to post any collateral at this time.

OHSU or the counterparty may terminate the swaps if the other party fails to perform under the terms of the contracts.

(f) Capital Leases

OHSU has entered into agreements for the lease of certain equipment and vehicles. Amortization of the capitalized value of these assets is included in depreciation and amortization expense on the statements of revenues, expenses, and changes in net position. Future minimum lease payments under these agreements are as follows:

(Dollars in thousands)

Year ending June 30:		
2020	$	4,103
2021		975
2022		972
2023		34
2024		5
		6,089
Less amount representing interest		(264)
		5,825
Less current portion		(3,919)
	$	1,906

(g) *Summary of Long-Term Debt, Bonds, and Capital Leases*

Long-term debt listed on the accompanying statements of net position comprises outstanding state DSPA and TIC agreements, revenue bonds, and City of Portland Local Improvement District agreements totaling $973,506 and $998,071 as of June 30, 2019 and 2018, respectively. Included in long-term debt are unamortized net original issue discounts and premiums of $38,514 and $41,651 and accreted interest for the DSPA and 1995 Revenue Bonds of $26,004 and $32,942 as of June 30, 2019 and 2018, respectively. Interest is accreted on the DSPA and the 1995 Revenue Bonds from the date the obligations were issued until maturity using the effective-interest method.

The issuance cost of obtaining debt is deferred and amortized over the term of the related debt using the effective-interest method and is listed as prepaid finance costs on the accompanying statements of net position.

(Dollars in thousands)

Principal and interest payments under the DSPA, the various revenue bond obligations, and the local improvement district agreements are as follows:

		Principal	Interest	Total
Year(s) ending June 30:				
2020	$	14,836	44,565	59,401
2021		14,834	44,252	59,086
2022		15,489	44,013	59,502
2023		24,922	33,645	58,567
2024		23,941	32,684	56,625
2025–2029		129,161	149,063	278,224
2030–2034		155,015	119,587	274,602
2035–2039		134,100	86,905	221,005
2040–2044		166,488	55,671	222,159
2045–2049		230,205	14,592	244,797
	$	908,991	624,977	1,533,968

Interest on variable rate debt has been projected forward based on trailing 12-month average interest rates.

(h) Changes in Long-Term Liabilities

Changes in OHSU's total long-term liabilities during the fiscal years ended June 30, 2019 is summarized below:

		Balance June 30, 2018	Increases	Decreases	Balance June 30, 2019
Liability for self-funded insurance programs	$	67,945	31,009	(26,051)	72,903
Liability for life income agreements		23,975	2,560	(3,300)	23,235
Long-term debt		998,071	—	(24,565)	973,506
Long-term capital leases		3,580	3,460	(1,215)	5,825
Other noncurrent liabilities		34,754	33	(1,304)	33,483
Pension liability		424,000	32,006	—	456,006
	$	1,552,325	69,068	(56,435)	1,564,958

(Dollars in thousands)

	Balance June 30, 2017	Increases	Decreases	Balance June 30, 2018
Liability for self-funded insurance programs	$ 62,414	30,611	(25,080)	67,945
Liability for life income agreements	23,933	5,635	(5,593)	23,975
Long-term debt	1,004,390	—	(6,319)	998,071
Long-term capital leases	4,299	126	(845)	3,580
Other noncurrent liabilities	31,963	6,699	(3,908)	34,754
Pension liability	526,200	—	(102,200)	424,000
	$ 1,653,199	43,071	(143,945)	1,552,325

(10) Life Income Fund – Annuities

Assets contributed as life income agreements are recorded at their fair value. The present value of estimated future payments to beneficiaries of annuity agreements is recorded as a liability. The present values of these estimated payments were determined on the basis of published actuarial factors for the ages of the respective annuity beneficiaries. Differences between the assets contributed and the expected payments to be made to beneficiaries have been recorded as donations in the year established.

Life income contributions, including gifts, grants, and contracts in the accompanying statements of revenues, expenses, and changes in net position, are as follows for the fiscal years ended June 30, 2019 and 2018:

	2019		
	Agreements	Asset	Liability
Charitable remainder unitrusts	3	$ 2	1
Charitable lead unitrusts	1	1,011	299
Charitable gift annuities	13	1,545	902
Total	17	$ 2,558	1,202

	2018		
	Agreements	Asset	Liability
Charitable remainder unitrusts	5	$ 2,813	949
Charitable gift annuities	6	113	54
Total	11	$ 2,926	1,003

(Dollars in thousands)

The assets and corresponding liabilities related to life income agreements are included in long-term investments, restricted, and the liability for life income agreements in the accompanying statements of net position.

Total life income instruments held at June 30, 2019 and 2018 are as follows:

	2019			
	Agreements		Asset	Liability
Charitable remainder unitrusts	64	$	23,820	7,922
Charitable lead unitrusts	3		21,615	8,451
Charitable remainder trust annuities	1		117	79
Charitable gift annuities	191		10,446	6,185
Life estate agreements	3		996	598
Total	262	$	56,994	23,235

	2018			
	Agreements		Asset	Liability
Charitable remainder unitrusts	68	$	24,136	8,685
Charitable lead unitrusts	2		21,096	8,935
Charitable remainder trust annuities	2		217	127
Charitable gift annuities	190		9,641	5,664
Life estate agreements	3		909	564
Total	265	$	55,999	23,975

Fifteen charitable gift annuities, included above, have been reinsured with insurance carriers in order to reduce liability exposure. Under the reinsurance contracts, the future beneficiary payments are paid by the insurance carrier. To the extent the insurance carriers are unable to perform under the contract, OHSU would be responsible for payment.

(11) Funds Held in Trust by Others

The Foundations are the named beneficiaries of 41 and 43 trusts held by outside trustees as of June 30, 2019 and 2018, respectively. The reported fair market value of trust assets held by others was $50,400 and $50,000 of the years ended June 30, 2019 and 2018, respectively. The Foundations record contributions as trust distributions occur. Trust distributions of $2,400 and $1,800 were recorded as contributions during the fiscal years ended June 30, 2019 and 2018, respectively.

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(Dollars in thousands)

(12) Pledges and Estates Receivables

The Foundations had the following pledges and estates receivable as of June 30, 2019 and 2018:

		2019	2018
Pledges maturing within 1 year	$	72,949	128,449
Pledges maturing within 2–10 years		372,939	417,770
		445,888	546,219
Less allowance for uncollectible pledges		(2,420)	(2,741)
		443,468	543,478
Less discount for net present value		(19,814)	(24,964)
Total net pledges receivable		423,654	518,514
Estates receivable		1,935	1,789
Less allowance for uncollectible estates		(97)	(89)
Total net estates receivable		1,838	1,700
Total pledges and estates receivable	$	425,492	520,214

(13) Commitments and Contingencies

(a) Liability for Self-Funded Insurance Programs

Coverage for professional liability, patient general liability, and automobile liability is provided through OHSU's solely owned captive insurance company, OHSU Insurance Company. Current coverage limits are $4,500 per claim with an annual aggregate of $17,500 for professional liability and $3,000 per claim for general liabilities.

Coverage for the directors' and officers' liability and employment practices liability deductible is also provided through OHSU Insurance Company. Current coverage limits for claims made on or after July 1, 2014 are $1,000 for each and every claim.

Coverage for the cyber liability deductible is also provided through OHSU Insurance Company. The coverage limit for cyber liability is $250 for each and every claim.

Excess coverage and reinsurance is provided by a variety of insurers for claims that may exceed these limits. Coverage is written on a claims-made basis.

OHSU has contracted with independent actuaries to estimate the ultimate costs of settlement related to the coverage provided by OHSU Insurance Company. The liabilities are discounted at 3.0% in 2019 and 2018 and, in management's opinion, provide an adequate reserve for loss contingencies.

(Dollars in thousands)

In December 2007, the Oregon Supreme Court found unconstitutional certain provisions of the Oregon Tort Claims Act (OTCA) that limited OHSU's liability for the acts of its employees and agents in large damages cases.

Effective July 1, 2009, the OTCA was amended by Senate Bill 311 for events occurring on or after December 28, 2007. The new OTCA limits are as follows:

Date of event		New OTCA limit (per claim)	Occurrence aggregate
12/28/2007–06/30/2010	$	1,500,000	3,000,000
07/01/2010–06/30/2011		1,600,000	3,200,000
07/01/2011–06/30/2012		1,700,000	3,400,000
07/01/2012–06/30/2013		1,800,000	3,600,000
07/01/2013–06/30/2014		1,900,000	3,800,000
07/01/2014–06/30/2015		2,000,000	4,000,000
07/01/2015–06/30/2016		2,048,000	4,096,000
07/01/2016–06/30/2017		2,073,600	4,147,100
07/01/2017–06/30/2018		2,118,000	4,236,000
07/01/2018–06/30/2019		2,181,600	4,363,100

The impact of this decision has been included in the liability for self-funded insurance programs in the accompanying financial statements.

In September 2013, a judgment was awarded against OHSU in a professional liability case that was in excess of the OTCA, which limits OHSU's and other Oregon public body's liability for the acts of its employees and agents. OHSU disbursed the sum of $3,000, the amount of the tort cap in place at the date of the event. In May 2016, the Oregon Supreme Court affirmed the OTCA in this case.

Effective January 1, 2017, OHSU Insurance Company affiliated with a newly formed Oregon limited liability company called OHSU Project Co., LLC (a controlled affiliate of OHSU), which comprises OHSU and other nonaffiliated healthcare providers and systems, referred to as members. The operating agreement of OHSU Project Co., LLC asserts that OHSU's membership interest or voting power with respect to OHSU Project Co., LLC may not constitute less than ten percent (10%) of the outstanding membership interests. OHSU's membership interest was 34.2% and 33.1% as of June 30, 2019 and 2018, respectively.

The OHSU Project Co., LLC's sole purpose is to purchase casualty stop-loss insurance from OHSU Insurance Company for the benefit of its members. Each provider is entitled to coverage equal to its percentage membership interest in the limited liability company. The contracted payor effectuated the health insurance products entering into a provider-networking contract with OHSU Project Co., LLC.

Insco provides to OHSU Project Co., LLC medical aggregate excess of loss coverage for its share of the medical loss ratio (MLR) risk and cedes a portion of the risk to Swiss Re. Should MLR deteriorate sufficiently so as to trigger the risk ceded to Swiss Re, then Swiss Re will be liable for 90% of OHSU Project Co., LLC's risk share, subject to a maximum liability of $1,500 with the 10% retention staying with OHSU Insurance Company.

On January 1, 2006, workers compensation coverage for all employees was placed with the SAIF Corporation in accordance with statutory requirements. The State Accident Insurance Fund also provides Employers Liability coverage in the amount of $500, without retention. The State Accident Insurance Fund policy was written as a paid loss retrospective plan until July 1, 2017 at which time it converted its coverage to a guaranteed cost plan. This paid premium is an estimate and varies with audited payroll. In addition, the State Accident Insurance Fund bills monthly for the prior year's claims paid losses. (2006 to June 2017), adding a 16.5% loss conversion factor to the paid loss costs. Six months after the policy term, and every 12 months thereafter, a retrospective evaluation is completed (for years 2006 to June 2017) to determine any additional amounts to be paid, including outstanding reserves, for claims relating to the policy year.

(b) Unemployment Compensation

Unemployment compensation claims are administered by the Oregon Employment Division pursuant to Oregon Revised Statutes. The estimated amount of future benefits payments to claimants and the resulting liability to OHSU have been reflected as accrued salaries, wages, and benefits in the accompanying statements of net position.

(c) Employee Health Programs

OHSU is self-insured for its risk of loss related to costs to insure its employees for medical, dental, and vision coverage. OHSU has utilized a third-party actuary to assist in the estimation of its liability for the employee health programs related to claims payable and those claims incurred but not yet paid or reported of approximately $17,957 and $16,241 as of June 30, 2019 and 2018, respectively. These amounts are included in current portion of self-funded insurance program liabilities in the accompanying statements of net position.

(d) Labor Organizations

As of fiscal year end June 30, 2019, approximately 57% of OHSU's employees are represented by labor organizations: 16% of OHSU's employees are nurses represented by the ONA, 40% of OHSU's employees are represented by the AFSCME, and less than 1% of OHSU's employees are represented by the OHSU Police Association. The current contract with ONA expires on June 30, 2020. The current contract with AFSCME will be in effect until June 30, 2022. The current contract with the OHSU Police Association expires on June 30, 2021.

(e) Construction Contracts

OHSU had outstanding commitments on unexpended construction contracts totaling approximately $42,362 and $71,503 at June 30, 2019 and 2018, respectively. These commitments will be primarily funded from gifts, grants, funds held by trustee, and other investment accounts.

(Dollars in thousands)

(f) Legal Proceedings

The healthcare industry and academic medical centers are subject to numerous laws and regulations of federal, state, and local governments. These laws and regulations include, but are not limited to, laws and regulations related to licensure, accreditation, government health program participation, reimbursement for patient services, Medicare and Medicaid fraud and abuse, and laws and regulations governing the conduct of federally funded research, research involving human and animal subjects, and other facets of research. Government monitoring and enforcement activity continues with respect to possible violations of fraud and abuse laws and regulations and other laws and regulations applicable to healthcare providers and healthcare institutions, including academic medical centers. Violations of these laws and regulations could result in expulsion from government healthcare programs, together with the imposition of significant fines and penalties and repayments for patient services previously billed. Management believes OHSU is in compliance with applicable fraud and abuse laws and regulations, as well as other applicable government laws and regulations.

OHSU's compliance with the referenced laws and regulations may be subject to current or future government review and interpretation, as well as regulatory actions unknown or unasserted at this time.

OHSU is involved in litigation and is periodically the subject of regulatory inquiries in the normal course of its business. In past years, OHSU was subject to several federal healthcare audits as a part of national initiatives targeting large numbers of hospitals and academic medical centers and was the subject of government-issued subpoenas and postpayment reviews concerning specific OHSU billing practices. OHSU responded to these audits, subpoenas, and reviews, and these matters were resolved or are expected to be resolved without material adverse effect on OHSU's financial position, changes in financial position, or liquidity.

(g) Operating Leases

Leases that do not meet the criteria for capitalization are classified as operating leases, with the related rentals charged to operations as incurred.

Rental expenses under operating leases were approximately $22,393 and $21,720 in 2019 and 2018, respectively. The following is a schedule of future minimum rental commitments under operating leases as of June 30, 2019 and 2018 that have initial or remaining lease terms in excess of one year:

Year ending June 30:		
2020	$	17,269
2021		16,399
2022		13,908
2023		9,585
2024		7,622
Thereafter		22,229
	$	87,012

(h) Tuality Health Affiliation

On February 1, 2016, OHSU affiliated with Tuality Healthcare (Tuality) through the execution of a management agreement (the Tuality Agreement) between the organizations. Under the Tuality Agreement, OHSU agrees to oversee the unified and integrated clinical enterprises of OHSU and Tuality as a single, integrated economic unit. OHSU and Tuality remain as separate entities, own their own assets, and continue to be the licensed operators of their own facilities. Per the agreement, OHSU has guaranteed Tuality's operating income and will provide operating cash flow support. The initial term of the Tuality Agreement is 20 years and it may be renewed or extended by written agreement of the parties. The Tuality Agreement is subject to termination in the event of material breaches of the Tuality Agreement or for certain other reasons specified in the Tuality Agreement.

After February 1, 2016, OHSU guarantees operating income support in the following manner: to the extent Tuality incurs an operating loss for any fiscal year, OHSU will provide operating support in the form of a cash payment to Tuality in an amount equal to the operating loss, which will result in Tuality's operating income being equal to zero.

If in any fiscal year, Tuality's operating cash flow, defined in the Tuality Agreement as operating income plus depreciation less regular principal payments on long-term debt and less capital spending, is negative, OHSU will provide Tuality a capital advance in the form of a cash payment to bring Tuality's operating cash flow to a balance of zero. The capital advance will be recorded on Tuality's financial statements as a payable to OHSU, and on OHSU's financial statements as a receivable from Tuality, subject to any required reserves for estimates of collectability. Such capital advances will not bear interest and will be repayable by Tuality to OHSU from positive operating cash flow generated in future fiscal years under general guidelines specified in the Tuality Agreement.

For fiscal years 2019 and 2018, operating income support amounted to $7,556 and $7,236, respectively. The operating cash flow support, recorded as a note receivable, in other noncurrent assets on the statements of net position, was $7,952 and $2,592 for the years ended June 30, 2019 and 2018, respectively. In light of uncertain operating income in the near term and the likelihood that cash flow available for repayment will be deferred into future years, OHSU recorded a valuation reserve of $7,632 against the note receivable under other noncurrent assets as of June 30, 2019. The total note receivable as of June 30, 2019 was $15,265.

(i) Adventist Health

On January 1, 2018, OHSU and Adventist Health entered into a Health System agreement, an operating agreement and an academic affiliation agreement. Under this affiliation, OHSU and Adventist Health will operate as a unified clinical system with a shared bottom line. The affiliation applies to OHSU's Portland-area clinical services and activities and Adventist Health Portland, which includes the 302-bed Adventist Health Portland Medical Center and its 34 affiliated clinics and home care and hospice services in the Portland-Vancouver metro area. The other 19 Adventist Health hospitals in the western United States are excluded from the agreements. Each organization will retain its existing hospital licenses, capital assets, and employees and will not join each other's master trust indenture obligated group or otherwise guarantee each other's outstanding debt.

Each entity will continue to maintain its individual mission and culture but will together strive to transform access and the delivery of healthcare to Oregonians through a unified clinical enterprise and shared brand experience. A board of managers comprising representatives from each organization has been created to oversee the system.

The initial term of the Adventist agreement is 20 years and it may be renewed or extended by written agreement of the parties, and the agreement is subject to termination in the event of material breaches or for certain other reasons specified in the agreement.

OHSU and Adventist Health's allocation amount is determined by multiplying the consolidated Metro Health System net operating results by such party's proportional allocation percentage, including the amount of such party's total capital charges (for the same period for which such allocation amount is determined). The result shall equal the party's net share of the Metro Health System earnings before interest, depreciation, and amortization (EBIDA).

OHSU and Adventist's net share for each period shall be compared to each party's actual metro clinical enterprise adjusted EBIDA for the same period. OHSU and Adventist Health agree that if a party's net share for a period is less than such party's metro clinical enterprise adjusted EBIDA for such period, such party shall pay to the other party the amount of the difference (net share payment). OHSU and Adventist agree that if a party's net share for a period is more than such party's metro clinical enterprise adjusted EBIDA for the same period, such party shall receive from the other party a payment in the amount of the difference (net share receivable). During the first five years of the agreement, a net share payment cap of $5,000 will be applied in any calendar year.

For fiscal years 2019 and 2018, OHSU's support payment to Adventist amounted to $5,000 per year as the net share payment cap was met, respectively. In order to optimize health care provider coverage and accessibility within the Portland metropolitan area, OHSU also paid $263 for physician recruitments in fiscal year 2019.

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(Dollars in thousands)

(14) Blended Component Units

Condensed combining statements for OHSU and its blended component units are shown below:

	2019						
	University	INSCO	UMG	OHSUF Foundation	DCH Foundation	Eliminations/ reclassifications	Total combined
Assets:							
Current assets	$ 1,003,339	68,174	12,058	98,912	4,967	(61,603)	1,125,847
Noncurrent assets:							
Capital assets, net of accumulated depreciation	2,072,351	—	478	167	—	—	2,072,996
Other noncurrent assets	899,181	—	—	1,386,424	86,383	—	2,371,988
Total noncurrent assets	2,971,532	—	478	1,386,591	86,383	—	4,444,984
Total assets	3,974,871	68,174	12,536	1,485,503	91,350	(61,603)	5,570,831
Deferred outflows	205,752	—	—	—	—	—	205,752
Total assets and deferred outflows	$ 4,180,623	68,174	12,536	1,485,503	91,350	(61,603)	5,776,583
Liabilities:							
Current liabilities	$ 449,792	871	3,595	66,695	669	(61,603)	460,019
Noncurrent liabilities	1,441,698	36,111	7	24,314	1,717	—	1,503,847
Total liabilities	1,891,490	36,982	3,602	91,009	2,386	(61,603)	1,963,866
Deferred inflows	73,381	—	—	117,943	2,194	—	193,518
Net position:							
Net investment in capital assets	1,239,137	—	—	167	—	—	1,239,304
Restricted, expendable	82,979	—	—	608,639	25,482	—	717,100
Restricted, nonexpendable	—	—	—	244,651	30,111	—	274,762
Unrestricted	893,636	31,192	8,934	423,094	31,177	—	1,388,033
Total net position	2,215,752	31,192	8,934	1,276,551	86,770	—	3,619,199
Total liabilities, deferred inflows and net position	$ 4,180,623	68,174	12,536	1,485,503	91,350	(61,603)	5,776,583

(Dollars in thousands)

	2018						
	University	**INSCO**	**UMG**	**OHSUF Foundation**	**DCH Foundation**	**Eliminations/ reclassifications**	**Total combined**
Assets:							
Current assets	$ 1,037,394	9,571	10,852	156,468	5,292	(63,929)	1,155,648
Noncurrent assets:							
Capital assets, net of accumulated depreciation	2,009,125	—	176	263	—	—	2,009,564
Other noncurrent assets	733,359	48,749	—	1,362,354	85,461	—	2,229,923
Total noncurrent assets	2,742,484	48,749	176	1,362,617	85,461	—	4,239,487
Total assets	3,779,878	58,320	11,028	1,519,085	90,753	(63,929)	5,395,135
Deferred outflows	182,548	—	—	—	—	—	182,548
Total assets and deferred outflows	$ 3,962,426	58,320	11,028	1,519,085	90,753	(63,929)	5,577,683
Liabilities:							
Current liabilities	$ 514,138	833	2,964	82,036	397	(63,929)	536,439
Noncurrent liabilities	1,438,175	33,245	69	24,872	1,819	—	1,498,180
Total liabilities	1,952,313	34,078	3,033	106,908	2,216	(63,929)	2,034,619
Deferred inflows	62,673	—	—	110,885	2,215	—	175,773
Net position:							
Net investment in capital assets	1,160,140	—	—	263	—	—	1,160,403
Restricted, expendable	78,712	—	—	704,548	29,766	—	813,026
Restricted, nonexpendable	—	—	—	221,061	28,870	—	249,931
Unrestricted	708,588	24,242	7,995	375,420	27,686	—	1,143,931
Total net position	1,947,440	24,242	7,995	1,301,292	86,322	—	3,367,291
Total liabilities, deferred inflows and net position	$ 3,962,426	58,320	11,028	1,519,085	90,753	(63,929)	5,577,683

(Dollars in thousands)

Condensed combining information related to revenues, expenses, and changes in net position for the years ended June 30, 2019 and 2018 is as follows:

	2019						
	University	INSCO	UMG	OHSUF Foundations	DCH Foundations	Eliminations/ reclassifications	Total combined
Operating revenues:							
Patient service revenue	$ 2,350,926	—	—	—	—	—	2,350,926
Student tuition and fees, net	78,332	—	—	—	—	—	78,332
Gifts, grants, and contracts	679,603	—	—	55,217	14,962	(138,702)	611,080
Other revenue	135,961	19,893	19,229	3,516	134	(40,953)	137,780
Total operating revenues	3,244,822	19,893	19,229	58,733	15,096	(179,655)	3,178,118
Operating expenses:							
Salaries, wages, and benefits	1,832,965	—	12,549	13,622	—	—	1,859,136
Defined-benefit pension	72,043	—	—	—	—	—	72,043
Services, supplies, and other	990,334	17,224	5,647	156,361	18,801	(204,878)	983,489
Depreciation and amortization	186,526	—	95	99	—	—	186,720
Interest	31,300	—	—	—	—	—	31,300
Total operating expenses	3,113,168	17,224	18,291	170,082	18,801	(204,878)	3,132,688
Operating income (loss)	131,654	2,669	938	(111,349)	(3,705)	25,223	45,430
Nonoperating revenues (expenses):							
Investment income and change in fair value of investments	74,606	4,281	1	58,410	3,812	—	141,110
State appropriations	37,276	—	—			—	37,276
Other	(8,040)	—	—	5,006	(955)	—	(3,989)
Total nonoperating revenues (expenses), net	103,842	4,281	1	63,416	2,857	—	174,397
Net income (loss) before other changes in net position	235,496	6,950	939	(47,933)	(848)	25,223	219,827
Other changes in net position:							
Contributions for capital and other	32,816	—	—	—	—	(25,223)	7,593
Nonexpendable donations	—	—	—	23,192	1,296	—	24,488
Total other changes in net position	32,816	—	—	23,192	1,296	(25,223)	32,081
Total increase (decrease) in net position	268,312	6,950	939	(24,741)	448	—	251,908
Net position – beginning of year	1,947,440	24,242	7,995	1,301,292	86,322	—	3,367,291
Net position – end of year	$ 2,215,752	31,192	8,934	1,276,551	86,770	—	3,619,199

(Dollars in thousands)

	2018						
	University	INSCO	UMG	OHSUF Foundations	DCH Foundations	Eliminations/ reclassifications	Total combined
Operating revenues:							
Patient service revenue	$ 2,210,653	—	—	—	—	—	2,210,653
Student tuition and fees, net	73,975	—	—	—	—	—	73,975
Gifts, grants, and contracts	662,755	—	—	48,061	15,774	(113,238)	613,352
Other revenue	149,428	18,527	18,532	3,387	103	(37,899)	152,078
Total operating revenues	3,096,811	18,527	18,532	51,448	15,877	(151,137)	3,050,058
Operating expenses:							
Salaries, wages, and benefits	1,708,088	—	12,056	12,771	—	—	1,732,915
Defined-benefit pension	76,587	—	—	—	—	—	76,587
Services, supplies, and other	954,216	16,161	5,256	115,571	10,928	(151,289)	950,843
Depreciation and amortization	150,867	—	119	109	—	—	151,095
Interest	28,537	—	—	—	—	—	28,537
Total operating expenses	2,918,295	16,161	17,431	128,451	10,928	(151,289)	2,939,977
Operating income (loss)	178,516	2,366	1,101	(77,003)	4,949	152	110,081
Nonoperating revenues (expenses):							
Investment income and change in fair value of investments	24,233	(208)	2	62,031	4,765	—	90,823
State appropriations	37,026	—	—			—	37,026
Other	(297)	—	—	2,732	(715)	—	1,720
Total nonoperating revenues (expenses), net	60,962	(208)	2	64,763	4,050	—	129,569
Net income (loss) before other changes in net position	239,478	2,158	1,103	(12,240)	8,999	152	239,650
Other changes in net position:							
Contributions for capital and other	9,053	(5,848)	—	—	—	(152)	3,053
Nonexpendable donations	—	—	—	15,803	1,178	—	16,981
Total other changes in net position	9,053	(5,848)	—	15,803	1,178	(152)	20,034
Total increase (decrease) in net position	248,531	(3,690)	1,103	3,563	10,177	—	259,684
Net position – beginning of year, as adjusted	1,702,883	27,932	6,892	1,297,729	76,145	—	3,111,581
Adjustment to implementation of GASB Statement No. 75	(3,974)	—	—	—	—	—	(3,974)
Net position – end of year	$ 1,947,440	24,242	7,995	1,301,292	86,322	—	3,367,291

(Dollars in thousands)

Condensed combining information related to cash flows for the years ended June 30, 2019 and 2018 is as follows:

	2019						
	University	INSCO	UMG	OHSUF Foundations	DCH Foundations	Eliminations/ reclassifications	Total combined
Net cash provided by (used for) operating activities	$ 322,655	7,212	1,497	(91,513)	(3,313)	—	236,538
Net cash provided by noncapital financing activities	57,377	—	—	(456)	(41)	—	56,880
Net cash provided by (used for) capital and related financing activities	(296,203)	—	(396)	(4)	—	—	(296,603)
Net cash provided by (used for) investing activities	(50,746)	(6,529)	—	91,813	2,744	—	37,282
Net change in cash and cash equivalents	33,083	683	1,101	(160)	(610)	—	34,097
Cash and cash equivalents, beginning of year	16,726	3,402	8,662	20,771	3,357	—	52,918
Cash and cash equivalents, end of year	$ 49,809	4,085	9,763	20,611	2,747	—	87,015

	2018						
	University	INSCO	UMG	OHSUF Foundations	DCH Foundations	Eliminations/ reclassifications	Total combined
Net cash provided by (used for) operating activities	$ 292,600	2,540	992	(37,191)	6,684	—	265,625
Net cash provided by noncapital financing activities	27,837	—	—	8,000	151	—	35,988
Net cash provided by (used for) capital and related financing activities	(450,649)	—	(22)	11	—	—	(450,660)
Net cash provided by (used for) investing activities	103,608	(2,090)	—	25,572	(5,895)	—	121,195
Net change in cash and cash equivalents	(26,604)	450	970	(3,608)	940	—	(27,852)
Cash and cash equivalents, beginning of year	43,330	2,952	7,692	24,379	2,417	—	80,770
Cash and cash equivalents, end of year	$ 16,726	3,402	8,662	20,771	3,357	—	52,918

Required Supplementary Information – Unaudited
OHSU's Proportionate Share of the Net Pension (Asset)/Liability and Related Ratios

(Dollar amounts in thousands)

Defined-benefit pension plan[1]		2019	2018	2017	2016	2015
OHSU's proportion of the net pension (asset) liability (rounded)		3.01 %	3.51 %	3.51 %	3.98 %	4.26 %
OHSU's proportionate share of the net pension (asset) liability	$	456,006	424,000	526,200	228,337	(96,652)
Covered payroll		323,343	337,473	326,959	345,363	365,618
OHSU's proportionate share of the net pension (asset) liability as a percentage of covered payroll		141.03 %	125.64 %	160.94 %	66.12 %	(26.44)%
Plan fiduciary net position as a percentage of the total pension liability		82.10 %	83.10 %	80.50 %	91.90 %	103.60 %

[1] Ten-year trend information will be presented prospectively.

Required Supplementary Information – Unaudited
Schedule of Defined-Benefit Pension Plan Contributions

(Dollars in thousands)

Year ended June 30[1]		2019	2018	2017	2016	2015
Contractually required contributions	$	37,919	37,087	30,809	31,353	30,250
Contributions in relation to the contractually required contributions		47,919	47,087	30,809	31,353	37,750
Contribution excess	$	(10,000)	(10,000)	—	—	(7,500)
OHSU's covered payroll	$	330,868	323,343	337,473	326,959	345,363
Contributions as a percentage of covered payroll		14.48 %	14.56 %	9.13 %	9.59 %	10.93 %

[1] Ten-year trend information will be presented prospectively.

See accompanying independent auditors' report.

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Schedule 1

OREGON HEALTH & SCIENCE UNIVERSITY

Combining Schedules of Net Position

Year ended June 30, 2019 with comparative totals for June 30, 2018

(Dollars in thousands)

	Hospital	Other University	Total University	Foundations	Eliminations/ reclassifications	2019	2018
Assets:							
Current assets:							
Cash and cash equivalents	$ 44,836	18,821	63,657	23,358	—	87,015	52,918
Short-term investments	271,371	53,371	324,742	423	—	325,165	312,765
Current portion of funds held by trustee	23,193	19,698	42,891	—	—	42,891	48,893
Patients accounts receivable, net of bad debt allowances	388,264	1,985	390,249	—	—	390,249	413,197
Student receivables	—	26,184	26,184	—	—	26,184	22,255
Grant and contract receivable	—	62,550	62,550	—	—	62,550	75,845
Interest receivable	—	—	—	912	—	912	1,204
Current portion of pledges and estates receivable	—	—	—	74,160	—	74,160	129,510
Other receivables, net	27,808	66,598	94,406	4,693	(56,737)	42,362	42,645
Inventories, at cost	41,722	2,699	44,421	—	—	44,421	24,088
Prepaid expenses	13,543	16,061	29,604	334	—	29,938	32,328
Total current assets	810,737	267,967	1,078,704	103,880	(56,737)	1,125,847	1,155,648
Noncurrent assets:							
Capital assets, net of accumulated depreciation	1,025,530	1,047,299	2,072,829	167	—	2,072,996	2,009,564
Funds held by trustee – less current portion	10,836	2,204	13,040	—	—	13,040	12,734
Surplus Note – Moda	—	33,500	33,500	—	—	33,500	33,500
Long-term investments:							
Long-term investments, restricted	—	44,887	44,887	635,119	—	680,006	653,068
Long-term investments, unrestricted	592,748	201,305	794,053	482,157	—	1,276,210	1,119,813
Total long-term investments	592,748	246,192	838,940	1,117,276	—	1,956,216	1,772,881
Prepaid financing costs, net	1,412	520	1,932	—	—	1,932	2,163
Pledges and estates receivable – less current portion	—	—	—	351,332	—	351,332	390,704
Restricted post employment benefit asset	—	3,493	3,493	—	—	3,493	1,389
Other noncurrent assets	7,991	286	8,277	4,198	—	12,475	16,552
Interest in the Foundations	—	1,363,321	1,363,321	—	(1,363,321)	—	—
Total noncurrent assets	1,638,517	2,696,815	4,335,332	1,472,973	(1,363,321)	4,444,984	4,239,487
Total assets	2,449,254	2,964,782	5,414,036	1,576,853	(1,420,058)	5,570,831	5,395,135
Deferred outflows:							
Deferred amortization of derivative instruments	4,091	3,239	7,330	—	—	7,330	8,529
Loss on refunding of debt	20,216	2,090	22,306	—	—	22,306	23,777
Pension obligation	—	173,514	173,514	—	—	173,514	149,247
Goodwill	523	—	523	—	—	523	639
Other Postemployment Benefits (OPEB) obligation	—	2,079	2,079	—	—	2,079	356
Total deferred outflows	24,830	180,922	205,752	—	—	205,752	182,548
Total assets and deferred outflows	$ 2,474,084	3,145,704	5,619,788	1,576,853	(1,420,058)	5,776,583	5,577,683

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Schedule 1

OREGON HEALTH & SCIENCE UNIVERSITY

Combining Schedules of Net Position

Year ended June 30, 2019 with comparative totals for June 30, 2018

(Dollars in thousands)

	Hospital	Other University	Total University	Foundations	Eliminations/ reclassifications	2019	2018
Liabilities:							
Current liabilities:							
Current portion of long-term debt	$ 13,985	9,986	23,971	—	—	23,971	23,394
Current portion of long-term capital leases	834	3,085	3,919	—	—	3,919	866
Current portion of self-funded insurance programs liability	—	33,221	33,221	—	—	33,221	29,885
Accounts payable and accrued expenses	106,739	51,544	158,283	10,410	—	168,693	159,453
Accrued salaries, wages, and benefits	22,014	79,761	101,775	—	—	101,775	90,058
Compensated absences payable	34,564	27,774	62,338	—	—	62,338	85,111
Unearned revenue	2,922	57,643	60,565	—	—	60,565	57,428
Other current liabilities	4,939	441	5,380	56,894	(56,737)	5,537	90,244
Total current liabilities	185,997	263,455	449,452	67,304	(56,737)	460,019	536,439
Noncurrent liabilities:							
Long-term debt – less current portion	611,438	338,097	949,535	—	—	949,535	974,677
Long-term capital leases – less current portion	1,763	143	1,906	—	—	1,906	2,714
Liability for self-funded insurance programs – less current portion	—	39,682	39,682	—	—	39,682	38,060
Liability for life income agreements	—	—	—	23,235	—	23,235	23,975
Pension Liability	—	456,006	456,006	—	—	456,006	424,000
Other noncurrent liabilities	7,742	22,885	30,627	2,856	—	33,483	34,754
Total noncurrent liabilities	620,943	856,813	1,477,756	26,091	—	1,503,847	1,498,180
Total liabilities	806,940	1,120,268	1,927,208	93,395	(56,737)	1,963,866	2,034,619
Deferred inflows:							
Deferred amortization of derivative instruments	359	284	643	—	—	643	7,051
Gain on refunding of debt	940	894	1,834	—	—	1,834	2,165
Life income agreements	—	—	—	33,681	—	33,681	31,919
Pending funds	—	—	—	86,456	—	86,456	81,181
Pension obligation	—	68,675	68,675	—	—	68,675	52,078
Other Postemployment Benefits (OPEB) obligation	—	2,229	2,229	—	—	2,229	1,379
Total deferred inflows	1,299	72,082	73,381	120,137	—	193,518	175,773
Net position:							
Net investment in capital assets	446,506	792,798	1,239,304	—	—	1,239,304	1,160,403
Restricted, expendable	—	717,100	717,100	634,122	(634,122)	717,100	813,026
Restricted, nonexpendable	—	274,762	274,762	274,761	(274,761)	274,762	249,931
Unrestricted	1,219,339	168,694	1,388,033	454,438	(454,438)	1,388,033	1,143,931
Total net position	1,665,845	1,953,354	3,619,199	1,363,321	(1,363,321)	3,619,199	3,367,291
Total liabilities, deferred inflows and net position	$ 2,474,084	3,145,704	5,619,788	1,576,853	(1,420,058)	5,776,583	5,577,683

See accompanying independent auditors' report.

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OREGON HEALTH & SCIENCE UNIVERSITY

Consolidating Statements of Revenues, Expenses, and Changes in Net Position

Years ended June 30, 2019 and 2018

(Dollars in thousands)

	Hospital	Other University	Total University	Foundations	Eliminations/ reclassifications	2019	2018
Operating revenues:							
Patient service revenue, net of bad debt adjustments of $21,221 in 2019 and $19,064 in 2018	$ 1,878,457	472,469	2,350,926	—	—	2,350,926	2,210,653
Student tuition and fees, net	—	78,332	78,332	—	—	78,332	73,975
State appropriations	1,327	35,949	37,276	—	(37,276)	—	—
Gifts, grants, and contracts	32,940	646,663	679,603	70,179	(138,702)	611,080	613,352
Other revenue	88,959	49,682	138,641	3,650	(4,511)	137,780	152,078
Research and education support	(116,000)	116,000	—	—	—	—	—
Total operating revenues	1,885,683	1,399,095	3,284,778	73,829	(180,489)	3,178,118	3,050,058
Operating expenses:							
Salaries, wages, and benefits	857,476	988,038	1,845,514	13,622	—	1,859,136	1,732,915
Defined benefit pension	—	72,043	72,043	—	—	72,043	76,587
Services, supplies, and other	827,931	148,833	976,764	175,161	(168,436)	983,489	901,243
Provider tax	—	—	—	—	—	—	49,600
Depreciation and amortization	98,918	87,703	186,621	99	—	186,720	151,095
Interest	18,593	12,707	31,300	—	—	31,300	28,537
Total operating expenses	1,802,918	1,309,324	3,112,242	188,882	(168,436)	3,132,688	2,939,977
Operating income	82,765	89,771	172,536	(115,053)	(12,053)	45,430	110,081
Nonoperating revenues (expenses):							
Investment income and gain (loss) in fair value of investments	62,766	16,122	78,888	62,222	—	141,110	90,823
State appropriations	—	—	—	—	37,276	37,276	37,026
Other	(7,862)	(177)	(8,039)	4,050	—	(3,989)	1,720
Total nonoperating revenues (expenses), net	54,904	15,945	70,849	66,272	37,276	174,397	129,569
Net income (loss) before contributions for capital and other	137,669	105,716	243,385	(48,781)	25,223	219,827	239,650
Other changes in net position:							
Contributions for capital and other	41,148	(8,332)	32,816	—	(25,223)	7,593	3,053
Change in interest in the Foundations	—	(24,293)	(24,293)	—	24,293	—	—
Nonexpendable donations	—	—	—	24,488	—	24,488	16,981
Total other changes in net position	41,148	(32,625)	8,523	24,488	(930)	32,081	20,034
Total increase (decrease) in net position	178,817	73,091	251,908	(24,293)	24,293	251,908	259,684
Net position – beginning of year, as adjusted*	1,487,028	1,880,263	3,367,291	1,387,614	(1,387,614)	3,367,291	3,107,607
Net position – end of year	$ 1,665,845	1,953,354	3,619,199	1,363,321	(1,363,321)	3,619,199	3,367,291

* Beginning year net position for year ended June 30, 2018 was adjusted by ($3,974) to reflect the impact of implementing GASB 75 – Accounting and Financial Reporting for Postemployment Benefits *Other than Pensions.*

See accompanying independent auditors' report.

OHSU_Notice_00935

OREGON HEALTH & SCIENCE UNIVERSITY

(A Component Unit of the State of Oregon)

Financial Statements
and Supplementary Information

June 30, 2020 and 2019

(Dollars in thousands)

(With Independent Auditors' Report Thereon)

OREGON HEALTH & SCIENCE UNIVERSITY
(A Component Unit of the State of Oregon)

Table of Contents

KPMG LLP
Suite 3800
1300 South West Fifth Avenue
Portland, OR 97201

Independent Auditors' Report

The Board of Directors
Oregon Health & Science University:

We have audited the accompanying financial statements of the business-type activities and discretely presented component unit of Oregon Health & Science University (OHSU), as of and for the years ended June 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise OHSU's basic financial statements for the years then ended as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of the Oregon Health & Science University as of June 30, 2020 and 2019 and the respective changes in its financial position and, where applicable, its cash flows thereof for the years then ended in accordance with U.S. generally accepted accounting principles.

KPMG LLP, a Delaware limited liability partnership and a member firm of
the KPMG global organization of independent member firms affiliated with
KPMG International Limited, a private English company limited by guarantee.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 3 through 32 and the supplementary pension information on page 113, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information, in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise OHSU's basic financial statements. The supplemental information included in schedules 1 and 2 on pages 114 through 116 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information included in schedules 1 and 2 is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

KPMG LLP

Portland, Oregon
October 30, 2020

Introduction

Oregon Health & Science University (OHSU or the University) is Oregon's only public health sciences university and major academic health center. It is a national leader in education of health professionals and scientists, advanced biomedical and healthcare research, leading-edge patient care, and outreach. As part of its multifaceted public mission, OHSU strives for excellence in education, research and scholarship, clinical practice, and community service. Through its dynamic interdisciplinary environment, OHSU stimulates the spirit of inquiry, initiative, and collaboration among students, faculty, and staff.

The following discussion and analysis provides an overview of the financial activities of OHSU for the year ended June 30, 2020 and should be read in conjunction with the financial statements and related note disclosures. This discussion was prepared by management and is designed to focus on current activities, resulting changes, and current known facts with selective comparative information for the years ended June 30, 2019 and June 30, 2018.

Financial Highlights

Beginning in March 2020, OHSU's financial results were significantly impacted by the Coronavirus (COVID-19) pandemic. See "Significant Events" below.

For management purposes, OHSU prepares internal financial statements using a single line "equity method" of reporting results of the OHSU Foundation and Doernbecher Children's Hospital Foundation. This method follows the "Total University" column on the combining financial statements included at the end of the financial statements, with gifts recorded when transferred from the Foundations to the University for use and State appropriations included within operating revenues.

The State grant to the Knight Cancer Challenge, the recording then spending of large gifts, and accrued expenses for pension have caused large swings in OHSU's revenues and expenses over the past several years. Management uses the following analysis (shown on the following table) of adjusted operating income to track underlying performance on a consistent basis: revenue from the State grant and gifts to the Knight Cancer Challenge that funded the Knight Cancer Research Building are removed, provider tax paid in fiscal year 2018 is netted from revenues, and expenses for pension benefits are recorded on a cash basis, rather than an accrual basis, as they were prior to adoption of GASB 68.

After rising 9.7% between fiscal years 2018 and 2019, the increase in OHSU's adjusted operating revenues slowed to 4.2% in 2020 as OHSU operations were significantly impacted by the COVID-19 pandemic beginning in March 2020. The growth in operating expenses did not slow toward the end of 2020, as OHSU guaranteed wages from March through June in order to protect its workforce and ensure stability of operations during the initial phases of the pandemic. This resulted in an adjusted operating loss of $(28) million in fiscal year 2020, compared to an adjusted gain of $176 million in 2019 and $138 million in 2018.

To put this in perspective, prior to modified operations in response to the onset of COVID-19, OHSU adjusted operating income for the eight months ended February 29, 2020 was $91 million, followed by a $(119) million adjusted operating loss over four months from March through June to arrive at the adjusted operating loss of $(28) million for the full fiscal year. Offsetting this loss, OHSU received $38 million from the CARES Act (Coronavirus Aid, Relief, and Economic Security Act), which has been recognized as nonoperating revenue. OHSU's adjusted EBITDA margin (which does not include the CARES Act support) was 5.5% in fiscal year 2020, compared to 12.1% in 2019 and 10.7% in 2018.

Analysis of Total University Column of Combining Statements of Revenues, Expense, and Changes in Net Position

Years Ended June 30, 2020, 2019 and 2018

(Dollars in thousands)

		2020	2019	2018
Adjusted operating revenues, net of provider tax and before Knight Cancer Research Building funding	$	3,390,562	3,254,385	2,966,447
Salaries, benefits, services, and supplies, net of provider tax and accrual adjustments for pension		3,205,607	2,859,985	2,649,061
Depreciation, amortization, and interest		213,273	217,921	179,523
Adjusted operating expenses		3,418,880	3,077,906	2,828,584
Adjusted operating income (loss)		(28,318)	176,479	137,863
Knight Cancer Research Building funding		—	30,393	120,084
Accrual adjustments for pension benefits		(58,521)	(34,336)	(38,938)
Total University operating income (loss)		(86,839)	172,536	219,009
CARES Act funding		37,859	—	—
Investment and other nonoperating income		49,845	70,849	23,730
Total University net income		865	243,385	242,739
Contributions for capital and other		7,088	32,816	3,205
Change in interest in the Foundations		(21,810)	(24,293)	13,740
Total increase (decrease) in net position	$	(13,857)	251,908	259,684

On a Total University basis, net income, which includes adjusted operating income plus Knight Cancer Research Building funding, accrual adjustments for pension benefits, CARES Act revenue, investment return, and other nonoperating items, is a gain of $865 thousand for fiscal year 2020, compared to $243 million in each of 2019 and 2018.

The cumulative financial impact of COVID-19 through June 2020 is reflected in net position, which is the broadest measure of OHSU's financial strength: assets and deferred outflows, less liabilities and deferred inflows. In fiscal year 2020, net position decreased by $14 million or 0.4% to $3.6 billion. This follows two preceding years of increase in net position of $252 million or 7.5% in 2019 and $260 million or 8.4% in 2018, driven by strong operations and investments, as well as the State grant to the Knight Cancer Challenge.

OHSU is taking full advantage of the cash flow opportunities in the CARES Act for prepayment of Medicare revenues, provider relief fund, and deferral of FICA tax remittances. During fiscal year 2020, OHSU received $170 million in federal Medicare advances and deferral of FICA taxes that must be repaid, and $38 million in nonoperating revenue from the CARES Act.

OHSU's liquidity position remains strong despite the pandemic and market volatility. As of June 30, 2020, consolidated cash and investments, excluding funds held by trustee, totaled $2.54 billion, an increase of $176 million during fiscal year 2020. These funds include the $170 million of Medicare advances and FICA tax deferral referenced above as well as gift and endowment funds at the Foundation.

In December 2019 OHSU repositioned its $1 billion debt portfolio from 80% fixed rate / 20% variable rate to 100% fixed rate to reduce risk, take advantage of the reduction in long-term rates and capture present value savings. Subsequently, OHSU obtained $150 million in lines of credit from U.S. Bank to further supplement its liquidity position. OHSU has not drawn on these lines of credit as of June 30, 2020.

Significant Events

Pursuant to the national emergency declaration concerning the Novel Coronavirus Disease Outbreak, OHSU has been operating under federal, state, and local mandates, including a State of Emergency for Oregon declared by Governor Kate Brown in early March 2020, which extended through the fiscal year-end. As a result, OHSU began modified operations in March 2020 in response to COVID-19 and guidance from state and local public health authorities. Additionally, OHSU created the University Transition Taskforce (UTT) whose mission is to develop a holistic, institutional framework for all OHSU members, patients, and visitors that helps define the timeline, prioritize transition phases, and create protocols and standards for how to safely enter a new normal. The group's work covers all missions and its members are working closely with a number of mission-oriented taskforces and councils.

With the passing of several economic relief bills by Congress, signed into law in March and April 2020, to appropriate supplemental emergency funding in response to the COVID-19 pandemic, including the Coronavirus Aid, Relief, and Economic Security Act (H.R. 748), Coronavirus Preparedness and Response Supplemental Appropriations Act (H.R. 6074), Families First Coronavirus Response Act (H.R. 6201), and Paycheck Protection Program and Health Care Enhancement Act (H.R. 266), OHSU has been proactive in utilizing the funding opportunities to support its missions.

The effect of modified operations on the workforce and missions, and the receipt of COVID-19 relief funding is highlighted below as well as throughout the discussion and analysis, financial statements and corresponding note disclosures.

Workforce Impacts under Modified Operations

To strengthen the resilience of OHSU's workforce in the face of the COVID-19 pandemic, OHSU President Danny Jacobs committed to maintaining a full workforce with full pay and benefits through June 30, 2020, provided 14 days of additional sick leave and made available a $1 million hardship fund for employees facing severe fiscal hardship as a result of the pandemic. OHSU suspended work-related travel beginning the week of March 9, 2020 with exceptions primarily related to clinicians providing patient care to sites around Oregon. Since March 2020 and to date, OHSU is promoting physical distancing within the University, including requiring noncritical function employees to work from home and minimizing the number of people gathered for in-person meetings through video and teleconferencing alternatives.

Education

Face-to-face instruction was canceled beginning on March 16, 2020, the last week of winter term, and during spring term all academic programs were delivered remotely, using digital delivery methods. During this time, student clinical rotations and similar experiences were suspended and most PhD students were removed from laboratories as research was ramped down. Once Governor Brown allowed elective care to resume on May 15, 2020, and clinical volume returned close to baseline activity, house officers became fully reengaged in the clinical mission, including delivery of care using new modes developed under OHSU's digital health strategy.

Similarly, PhD students engaged in laboratory-based research activities returned to campus based upon the "Return to Research" plan that was approved by UTT and the University Cabinet. This included pilot experiences followed by the larger reopening that began on June 8, 2020 to coincide with the Governor's "Reopening Oregon" plan. Similarly, the education mission ran several pilots involving simulation for the Doctor of Dental Medicine (DMD) and radiation therapy programs, as well as resumption of dental care by senior students in the School of Dentistry. As a result of the success of these pilots, clinical students across degree programs were permitted to reenter clinical settings at OHSU and across the region by the end of fiscal year 2020.

The CARES Act provided the Higher Education Emergency Relief Fund (HEERF), which allowed OHSU to provide Emergency Financial Aid Grants to students and use up to 50 percent of the funds received to cover any costs associated with significant changes to the delivery of instruction due to coronavirus.

OHSU received $1.01 million in total and used half of the funding, as mandated by the legislation, for grants to students and the remainder to support the delivery of instruction online. 1,467 students were verified as eligible to participate under Section 484 of Title IV of the Higher Education Act of 1965 and also eligible to receive Emergency Financial Aid Grants to students under Section 18004(a)(1) of the CARES Act. Of those eligible, 438 students received grants.

Additionally, the CARES Act waives the requirement that OHSU pay a matching share of Federal Work-Study (FWS) program wages and Federal Supplemental Educational Opportunity Grants (FSEOG) in 2019-20 and 2020-21. The CARES Act allows colleges and universities to transfer leftover Federal Work-Study funding into the FSEOG program, so that the money may be awarded to students as grants. OHSU transferred unspent, unmatched FWS to FSEOG and awarded it as Emergency Grants to students.

Research

Under the initial stages of modified operations, the university's research mission was curtailed with the exception of research specifically related to the diagnosis, treatment, and prevention of COVID-19.

Between March 26, 2020 and June 8, 2020 OHSU's research mission operated at Research Level 3, with experiments stopped except those that met specific exception criteria, access to OHSU buildings restricted and teleworking required except for essential personnel. Prior to moving to Research Level 3, individual labs developed Research Shutdown and Action plans that were reviewed and approved by the chair/director and filed with OHSU's Office of Research & Innovation.

As of June 8, 2020, OHSU's research mission moved to Research Level 2, which includes reduced research density, risk reduction strategies, and telework required for those who can. At this level, OHSU began to more broadly resume research on campus. Each lab developed a Return to Research plan, which was approved by their chair or director prior to the research groups returning to the lab. The West Campus, including the Vaccine and Gene Therapy Institute and the Oregon National Primate Research Center, moved fully to Level 2 on May 20. The unified restart of research at OHSU is guided by the following principles:

- Follow the local, state, and national public health authority directives to stay at home and to implement physical distancing.
- Protect the health and safety of the research workforce, emotional as well as physical, and the health and safety of our clinical patients and human research subjects.
- Protect the careers of early stage researchers.
- Implement a fair and transparent process for granting access back to research facilities.
- Ensure as rapid a research restart as the public health conditions permit.

On March 12, 2020 the National Institutes of Health (NIH) issued notice number NOT-OD-20-086 alerting the community of administrative flexibilities during the Public Health Emergency. The NIH indicated that institutions like OHSU would have short-term administrative flexibilities due to the COVID-19 public health emergency. These flexibilities helped NIH-funded investigators (and applicants) manage administrative, financial and audit requirements under Uniform Guidance without compromising their accountability requirements. One such flexibility is that "If a recipient organization's policy allows for the charging of salaries and benefits during periods when no work is performed due to the effect of COVID-19, regardless of the funding source, including federal and nonfederal, then such charges to NIH grant awards will be allowable." Given that OHSU's institutional policy during the health emergency allowed for such charging, all OHSU employees whose labor was charged to grants as of March 16, 2020, were instructed to continue to charge the funding source through June 30, 2020. This guidance also applied to stipend payments to fellows and trainees who were unable to work as a result of or related to COVID-19.

Healthcare

In early March, Governor Kate Brown declared an emergency prohibiting elective and nonurgent procedures for the purpose of conserving and redirecting personal protective equipment (PPE) for the state's COVID-19 emergency response. During this time, OHSU experienced significant declines in patient activity. On May 1, 2020, OHSU Health (OHSU, Tuality, and Adventist) resumed some nonurgent surgeries and procedures, as described in Governor Kate Brown's April 23rd announcement. Since resuming nonurgent surgeries and procedures in May 2020, patient activity has shown signs of recovery.

With respect to healthcare, the CARES Act provides economic relief in part to hospitals and other healthcare providers, and is distributed in phases. OHSU qualifies for funding under the Public Health and Social Services Emergency Fund for Providers (Provider Relief Fund), and adopted and qualifies for various Medicare and Medicaid policy changes that were enacted to temporarily enhance Medicare and Medicaid reimbursement to support patient care and provide flexibility during the pandemic, including regulatory waivers and rule changes to expand diagnostic testing for Medicare and Medicaid beneficiaries, expand telehealth services, and support hospital capacity and the healthcare workforce during the COVID-19 emergency.

On April 10, 2020, the Department of Health and Human Services (DHHS) announced the distribution of payments to hospitals. Several types of funding were provided, the most significant distributions to OHSU were from the Provider Relief Funds, which was established to provide support and reimburse hospitals and other healthcare entities for healthcare related operating losses attributable to coronavirus. OHSU received $38 million in CARES Act Provider Relief Funds. Another $10 million has been received and recorded in fiscal year 2021.

CARES Act Loan Funds

In response to the COVID-19 public health emergency, the Centers for Medicare & Medicaid Services (CMS) expanded its Medicare Accelerated and Advance Payment Program (AAPP) to allow Medicare providers and suppliers to receive advances on future Medicare reimbursement. OHSU received $146 million in federal Medicare advances in fiscal year 2020. The recoupment or repayment process was to begin 120 days after receipt, which will occur in OHSU's fiscal year 2021. The CARES Act also eliminates from May 1, 2020 through December 31, 2020 the 2% sequestration-mandated reductions to Medicare reimbursement.

Finally, under the CARES Act employers are allowed to defer the deposit and payment of the employer's share of Social Security taxes, OHSU deferred $24 million of applicable payroll taxes from the date the Act was signed into law through June 30, 2020. OHSU will continue to defer payroll taxes through December 31, 2020, per the regulation. The deferred amounts will be due in two equal installments on December 31, 2021 and December 31, 2022.

Results of Operations

The statements of revenues, expenses, and changes in net position present OHSU's results of operations, including the Foundations. In accordance with generally accepted accounting principles for a government entity, revenues, and expenses are classified as either operating or nonoperating.

On a consolidated basis, OHSU's net position decreased by $14 million in fiscal year 2020, resulting from modified operations due to the COVID-19 pandemic. This follows an increase of net position of $252 million in fiscal year 2019, which includes both revenues and expenses related to the opening of the new South Waterfront campus buildings and supporting programs, some of which were onetime activities, others of which are ongoing to the Total University operating income. Additionally, fiscal year 2020 and 2019 includes results from a multi-year initiative called Accelerate OHSU that is designed to narrow the gap between payment rate and unit cost inflation; to facilitate volume growth across missions; to moderate variable costs; and to reduce current expense base until new capacity can be brought fully online.

Condensed Statements of Revenues, Expenses, and Changes in Net Position

(Dollars in thousands)

		2020	2019	2018
Patient service revenue, net	$	2,375,275	2,350,926	2,210,653
Gifts, grants, and contracts		664,646	611,080	613,352
All other operating revenues		273,200	216,112	226,053
Total operating revenues		3,313,121	3,178,118	3,050,058
Salaries, wages, and benefits		2,041,677	1,859,136	1,732,915
Defined-benefit pension		109,907	72,043	76,587
All other operating expenses		1,347,970	1,201,509	1,130,475
Total operating expenses		3,499,554	3,132,688	2,939,977
Operating income		(186,433)	45,430	110,081
State appropriations		39,581	37,276	37,026
Other nonoperating revenues (expenses)		70,343	137,121	92,543
CARES Act		37,859	—	—
Other changes in net position		24,793	32,081	20,034
Total change in net position	$	(13,857)	251,908	259,684

Revenues Supporting Core Activities

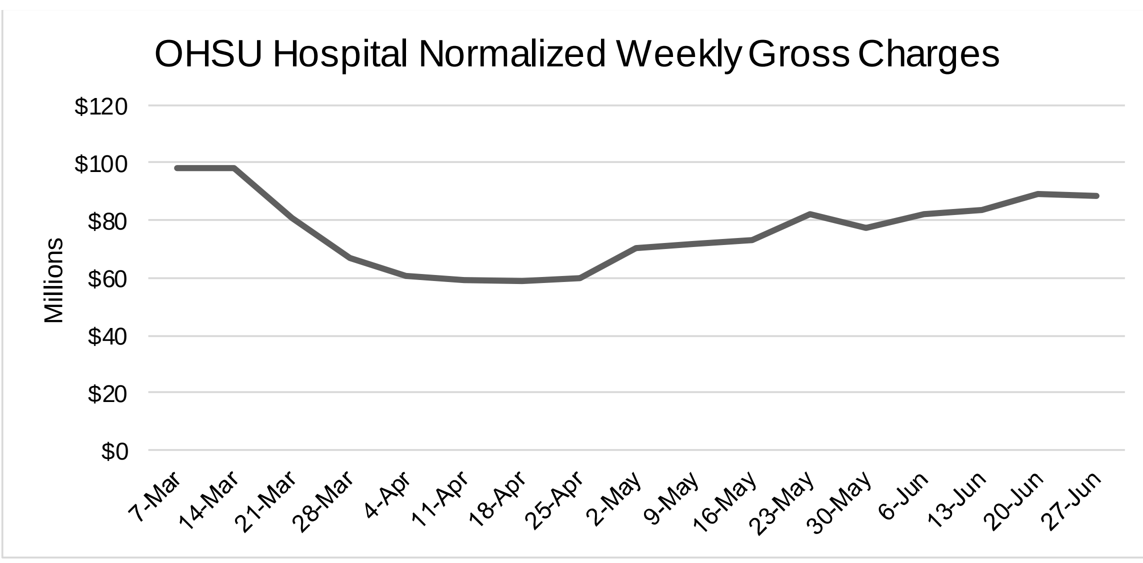
OHSU's operating revenues for fiscal year 2020 total $3.31 billion, an increase of 4.3% from fiscal year 2019 at $3.18 billion. The increase was driven by grants, gifts and contracts and pharmaceutical activities, offset by significant declines in patient activity beginning in March 2020.

Patient activity as measured by hospital census days and total surgical cases declined as much as 35% and 69%, respectively, in April 2020 from prior activity levels observed in January 2020. Since resuming nonurgent surgeries and procedures in May 2020, patient activity has shown signs of recovery.

Patient activity

Month	Calendar days	Census days	Total surgical cases	Net patient revenue ($000s)
Jan-20	31	15,219	3,162	$ 205,189
Feb-20	29	14,171	2,828	192,527
Mar-20	31	13,341	2,163	182,719
Apr-20	30	9,950	965	127,765
May-20	31	12,226	2,045	155,177
Jun-20	30	12,751	2,623	191,455

The trend in patient activity, as measured by weekly hospital inpatient, outpatient, and pharmacy gross charges was as follows:



Gross charges indicate a decrease as much as 40% in response to modified operations due to the COVID-19 pandemic. Gross charge information from May 2020 and onward show signs of recovery, which have continued into July and August of the new fiscal year 2021. To date, Oregon has been successful at avoiding a major COVID-19 surge relative to other states, with only three states with fewer cumulative cases per capita as reported by the New York Times.

Grants, gifts, and contracts continue to remain strong in fiscal year 2020 at $665 million, compared to $611 million in 2019, despite the conclusion of revenue recognition associated with the State's $200 million grant supporting the Knight Cancer Challenge research facility and the restricted research environment due to modified operations.

The University continues to report consistent growth in federal government and industry grants, an indicator of the success of OHSU's research and other programs, along with steady increases in medical contracts over the last three fiscal years, reflecting partnerships that extend OHSU programs across the region.

Gifts are recorded at the OHSU Foundation and Doernbecher Children's Hospital Foundation (the Foundations) when pledged, and at the University when transferred from the Foundations and applied to program expenditures. The receipt of large gifts pledged in one year, received in cash over time, then spent during subsequent periods, results in significant fluctuation in the gift component of OHSU revenues on a combined basis. Gifts from the Foundations continue to provide critical funding to faculty, programs, and academic initiatives.

In fiscal year 2020, several gifts were made in support of the pandemic response, including: a $7 million joint donation by Nike leaders and spouses John and Eileen Donahoe, Mark and Kathy Parker, and Phil and Penny Knight, to accelerate statewide efforts to contain, diagnose and treat COVID-19; $1.6 million from the Andrew and Corey Morris-Singer Foundation to expand access to healthcare professionals through a new phone hotline and telemedicine services; and $1.5 million from an Oregon couple moved by the heroic work of frontline clinicians and healthcare workers during the COVID-19 crisis.

		Fiscal year ending June 30		
		2020	**2019**	**2018**
			(Dollars in thousands)	
University grants and contracts, direct portion	$	492,818	457,088	356,587
University grants and contracts, indirect cost recovery		102,882	97,974	91,869
State grant to the Knight Cancer Challenge		—	8,332	116,085
Foundation gifts, net of eliminations, transferred to the University		68,946	47,686	48,811
Total gifts, grants, and contracts	$	664,646	611,080	613,352

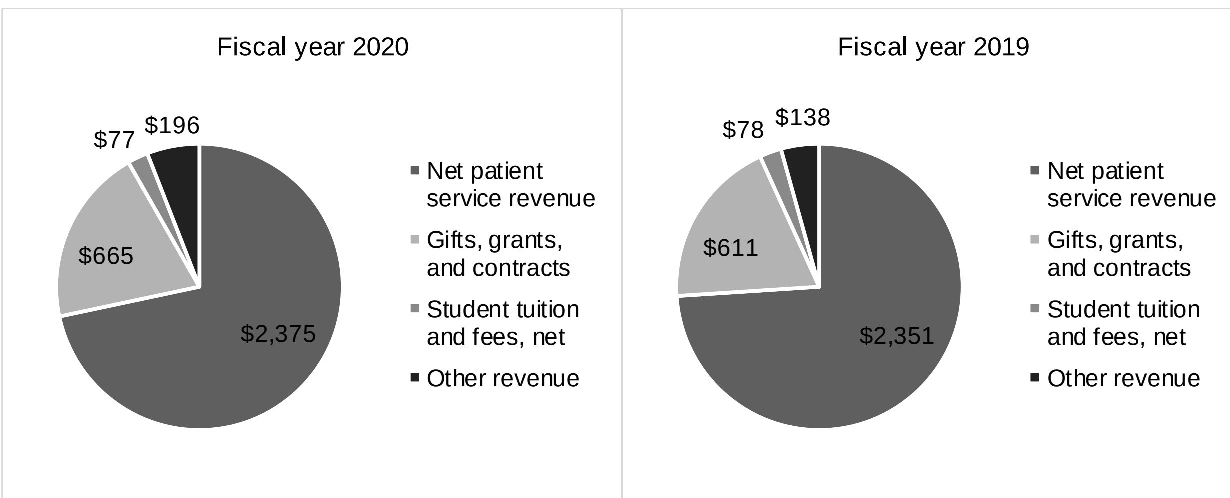
Student tuition and fees were $77 million and $78 million in fiscal year 2020 and 2019, respectively. Fiscal year 2020 marks the seventh year of the OHSU Tuition Promise. Under this initiative, students enrolled in eligible clinical degree programs pay a tuition rate that is fixed for the remainder of their studies, as long as they complete the degree within the normal timeframe specified by the program. In April and May, OHSU refunded $2.4 million in tuition to students that were unable to participate in clinical rotations during spring term as a result of the COVID-19 pandemic.

Certain revenues relied upon and budgeted for in operational support of education and service programs of the University are required to be recorded as nonoperating revenues. For management purposes, OHSU measures operating results including state appropriations. State appropriations totaled $40 million in fiscal year 2020 and $37 million in 2019. State appropriations support education in the Schools of Nursing, Dentistry and Medicine, as well as operations of the Child Development and Rehabilitation Center, the Office of Rural Health, and the Poison Center.

Investment returns, reported in other nonoperating revenues (expenses), totaled $83 million in fiscal year 2020 compared to $141 million in fiscal year 2019, largely reflecting the market response to the COVID-19 pandemic.

Operating Revenue by Source
Fiscal years 2020 and 2019 (Total $3.3 billion and $3.18 billion, respectively)

(Dollars in millions)



Expenses Associated with Core Activities

OHSU's total operating expenses on a combined basis increased by $367 million, or 11.7%, in fiscal year 2020, and $193 million, or 6.6%, in fiscal year 2019. In fiscal year 2020, expense growth is related to salaries, wages, and benefits, defined-benefit pension expense, services, supplies and other, and interest expense.

Salaries, wages, and benefits (excluding the impact of defined-benefit pension expense) comprised approximately 58.3% of total expenses, increased by $183 million, or 9.8%, in 2020 and $126 million, or 7.3%, in 2019, respectively. Excluding the onetime reduction in salaries, wages, and benefits of $23 million in fiscal year 2019, related to the implementation of a new paid time off program, salaries, wages, and benefits increased by $160 million or 8.5%. In fiscal year 2020, expenses reflects OHSU's commitment to maintaining a full workforce with pay and benefits starting in March through June 30, 2020, and additional staffing required to maintain operations in a COVID-19 pandemic environment. In fiscal year 2019, the increase relates to recruitment for clinical programs and staff in support of the Center for Health & Healing 2 (CHH-2) ambulatory care building, a project that also included cancer clinical trial space and the Rood Family Pavilion for patient and family housing.

In fiscal year 2020, OHSU's proportionate share of the Oregon Public Employees Retirement System (PERS) defined-benefit pension expense increased as a result of changes to benefit terms and assumptions previously adopted by the PERS Board, including the long-term expected rate of return being lowered to 7.20 percent, an updated mortality improvement scale for all groups, and merit increases, unused sick leave, and vacation pay updates. Partially offsetting these impacts, Senate Bill 1049, signed into law in June 2019, introduced a limit on the amount of annual salary included for the calculation of benefits. Beginning in 2020, annual salary in excess of $195,000 (as indexed in future years) will be excluded when determining certain member benefits. As a result, future benefits for certain active members are now projected to be lower than prior to the legislation.

Services, supplies, and other expenses increased $151 million, or 15.4%, in 2020, and $82 million, or 9.1%, representing the nonlabor costs associated program growth, spending on pharmaceuticals and medical supplies, and increased direct foundation support, along with new expenses required to operate in a COVID-19 pandemic environment, such as technology used to support telemedicine. In 2019, the increase in expenses related to the nonlabor costs associated with the Knight Cancer Challenge program growth and increased direct foundation support, along with approximately $16 million in CHH-2 onetime startup costs and OHSU's participation ending in Oregon's provider tax.

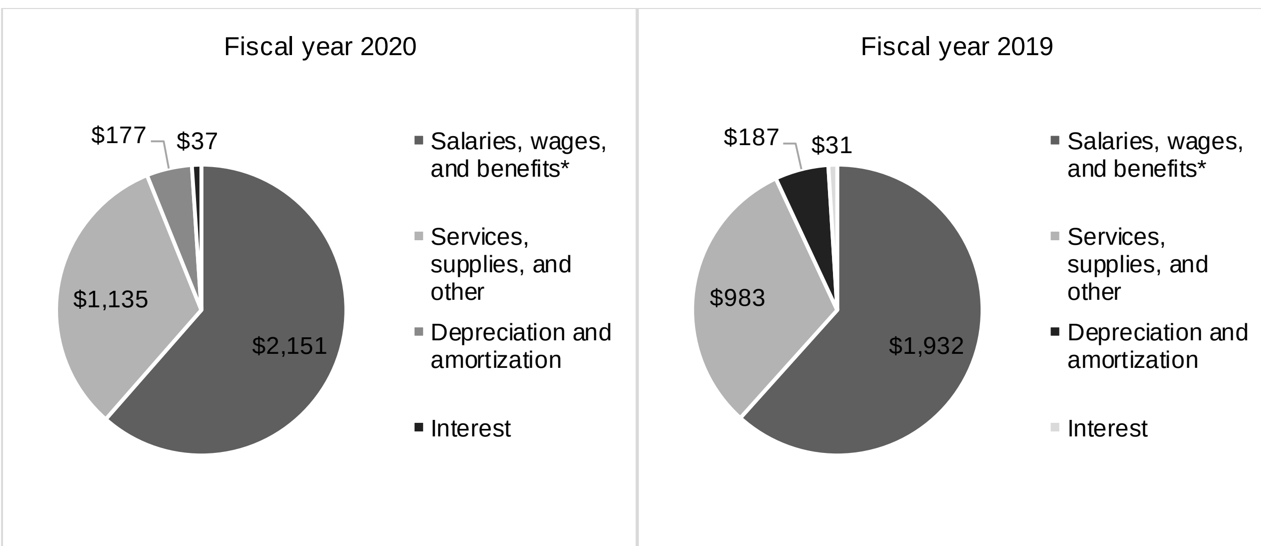
Fiscal year 2020 and 2019 also included integrated clinical operations support for Adventist Health Portland at $10 million and $5 million, respectively, an affiliate since January 2018, and Tuality at $25 million and $8 million, respectively, a partner since February 2016.

Depreciation and amortization represents the reduction in value of capital assets with the passage of time. In fiscal year 2020, depreciation and amortization decreased by $(10) million, or -5.4%, compared to an increase of $36 million, or 23.6%, in 2019. In 2020, the decrease in depreciation was related to the slowing of capital expenditures in the last quarter of the fiscal year as a result of COVID-19. In fiscal year 2019, the increase in depreciation reflects the opening of the new buildings noted previously along with a change in capitalization threshold for capital assets of $17 million.

Interest expense increased by $5.4 million, or 17.1%, in fiscal year 2020. The increase in interest expense in 2020 is largely driven by the costs of issuance related to the new bonds, and a reduction in capitalized interest. Costs of issuance was $2.7 million for the bond refinancing and issuance of the Series 2019ABCD Bonds in fiscal year 2020. Capitalized interest for 2020 and 2019 was $2.4 million and $6.1 million, respectively. Capitalized interest decreased as a consequence of decreased capital spending with the completion of CHH-2 in fiscal year 2019.

Operating Expenses
Fiscal years 2020 and 2019 (Total $3.50 billion and $3.13 billion, respectively)

(Dollars in millions)



* Salaries, wages, and benefits figures include OHSU's proportionate share of the Oregon PERS's net pension liability of $110 million and $72 million expensed in fiscal years 2020 and 2019, respectively.

Operating Expenses by Functional Classification

(Dollars in thousands)

		2020	2019	2018
Instruction, research, and public service	$	541,954	507,049	471,869
Clinical activity		2,251,293	1,986,762	1,860,679
Auxiliary activities		8,220	7,498	7,470
Internal service centers		16,049	10,327	9,082
Student services		16,772	14,800	13,545
Academic support		92,708	82,662	82,955
Institutional support		169,228	146,093	164,421
Operations, maintenance, and other		133,926	118,943	106,288
Direct foundation expenditures		34,183	37,499	33,635
Depreciation and amortization		176,700	186,719	151,095
Defined pension benefit, net of contribution		58,521	34,336	38,938
Total operating expenses	$	3,499,554	3,132,688	2,939,977

Financial Position

The statements of net position present the assets and liabilities, deferred inflows of resources and deferred outflows of resources, and net position of OHSU as of a point in time. Net position, the difference between total assets and deferred outflows as compared to total liabilities and deferred inflows, presents the financial position at the end of the fiscal year and is one of the broadest measures of the financial condition of OHSU, while the change in net position is an indication of whether the overall financial condition has improved or worsened during the year.

The following table summarizes OHSU's statements of net position for the past three years by major category of assets, liabilities, deferred inflows and outflows, and net position.

Condensed Statements of Net Position

(Dollars in thousands)

		2020	2019	2018
Assets:				
Current assets	$	1,410,015	1,125,847	1,155,648
Capital assets		2,103,591	2,072,996	2,009,564
Other noncurrent assets		2,231,465	2,371,988	2,229,923
Total assets		5,745,071	5,570,831	5,395,135
Deferred outflows		206,985	205,752	182,548
Total assets and deferred outflows	$	5,952,056	5,776,583	5,577,683
Liabilities:				
Current liabilities	$	612,056	460,019	536,439
Noncurrent liabilities		1,593,396	1,503,847	1,498,180
Total liabilities		2,205,452	1,963,866	2,034,619
Deferred inflows		141,262	193,518	175,773
Net position:				
Net investment in capital assets		1,254,205	1,239,304	1,160,403
Restricted, expendable		683,114	717,100	813,026
Restricted, nonexpendable		295,926	274,762	249,931
Unrestricted		1,372,097	1,388,033	1,143,931
Total net position		3,605,342	3,619,199	3,367,291
Total liabilities, deferred outflows, and net position – end of year	$	5,952,056	5,776,583	5,577,683

Assets

The largest components of OHSU's assets are cash and investments and capital assets, or physical plant.

Cash and Investments. During fiscal year 2020, OHSU's unrestricted and restricted cash and investments increased from $2.37 billion to $2.54 billion attributable to operating and investment performance, federal support related to COVID-19 and the Foundations activity. Policies set by OHSU and the Foundations dictate how investments are allocated and what risk profiles are assumed. Working capital is primarily invested in short duration, liquid fixed-income assets. Long-term investment strategy, including the investment of endowment funds and the associated spending distribution policy at the OHSU Foundations, is equity oriented, aiming to maximize total return, promote diversification, preserve capital, and provide for cash flow needs of the University.

Consolidated Asset Allocation of Unrestricted and Restricted Cash and Investments

(Dollars in thousands)

		2020	2019	2018
Unrestricted cash and investments:				
Cash and equivalents	$	427,991	96,419	60,678
Fixed income		855,547	1,035,482	950,188
Public Equity		191,761	243,920	206,729
Private Equity, Marketable Alt., and Other		389,588	300,800	264,158
Subtotal		1,864,887	1,676,621	1,481,753
Restricted cash and investments:				
Cash and equivalents		43,305	16,480	13,375
Fixed income		133,778	166,309	138,321
Public Equity		135,443	214,597	200,364
Private Equity, Marketable Alt., and Other		366,687	294,389	304,751
Subtotal		679,213	691,775	656,811
Totals	$	2,544,100	2,368,396	2,138,564

The unrestricted portion of cash and investments is represented in the calculation of days cash on hand for OHSU. Days cash on hand decreased from 228 days in 2019 to 222 days in 2020, the effect of a 10.9% increase in unrestricted operating cash and investments compared to a 13.9% increase in net unrestricted operating expenses.

Days Unrestricted Cash and Investments on Hand

(Dollars in thousands)

		2020	2019	2018
OHSU:				
Unrestricted cash and investments	$	1,356,421	1,171,106	1,025,102
Less nonoperating cash and investments		(55,319)	(45,297)	(38,909)
Operating cash and investments	$	1,301,102	1,125,809	986,193
Unrestricted operating expenses:				
Total operating expenses	$	3,128,200	2,777,553	2,607,181
Less depreciation and amortization		(176,617)	(186,621)	(150,986)
Net unrestricted operating expenses	$	2,951,583	2,590,932	2,456,195
Daily expense	$	8,087	7,098	6,729
Days cash on hand		161	159	147
OHSU plus OHSU and Doernbecher Foundations:				
Unrestricted cash and investments	$	1,864,887	1,676,621	1,481,753
Less nonoperating cash and investments		(55,319)	(45,297)	(38,909)
Operating cash and investments	$	1,809,568	1,631,324	1,442,844
Unrestricted operating expenses:				
Total operating expenses	$	3,150,353	2,797,999	2,630,036
Less depreciation and amortization		(176,700)	(186,720)	(151,095)
Net unrestricted operating expenses	$	2,973,653	2,611,279	2,478,941
Daily expense	$	8,147	7,154	6,792
Days cash on hand		222	228	212

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The following table presents the days unrestricted cash on hand for OHSU as of fiscal year ended June 30, 2020, 2019, and 2018, calculated with the removal of pension adjustments due to the adoption of GASB 68.

Days Unrestricted Cash and Investments on Hand Pre-GASB 68 Adjustment

(Dollars in thousands)

		2020	2019	2018
OHSU plus OHSU and Doernbecher Foundations:				
Operating cash and investments	$	1,809,568	1,631,324	1,442,844
Net unrestricted operating expenses	$	2,973,653	2,611,279	2,478,941
Pension adjustment GASB 68		(58,521)	(34,336)	(38,938)
Adjusted net unrestricted operating expenses	$	2,915,132	2,576,943	2,440,003
Daily expense	$	7,987	7,060	6,685
Days cash on hand (pre-GASB 68)		227	231	216

Capital Assets. Capital investments in patient care, research, education, and outreach are scaled and paced to available funding from operating earnings and philanthropy. Capital assets, net of accumulated depreciation, increased by $31 million and $63 million, respectively, during fiscal years 2020 and 2019. In 2020 and 2019, capital expenditures included the continued construction of the Elks Children’s Eye Clinic/Casey Eye Institute expansion, the design of OHSU Hospital Expansion Project (OHEP), and the purchase of the Physician’s Pavilion building (PPV) along with annual capital for replacement, infrastructure, and new capacities. In response to the COVID-19 pandemic and financial challenges, the start of construction for the OHEP was delayed and starting in March capital spending was curtailed. In fiscal year 2019, capital expenditures also included construction of CHH-2, KCRB, and the Gary and Christine Rood Family Pavilion.

Liabilities

Total liabilities increased by $242 million, or 12.3%, in fiscal year 2020. This follows a decrease of $71 million, or 3.5%, in fiscal year 2019. In fiscal year 2020, the increases were related to several activities including the CARES Act Medicare Advance Payment, CARES Act deferral of OHSU’s share of Social Security payroll taxes, PERS pension liability, long-term debt and other noncurrent liabilities. In fiscal year 2019, the decreases were related to activities in current liabilities, compensated absences payable and noncurrent liabilities.

Current liabilities consist primarily of the current portion of long-term debt, including capital leases, and self-funded insurance, accounts payable and accrued expenses, salaries, wages, and benefits payable and unearned revenue. In fiscal year 2020, current liabilities also reflects the CARES Act Medicare Advance Payment of $146 million and OHSU’s share of deferred Social Security payroll taxes of $24 million, allowable under the CARES Act. In fiscal year 2019, the reduction in current liabilities is primarily due to a decrease in intergovernmental transfers (IGT) payables to the State of $69 million and $15.8 million of retainage payables related to the new buildings reflected in other current liabilities. Compensated absences payable lowered by $23 million due to a new paid time off program implemented in fiscal year 2019. These decreases were offset by accrued salaries, wages, and benefits and accounts payable and accrued expenses.

Noncurrent liabilities increased $90 million in fiscal year 2020 due to an increase in the pension liability, long-term debt less current portion, swap activities and OHSU's other postemployment benefits (OPEB).

Debt Management. At the close of fiscal years 2020 and 2019, OHSU had a total of approximately $974 million and $951 million in long-term debt and capital leases outstanding, respectively, excluding current portion. OHSU continues to maintain its Standard & Poor's and Fitch ratings of AA-, and Moody's rating of Aa3.

One measure of the degree of leverage on the University's statements of net position is the ratio of total debt to net position, shown below. From fiscal years 2018 to 2020, this metric has decreased as the newly issued long-term debt related to the new ambulatory care tower and the acquisition of Physicians Pavilion, in fiscal year 2020, was offset by operating results and investment returns.

		2020	2019	2018
			(Dollars in millions)	
Total debt and capital leases	$	997	979	1,002
Net position, as adjusted		3,605	3,619	3,367
Total debt and capital leases to net position	$	0.28	0.27	0.30

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Maximum Annual Debt Service Coverage. The maximum annual debt service coverage ratio for an entity represents the amount of cash flow available to meet the maximum annual interest and principal payment on debt. Per bond covenants, OHSU's credit group must maintain a debt coverage ratio of 1.10 times or greater. The University continues to exceed this minimum requirement with ratios of 2.93 in fiscal year 2020, 6.65 in 2019, and 4.90 in 2018.

Calculation of Maximum Annual Debt Service Coverage Ratio – Unrestricted

(Dollars in thousands)

		2020	2019	2018
Total excess of revenues over expenses	$	(38,650)	219,827	239,650
Add/subtract restricted net loss/gain		21,581	51,905	(95,251)
Unrestricted excess of revenues over expenses	$	(17,069)	271,732	144,399
Adjustments:				
Net unrealized (gain) loss in fair value of investments	$	(14,276)	(58,639)	(22,856)
Loss on disposal of assets		419	411	296
Interest expense[1]		36,331	30,965	27,319
Depreciation and amortization		176,700	186,720	151,095
	$	199,174	159,457	155,854
Income available for debt service	$	182,105	431,189	300,253
Maximum annual debt service		62,180	64,879	61,230
Maximum annual debt service coverage		2.93	6.65	4.90

(1) Interest expense is decreased by investment income on trust accounts.

The following table presents the maximum annual debt service coverage ratio for the last three fiscal years, calculated with the removal of pension adjustments due to the adoption of GASB 68.

Calculation of Maximum Annual Debt Service Coverage Ratio – Unrestricted
Pre-GASB 68 Adjustment

(Dollars in thousands)

		2020	2019	2018
Income available for debt service	$	182,105	431,189	300,253
Pension adjustment GASB 68		58,521	34,336	38,938
Adjusted income available for debt service	$	240,626	465,525	339,191
Maximum annual debt service	$	62,180	64,879	61,230
Maximum annual debt service coverage (pre-GASB 68)		3.87	7.18	5.54

Deferred Inflows and Outflows

Under GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, certain deferred outflows are presented below assets and certain deferred inflows are presented below liabilities.

In fiscal year 2020, the deferred outflows increased by $1 million and deferred inflows decreased by $52 million due to several items of significance, including deferred amortization of derivative instruments, losses on refunding debt, pension amounts, and pending funds. In fiscal year 2019, the deferred outflows increased $23 million and the deferred inflows increased $18 million due to several items of significance, including deferred amortization of derivative instruments, gains and losses on refunding debt, and obligations related to defined-benefit pension activities and the addition of the life income agreements and pending funds.

Within the deferred outflows section of the statements of net position is the deferred amortization of derivative instruments. OHSU currently holds one interest rate swap agreement. The 2020 and 2019 deferred outflow for the amortization of derivative instruments was $7.3 million. The deferred amortization balance related to the interest rate swap was affected by the bond refinancing and removal of the assigned hedges in December 2019.

Losses and gains on refunding of debt are amortized over the shorter of the life of the new debt or the remaining life of the old debt. Absent any refunding activity, these numbers will slowly decline. OHSU has both deferred gains and losses. The deferred loss on refunding of debt of $30 million in 2020 and $22 million in 2019 is reported in the deferred outflows section below assets. The deferred loss on refunding of debt balance increased as a result of the bond refinancing activity in fiscal year 2020. The deferred gain on refunding of debt of $1.5 million in 2020 and $1.8 million in 2019 is reported in the deferred inflows section below liabilities.

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In fiscal year 2020 and 2019, the deferred outflows related to the Oregon PERS pension obligation were $160 million and $174 million, respectively, primarily representing assumption changes. Contributions made postmeasurement date are also reflected in deferred outflows. In fiscal year 2020, OHSU's contributions were $61 million, which included an additional $10 million in excess contribution above the contractually required $51 million. In fiscal year 2019, OHSU's contributions made postmeasurement date were $48 million. Deferred inflows related to pension activities for fiscal years 2020 and 2019 were $56 million and $69 million, respectively, representing a decrease in proportionate share.

Finally, deferred inflows included a reduction in the pending funds as a result of a $40 million withdrawal from the pending fund, which was applied to an existing pledge commitment.

Net Position

As noted earlier, total net position decreased $14 million in fiscal year 2020, as compared to an increase of $252 million in fiscal year 2019.

In fiscal year 2020, the decrease in net position occurred within unrestricted and restricted, offset by net investment in capital assets, which increased by $15 million in 2020 and $79 million in 2019. Unrestricted net position decreased by $16 million in 2020 as compared to an increase of $244 million in 2019, primarily due to the losses associated with the COVID-19 pandemic. Restricted net position, which is 27.2% and 27.4% of OHSU's total net position, decreased by $13 million and $71 million, in 2020 and 2019, respectively, primarily driven by programmatic spending on research and academic programs.

When evaluating OHSU's net position, it is important to note that OHSU's Marquam Hill property is leased from the State for renewable 99-year periods, at a lease payment equal to the debt service on bonds outstanding at the time of OHSU's separation from the Oregon University System. As that debt service is relatively low, the capitalized net present value of those lease payments is significantly less than the fair value of the included land and buildings.

OHSU Missions

In fiscal year 2020, the University introduced a new strategic plan called OHSU 2025: "We deliver breakthroughs for better health." The plan was developed through a crowdsourcing process to tap into OHSU member aspirations and develop a shared future vision. Members then voted to affirm the overall future plan, which includes goals, objectives, and tactics. Below are highlights of the strategic plan followed by accomplishments of OHSU missions.

OHSU 2025 will partner to be a leader in health and science innovation for the purpose of improving the health and well-being of people in Oregon and beyond. The plan aims to deliver breakthroughs for better health through six timeless aspirations:

- Building a diverse, equitable environment where all can thrive and excel.
- Being the destination for transformational learning.
- Enhancing health and healthcare in every community.
- Discovering and innovating to advance science and optimize health worldwide.
- Partnering with communities for a better world.
- Ensuring a sustainable foundational infrastructure.

OHSU's core missions of healing, teaching, and discovery, striving to:

- Educate tomorrow's health professionals, scientists, engineers, and managers in top-tier programs that prepare them for a lifetime of learning, leadership, and contribution.
- Explore new basic, clinical and applied research frontiers in health and biomedical sciences, environmental and biomedical engineering and information sciences, and translate these discoveries, wherever possible, into applications in the health and commercial sectors.
- Deliver excellence in healthcare, emphasizing the creation and implementation of new knowledge and cutting-edge technologies.
- Lead and advocate for programs that improve health for all Oregonians, and extend OHSU's education, research and healthcare missions through community service, partnerships, and outreach.

The following sections highlight achievements for each of our missions.

OHSU Education

A foundation of OHSU's mission is the education and training of dentists, nurses, physicians, physician assistants, other health professionals, biomedical scientists, and engineers, through a broad range of undergraduate and graduate programs that provide healthcare and biomedical workforce for Oregon and beyond. Educational programs are conducted on the OHSU campus in Portland, online, and at various locations throughout the State. Collaborative programs enable OHSU to offer a joint Doctor of Pharmacy degree through an affiliation with Oregon State University (OSU) as well as a joint Ph.D. degree and a joint Master of Science degree in Medical Physics. In partnership with Oregon Institute of Technology (OIT), OHSU offers a joint B.S. degree in Medical Laboratory Science, a joint B.S. degree in Emergency Medical Services Management and a joint Associate of Applied Science degree in Emergency Medical Technology–Paramedic. OHSU also offers a joint Master of Business Administration in Health Care Management with Portland State University (PSU) and has also established a joint School of Public Health with PSU comprising several undergraduate and graduate programs including Bachelor degrees, Graduate Certificates, Master of Science, Master of Public Health, and Ph.D. programs.

(Dollars in thousands)

As of the fall 2019 term, OHSU had 3,017 students enrolled in its various programs (excluding students enrolled in the joint Pharm.D. degree program with OSU, the joint undergraduate programs with OIT and the School of Public Health joint degree students registered by PSU). The following table sets forth the number of students enrolled in OHSU's programs for each of the past three academic years.

Fall Headcount Enrollment [a]
For Programs in the Years Indicated

		2019/2020	2018/2019	2017/2018
School of Dentistry:				
Graduate	$	26	27	27
Professional		297	296	290
Subtotal		323	323	317
School of Medicine:				
Undergraduate		17	18	14
Graduate		780	812	773
Professional		630	603	592
Subtotal		1,427	1,433	1,379
School of Nursing:				
Undergraduate		759	764	762
Graduate		177	222	214
Professional		100	44	40
Subtotal		1,036	1,030	1,016
School of Public Health:				
Graduate		231	213	183
Total	$	3,017	2,999	2,895

(a) This table excludes interns, residents, and trainees. This table also excludes students enrolled in the joint Pharm.D. degree program with OSU, the joint undergraduate programs with OIT and the School of Public Health joint degree students registered by PSU.

OHSU Research

OHSU is a national leader in neuroscience; cancer research; hearing; microbiology; ophthalmology; infectious disease and immunology; reproductive biology; atomic, molecular, cellular, and tissue imaging; and evidence-based medicine. Through August 2020, OHSU research projects received 73% of the grants made by the National Institutes of Health (NIH) in the state of Oregon, with the next largest recipient receiving 9% of the grants. OHSU was ranked 28th out of the 2,389 entities that received funding from the NIH through August 2020. Faculty members include five members of the National Academy of Sciences and eight members of the National Academy of Medicine. Researchers at OHSU have developed many of the leading advances in medicine, including the first artificial heart valve, pioneering use of optical coherence tomography, the first percutaneous angioplasty procedure, and the first molecularly targeted cancer therapy (Gleevec®).

OHSU's many institutes are nationally and internationally recognized, including the Knight Cancer Institute, the only National Cancer Institute designated Comprehensive Cancer Center in Oregon, the Vollum Institute, privately endowed and dedicated to basic science research that has led to new treatments for neurological and psychiatric diseases, the Casey Eye Institute, a world-recognized academic regional eye center that attracts top specialists from around the globe, the Vaccine and Gene Therapy Institute, which focuses on serious viral disease threats and programs intended to span the continuum between basic and clinical science, where discoveries are rapidly advanced from the level of molecular and cellular biology through animal models and ultimately into clinical testing, and the Oregon National Primate Research Center, one of the seven National Primate Research Centers supported by the National Institutes of Health. Their world-class translational research programs focus on current, developing, and projected high-priority human medical needs that are projected to increase in importance over the coming decades.

OHSU actively pursues private and public partnerships on important and innovative research projects to supplement federal funding, with corporate partners such Thermo Fisher Scientific's Analytical Instrumentals Segment, a leading electronic microscopy company, and other major information technology and life sciences companies, and with academic partners such as PSU, OSU, University of Oregon, Pacific Northwest National Laboratory, and Lawrence Berkeley National Laboratory.

In May 2018, OHSU was awarded a $42 million, six-year grant to establish the Pacific Northwest Center for Cryo-EM. This state-of-the-art electron microscopy user facility is operated jointly by OHSU and Pacific Northwest National Laboratory, and allows researchers from a diverse range of backgrounds to tackle the most challenging scientific problems and train the next generation of cryo-electron Microscopy (cryo-EM) specialists and users. With the purchase of four revolutionary microscopes to be located in the Robertson Life Sciences Building, cryo-EM researchers can visualize biological molecules at an atomic scale, which should lead to advances in diseases such as Parkinson's, Alzheimer's, and cancer. In addition, OHSU was awarded $5.9 million in September 2019 to bring state-of-the-art upgrades to a center that's already at the leading edge. The latest NIH award allowed the center to acquire an additional Krios 300-kiloelectron volt microscope along with three additional direct electron detection cameras.

In February 2020, OHSU received a $10 million gift in support of a new Oregon-based collaboration focused in utilizing “big data” to better fight cancer and other diseases. The gift from Tim and Mary Boyle to the joint OHSU-University of Oregon Center for Biomedical Data Science will allow the center to expand its efforts to use “big data” to transform healthcare. The center’s goal is to extract key knowledge from the unprecedented volumes of healthcare-related data being amassed today, so it can be used to propel innovation and clinical practices in all areas of healthcare, from disease prevention and diagnosis to drug discovery to direct clinical care and hospital operations.

In October 2019, The National Cancer Institute, part of the National Institutes of Health, awarded the OHSU’s Department of Family Medicine and OCHIN, Inc. a $7.5 million grant to improve strategies for implementing proven cancer screening and prevention practices. Supported by the National Cancer Institute as part of the Cancer Moonshot, the grant allows the two organizations to develop a center of excellence in implementation science, including an “implementation research laboratory,” aimed at improving cancer screening and prevention for underserved populations on a national scale. Jen DeVoe, M.D., D.Phil, professor and chair of the Department of Family Medicine in the OHSU School of Medicine and senior research adviser for OCHIN, will lead a team of highly skilled researchers from OHSU and OCHIN.

For the first time, OHSU exceeded the $500 million level in externally sponsored research awards, with a total of $549 million for fiscal year 2020. The early analysis shows the major investments in buildings and large-scale equipment, such as the Cryo-EM Center, are making a significant impact. Another metric we are beginning to measure is the number of grants awarded. For fiscal year 2020 overall this metric exceeded projections by 8%, demonstrating that our research community is actively applying for and receiving unique awards from external sponsors.

OHSU Healthcare

OHSU is home to Oregon’s only major academic health center, which serves a multistate area with tertiary healthcare services from its campus in Portland, Oregon, where it operates two hospitals, OHSU Hospital and OHSU Doernbecher Children’s Hospital (OHSU Hospital or the Hospital), with 576 licensed beds. During 2020, the OHSU Hospital represented 8.3% of the available beds and 11.8% of the filled beds for the entire State. The OHSU Hospital had an 81% occupancy rate for available beds in 2020, compared to the Oregon statewide average of 57% according to the Oregon Association of Hospitals and Health Systems’ Oregon DataBank. As an academic health center, OHSU’s professional staff is composed primarily of the faculty of OHSU’s School of Medicine. The OHSU Practice Plan (OPP) is the largest organized clinical practice in Oregon. As of June 30, 2020, there were over 1,915 active faculty practice plan members, including physicians, nurse practitioners, physician assistants, and other licensed independent practitioners from across all medical specialties.

OHSU Patient Activity	**Fiscal year ending June 30**			**Variance**	
	2020	**2019**	**2018**	**2020 v 2019**	**2019 v 2018**
	(Dollars in thousands)				
Inpatient admissions	27,055	29,174	29,213	(7.3)%	(0.1)%
Average length of stay	6.32	6.12	5.94	3.3	3.0
Average daily census	453	476	464	(4.8)	2.6
Day/observation patients	38,643	42,320	40,378	(8.7)%	4.8 %
Emergency visits	44,965	47,856	48,461	(6.0)	(1.2)
Ambulatory visits	978,492	987,024	955,857	(0.9)	3.3
Surgical cases	32,672	37,080	35,560	(11.9)	4.3
Casemix index	2.43	2.26	2.18	7.5 %	3.7 %
Outpatient share of activity	53.6 %	52.3 %	51.5 %	2.5	1.6
CMI/OP adjusted admissions	141,644	137,995	131,210	2.6	5.2

In addition to its tertiary care focus in Portland, OHSU is working with other healthcare providers noted below to leverage expertise and resources throughout Oregon.

Adventist Health. Adventist Health Portland and OHSU finalized an agreement to integrate their clinical activities and services in the Portland metropolitan area through an affiliation effective January 1, 2018. This agreement makes OHSU and Adventist Health Portland part of the same Portland metropolitan health system, bringing together Adventist's healthcare enterprise that includes a 302-licensed bed medical center, 34 medical clinics and home care and hospice services in the Portland-Vancouver metro area. Under this affiliation, OHSU and Adventist Health will share a bottom line and operate as a unified system. The agreement does not include OHSU's research and education missions. The other nineteen Adventist Health hospitals in the western United States are also excluded from the agreement. Each organization will retain its existing hospital licenses, capital assets, and employees. Each entity will continue to maintain its own mission and culture but together will seek to transform access and the delivery of health to Oregonians through a unified clinical enterprise and shared brand experience.

Tuality Healthcare. On February 1, 2016, OHSU affiliated with Tuality through the execution of a management agreement (the Tuality Agreement) between the organizations. Tuality owns and operates Tuality Community Hospital, a 215-licensed-bed acute care hospital located in Hillsboro, Oregon. Under the Tuality Agreement, OHSU agrees to oversee the unified and integrated clinical enterprises of OHSU and Tuality as a single, integrated economic unit. OHSU and Tuality remain as separate entities, own their own assets and continue to be the licensed operators of their own facilities. Under the Tuality Agreement, OHSU agrees to be responsible for Tuality's operating income and loss, including making cash payments to Tuality in an amount equal to any Tuality operating loss, in the manner specified in the Tuality Agreement. Tuality is a component unit of OHSU as OHSU approves Tuality's annual operating budget. Since Tuality has a separate board of directors and they do not provide services exclusively to OHSU, they are presented as a discretely presented component unit of OHSU. In November 2019, Tuality adopted a new public-facing name, Hillsboro Medical Center.

***Mid-Columbia Medical Center*.** In August 2014, Mid-Columbia Medical Center (MCMC) and OHSU signed a 10-year mutual cooperation agreement. MCMC is a 49-bed general medical and surgical hospital in The Dalles, Oregon, approximately 85 miles east of Portland. The collaboration supports the continued and enhanced availability and local provision of primary care and specialty services at MCMC and in the MCMC service area recruitment. As part of the collaboration, OHSU supports the management and delivery of outpatient services at MCMC, and MCMC added an eighth position to its board of directors, selected by OHSU. In addition, MCMC converted to the EPIC electronic health records system, as used by OHSU.

Columbia Memorial Hospital. OHSU and Columbia Memorial Hospital (CMH) in Astoria, Oregon, have collaborated on programs, including cardiology and cancer, offering chemotherapy, imaging, pharmacy, and other services for individuals on the North Oregon Coast. OHSU and CMH jointly organize and operate an Oncology Collaboration, including a 18,000-square-foot comprehensive cancer treatment center and specialty clinic, with radiation therapy. CMH owns and operates the cancer treatment center, opened in October 2017, under its license while OHSU has provided the professional services and medical direction through OHSU-employed physicians.

OHSU and Doernbecher Foundations

OHSU has two designated independent nonprofit foundations – the Oregon Health and Science University Foundation (the OHSU Foundation) and the Doernbecher Children's Hospital Foundation (the Doernbecher Foundation), collectively, the Foundations. The Foundations exist to secure private philanthropic support to advance OHSU's vital missions and to invest and manage gifts responsibly to honor donors' wishes.

The OHSU Foundation is an Oregon nonprofit corporation promoting the charitable, scientific, and educational purposes of OHSU. Doernbecher Foundation is an Oregon nonprofit corporation promoting interest in and support for Doernbecher Children's Hospital. Both Foundations are component units of OHSU for financial reporting purposes, but are not part of the OHSU Obligated Group established pursuant to the Master Indenture, which currently consists solely of OHSU. Both Foundations have self-perpetuating boards of directors, on which the OHSU president sits as an ex officio voting member.

(Dollars in thousands)

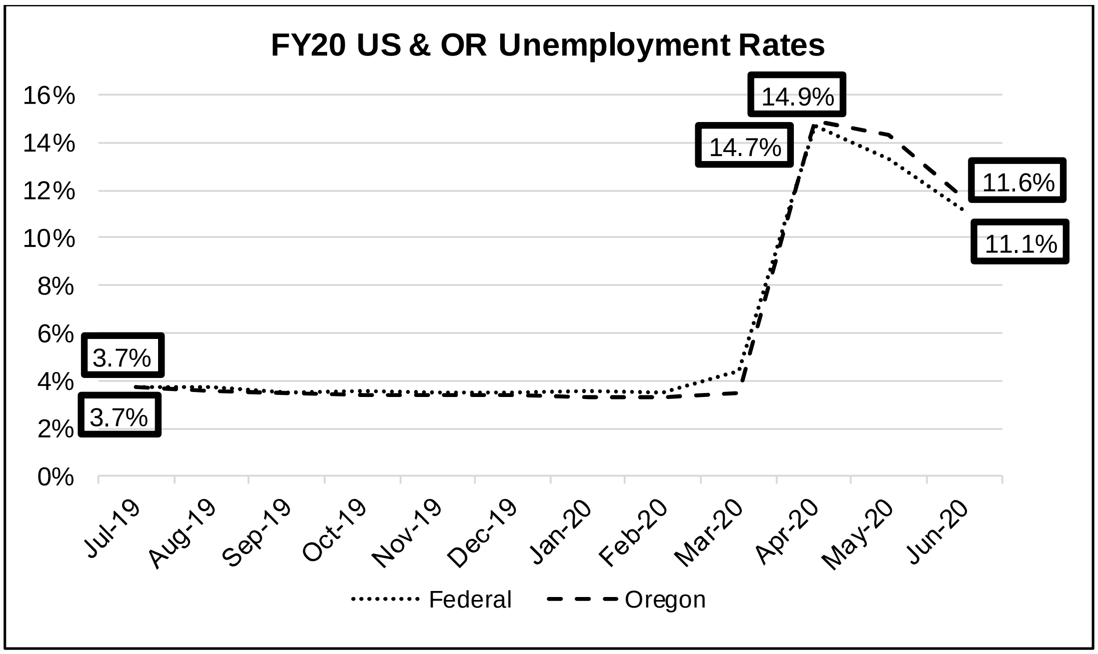
As OHSU's designated foundations, all development activities conducted by the Foundations must be coordinated with OHSU. In accepting gifts, the Foundations must obtain OHSU approval for all endowments and any gifts that result in new programs. In addition, if either foundation were dissolved or if the OHSU president were to revoke recognition of either foundation as an OHSU-designated foundation, the assets of such Foundation would, within the limits of legal and fiduciary rights, be distributed to OHSU, its successor in interest, or to another entity recognized by OHSU as an institution foundation. These interrelated functions and requirements have been further confirmed and implemented in the articles and bylaws of the Foundations. The table below identifies major gifts, which are reported as required under the Council for Advancement and Support of Education (CASE) Reporting Standards and Management Guidelines, which may differ from recognition rules under governmental accounting standards.

Amount	OHSU major gifts description	Fiscal year
$10 million	OHSU-UO Center for Biomedical Data Science	2019–20
$25 million	OHSU and Doernbecher Children's Hospital gift	2017–18
$14.7 million	SMMART Trials grant	2017–18
$15 million	Center for Pancreatic Health gift	2016–17
$15 million	Casey Eye Institute gift	2015–16
$12 million	Gary and Christine Rood Family Pavilion gift	2015–16
$500 million	Knight Cancer Institute gift	2014–15
$100 million	Knight Cancer Institute gift	2014–15
$38.8 million	Vaccine and Gene Therapy Institute, Oregon National Primate Research Center, and Behavioral Neuroscience grant	2014–15
$28.9 million	Knight Cancer Institute and OHSU Parkinson Center gift	2013–14
$25 million	Center for Pancreatic Health gift	2013–14
$10 million	Knight Cancer Institute gift	2013–14
$125 million	Gift to create a Cardiovascular Institute at OHSU	2012–13
$25 million	Bob and Charlee Moore Institute for Nutrition gift	2011–12
$10 million	New School of Dentistry gift	2010–11
$100 million	Knight Cancer Institute gift	2008–09

Economic Outlook

As the U.S. economy entered its twelfth year of recovery from the 2008 financial crisis, national and Oregon economies exhibited continued growth in output and employment through the first eight months of the fiscal year. This was upended in early March with onset of the pandemic with its major economic and financial market impact. Year over year as of period ended June 2020, real GDP decreased by 9.1% according to the U.S.

Bureau of Economic Analysis. The below chart illustrates the similar impact on national and state unemployment levels:



Source: Bureau of Labor Statistics

After fiscal year-end, the employment picture continued to improve with Oregon posting a preliminary unemployment rate figure of 7.7%, while the broader national figure stood at 8.4%. There is still substantial uncertainty with respect to the continued improvement in the labor market, as well as the trajectory of broader economic activity including whether Congress will pass additional fiscal stimulus.

In financial markets, much of the past decade has been characterized by low interest rates in the U.S. and much of the developed world, with periodic transitory increases followed by subsequent reversion. This trend continued pre and post the Coronavirus market event in March. Pre-COVID-19 topics of focus for capital market participants included ongoing trade tensions with China, easing global monetary policy in response to economic growth concerns and uncertainty regarding Brexit. With COVID-19, the market exhibited substantial volatility with significant risk asset drawdown and recovery within a short period of months. During the fourth quarter of fiscal year 2020, attention focused on the degree and form of global government responses in both fiscal and monetary policy, in context of the path of the pandemic and economic recession. OHSU's University-held investment assets (excluding Foundations assets), with significant holdings in short duration, high quality fixed income assets with a small proportion of passive equity index funds, have served as a financial ballast to mitigate potential shocks within the operating environment.

The healthcare regulatory environment also continues to exhibit substantial policy uncertainty as federal and state regulators attempt to mitigate COVID-19 impacts. The passage of the CARES Act in March 2020 provided major financial support to the healthcare industry and OHSU. The prospect of further federal aid is uncertain. In addition, the Affordable Care Act (ACA) is once again before the U.S. Supreme Court. The outcome of the 2020 election could have substantial bearing on economic and healthcare policy going forward with its corresponding impact to OHSU. As a consequence, the University is preparing for a range of possible outcomes.

Oregon and OHSU have leaned into the ACA, to significant effect on both. Approximately 500,000 Oregonians have gained health insurance coverage through the Oregon Health Plan (Medicaid expansion) or the new individual insurance market, with 95% of adults and 98% of children now covered. This has substantially reduced OHSU's share of patient activity without any insurance coverage from approximately 5% to 1%.

Although many specific investments in the OHSU 2025 strategic plan have been paused due to the pandemic, the University continues to be guided by its "people first" approach to deliver breakthroughs for better health. This includes responding to COVID-19 by tightening first to loosen later, reducing salaries to avoid widespread layoffs where possible, and acting as one University even though different missions and units are impacted to different extents and at different times.

Results over the past several fiscal years show that OHSU's financial position remains strong, with net position increasing 16% from $3.11 billion at July 1, 2017, as adjusted, to $3.61 billion for the year ending June 30, 2020. OHSU's financial strength is further recognized by its credit ratings, Aa3 / AA- / AA- confirmed in late 2019 by Moody's, S&P, and Fitch, respectively. The University's financial planning and budget process is designed to support ongoing investment in faculty and staff, programs, technology and facilities consistent with a nationally ranked health sciences university. On this path, OHSU has received unwavering public and philanthropic support.

OREGON HEALTH & SCIENCE UNIVERSITY
(A Component Unit of the State of Oregon)

Statements of Net Position

Years ended June 30, 2020 and 2019

(Dollars in thousands)

		2020	2019
Assets:			
Current assets:			
Cash and cash equivalents	$	422,742	87,015
Short-term investments		253,989	325,165
Current portion of funds held by trustee		38,062	42,891
Patients accounts receivable, net of bad debt allowances of $1,528 and $3,150 – in 2020 and 2019		390,926	390,249
Student receivables		28,644	26,184
Grant and contract receivable		61,970	62,550
Current Portion of Pledges and Estates Receivable, net		85,605	74,160
Other receivables, net		46,087	43,274
Inventories, at cost		49,223	44,421
Prepaid expenses		32,767	29,938
Total current assets		1,410,015	1,125,847
Noncurrent assets:			
Capital assets, net of accumulated depreciation		2,103,591	2,072,996
Funds held by trustee – less current portion		13,252	13,040
Other long-term receivables, net of reserves		33,500	33,500
Long-term investments:			
Long-term investments, restricted		652,633	680,006
Long-term investments, unrestricted		1,214,736	1,276,210
Total long-term investments		1,867,369	1,956,216
Prepaid financing costs, net		1,705	1,932
Pledges and Estates Receivable, net – Less Current Portion		306,862	351,332
Restricted postemployment benefit asset		6,200	3,493
Other noncurrent assets		2,577	12,475
Interest in the foundations		—	—
Total noncurrent assets		4,335,056	4,444,984
Total assets		5,745,071	5,570,831
Deferred outflows:			
Deferred amortization of derivative instruments		7,342	7,330
Loss on refunding of debt		30,197	22,306
Pension amounts		160,050	173,514
Goodwill		435	523
Other Postemployment Benefits (OPEB) amounts		8,961	2,079
Total deferred outflows		206,985	205,752
Total assets and deferred outflows	$	5,952,056	5,776,583

OREGON HEALTH & SCIENCE UNIVERSITY

(A Component Unit of the State of Oregon)

Statements of Net Position

Years ended June 30, 2020 and 2019

(Dollars in thousands)

		2020	2019
Liabilities:			
Current liabilities:			
Current portion of long-term debt	$	22,476	23,971
Current portion of long-term capital leases		943	3,919
Current portion of self-funded insurance programs liability		33,935	33,221
Accounts payable and accrued expenses		154,540	168,693
Accrued salaries, wages, and benefits		106,188	101,775
Compensated absences payable		68,996	62,338
Unearned revenue		74,543	60,565
Unearned/Medicare Advance Payment		145,975	—
Other current liabilities		4,460	5,537
Total current liabilities		612,056	460,019
Noncurrent liabilities:			
Long-term debt – less current portion		972,932	949,535
Long-term capital leases – less current portion		1,044	1,906
Liability for self-funded insurance programs – less current portion		39,861	39,682
Liability for life income agreements		20,741	23,235
Net pension liability		503,720	456,006
Other noncurrent liabilities		55,098	33,483
Total noncurrent liabilities		1,593,396	1,503,847
Total liabilities		2,205,452	1,963,866
Deferred inflows:			
Deferred amortization of derivative instruments		—	643
Gain on refunding of debt		1,546	1,834
Life income agreements		33,269	33,681
Pending Funds		48,135	86,456
Pension amounts		56,018	68,675
Other Postemployment Benefits (OPEB) amounts		2,294	2,229
Total deferred inflows		141,262	193,518
Net position:			
Investments in capital assets		1,254,205	1,239,304
Restricted, expendable		683,114	717,100
Restricted, nonexpendable		295,926	274,762
Unrestricted		1,372,097	1,388,033
Total net position		3,605,342	3,619,199
Total liabilities, deferred inflows, and net position	$	5,952,056	5,776,583

See accompanying independent auditors' report.

OREGON HEALTH & SCIENCE UNIVERSITY

(A Component Unit of the State of Oregon)

Statements of Revenues, Expenses, and Changes in Net Position

Years ended June 30, 2020 and 2019

(Dollars in thousands)

		2020	2019
Operating revenues:			
Patient service revenue, net of bad debt adjustments of $12,112 and $21,221 – in 2020 and 2019	$	2,375,275	2,350,926
Student tuition and fees, net		77,305	78,332
Gifts, grants, and contracts		664,646	611,080
Other		195,895	137,780
Total operating revenues		3,313,121	3,178,118
Operating expenses:			
Salaries, wages, and benefits		2,041,677	1,859,136
Defined-benefit pension		109,907	72,043
Services, supplies, and other		1,134,614	983,489
Depreciation and amortization		176,700	186,720
Interest		36,656	31,300
Total operating expenses		3,499,554	3,132,688
Operating income (loss)		(186,433)	45,430
Nonoperating revenues, incl. state appropriations:			
Investment income and gain (loss) in fair value of investments		82,878	141,110
State appropriations		39,581	37,276
CARES Act grants		37,859	—
Other		(12,535)	(3,989)
Total nonoperating revenues (expenses), net		147,783	174,397
Net income (loss) before contributions for capital and other		(38,650)	219,827
Other changes in net position:			
Contributions for capital and other		3,361	7,593
Nonexpendable donations		21,432	24,488
Total other changes in net position		24,793	32,081
Total increase (decrease) in net position		(13,857)	251,908
Net position – beginning of year		3,619,199	3,367,291
Net position – end of year	$	3,605,342	3,619,199

See accompanying independent auditors' report.

OREGON HEALTH & SCIENCE UNIVERSITY

(A Component Unit of the State of Oregon)

Statements of Cash Flows

Years ended June 30, 2020 and 2019

(Dollars in thousands)

		2020	2019
Cash flows from operating activities:			
Receipts for patient services	$	2,373,521	2,305,006
Receipts from students		74,845	74,403
Receipts of gifts, grants, and contracts		671,361	637,002
Other receipts		331,142	141,099
Payments to employees for services		(2,091,099)	(1,912,941)
Payments to suppliers		(1,156,398)	(1,008,031)
Net cash provided by operating activities		203,372	236,538
Cash flows from noncapital financing activities:			
Federal direct loan proceeds		72,396	72,396
Federal direct loan disbursements		(61,081)	(61,081)
State appropriations		39,581	37,276
CARES Act grants		37,859	—
Nonexpendable donations and life income agreements		(5,732)	8,289
Net cash provided by noncapital financing activities		83,023	56,880
Cash flows from capital and related financing activities:			
Scheduled principal payments on long-term debt		(14,836)	(14,488)
Interest payments on long-term debt		(50,057)	(41,477)
Proceeds from issuance of long-term debt		355,558	—
Repayment on debt		(305,480)	—
Acquisition of capital assets		(207,295)	(250,476)
Proceeds from sale of capital assets		(419)	—
Net capital lease activity		(3,838)	2,245
Contributions for capital and other		3,361	7,593
Net cash used in capital and related financing activities		(223,006)	(296,603)
Cash flows from investing activities:			
Purchases of investments		(3,355,739)	(3,779,698)
Proceeds from sales and maturities of investments		3,573,115	3,716,431
Interest on investments and cash balances		54,962	100,549
Net cash provided by investing activities		272,338	37,282
Net increase in cash and cash equivalents		335,727	34,097
Cash and cash equivalents, beginning of year		87,015	52,918
Cash and cash equivalents, end of year	$	422,742	87,015

OREGON HEALTH & SCIENCE UNIVERSITY
(A Component Unit of the State of Oregon)

Statements of Cash Flows

Years ended June 30, 2020 and 2019

(Dollars in thousands)

		2020	2019
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	$	(186,433)	45,430
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization		176,700	186,720
Provision for bad debts		12,112	21,221
Interest expense reported as operating expense		36,656	31,300
Noncash contribution		(9,363)	(73,298)
Defined-benefit pension		48,521	24,336
Net changes in assets and liabilities:			
Patient accounts receivable		(12,789)	1,727
Student receivables		(2,460)	(3,929)
Grant and contracts receivable		(10,735)	1,980
Pledges and estates receivable		33,025	94,722
Other receivables, assets, and deferred outflows		(10,728)	3,319
Inventories		(4,802)	(20,333)
Prepaid expenses		(2,829)	2,390
Accounts payable and accrued expenses		(14,153)	9,240
Accrued salaries, wages, and benefits		4,413	11,717
Compensated absences payable		6,658	(22,773)
Due to contractual agencies		(1,077)	(68,868)
Other current liabilities		—	(15,839)
Liability for life income agreements		(2,494)	(740)
Unearned revenue		13,978	3,137
Medicare Advance Payment		145,975	—
Liability for self-funded insurance programs		893	4,958
Other noncurrent liabilities and deferred inflows		(17,696)	121
Net cash provided by operating activities	$	203,372	236,538
Supplemental schedule of noncash capital and related financing and investing activities:			
Unrealized change in fair value of investments	$	9,529	36,357
Loss on disposal capital assets		(419)	(411)

See accompanying notes to financial statements

TUALITY HEALTHCARE AND SUBSIDIARIES

Consolidated Balance Sheets

June 30, 2020 and 2019

Assets		**2020**	**2019**
Current assets:			
Cash and cash equivalents	$	6,148,414	3,716,625
Short-term investments		911,589	524,572
Patient accounts receivable, net of allowance for uncollectible accounts of $1,405,178 and $3,943,100 as of June 30, 2020 and 2019, respectively		29,340,597	30,624,756
Due from related party		20,950,105	2,732,616
Other receivables		3,484,051	4,980,380
Supplies inventory		3,842,062	3,758,269
Prepaid expenses and other		2,152,604	2,791,320
Current portion of assets whose use is limited		991,582	972,882
Total current assets		67,821,004	50,101,420
Assets whose use is limited:			
Board-designated funds		34,706,362	35,489,400
Under bond indenture agreement – held by Trustee		948	937
Donor-restricted – specific purpose		4,049,056	4,792,697
Donor-restricted – endowment		2,812,317	2,782,197
Required for current liabilities		(991,582)	(972,882)
Total assets whose use is limited		40,577,101	42,092,349
Property and equipment:			
Property and equipment, net of accumulated depreciation and amortization		62,332,436	59,756,126
Other assets:			
Other receivables – noncurrent		1,378,500	1,749,000
Investments in unconsolidated affiliates		1,520,876	2,136,615
Deferred compensation plan		2,357,761	2,357,761
Cash value of life insurance		564,934	529,310
Deferred costs and other		230,187	230,187
Intangible assets		1,610,335	1,687,010
Goodwill		318,500	318,500
Total other assets		7,981,093	9,008,383
Total assets	$	178,711,634	160,958,278

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TUALITY HEALTHCARE AND SUBSIDIARIES

Consolidated Balance Sheets

June 30, 2020 and 2019

Liabilities and Net Assets		**2020**	**2019**
Current liabilities:			
Accounts payable	$	14,762,403	15,390,907
Accrued payroll and employee benefits		12,863,734	12,301,670
Deferred revenue		16,590,355	—
Estimated liabilities for Medicare and Medicaid settlements		450,057	452,811
Long-term debt due within one year		1,021,001	1,047,012
Accrued bond interest payable		91,582	97,882
Total current liabilities		45,779,132	29,290,282
Long-term liabilities:			
Long-term debt, net of amount due within one year		12,072,581	13,068,958
Liability for pension benefits		66,443,796	51,789,617
Other long-term liabilities		23,884,941	20,509,248
Total long-term liabilities		102,401,318	85,367,823
Total liabilities		148,180,450	114,658,105
Net assets:			
Net assets without donor restrictions		23,264,972	38,542,676
Net assets with donor restrictions		7,266,212	7,757,497
Total net assets		30,531,184	46,300,173
Total liabilities and net assets	$	178,711,634	160,958,278

See accompanying notes to consolidated financial statements.

PUBLIC

TUALITY HEALTHCARE AND SUBSIDIARIES

Consolidated Statements of Operations

Years ended June 30, 2020 and 2019

		2020	2019
Net patient service revenue:			
Patient service revenue (net of contractual allowances and discounts)	$	199,409,821	203,114,838
Provision for bad debts		(5,266,053)	(11,986,876)
Total net patient service revenue		194,143,768	191,127,962
Other revenue:			
OHSU support		25,321,427	7,556,144
Other revenue		11,792,946	10,266,456
Total other revenue		37,114,373	17,822,600
Total revenue		231,258,141	208,950,562
Operating expenses:			
Salaries and wages		88,626,249	85,227,833
Employee benefits		25,264,423	22,035,510
Supplies and other expenses		81,625,041	75,934,715
Professional fees		26,802,774	18,533,899
Depreciation and amortization		8,498,079	8,176,628
Interest		781,179	733,784
Total operating expenses		231,597,745	210,642,369
Loss from operations		(339,604)	(1,691,807)
Other income:			
Realized income on investments whose use is limited by board designation		1,060,462	713,030
Gain on investments in affiliated companies		3,241,541	1,095,760
(Loss) gain on disposal of property and equipment		(35,493)	90,867
Change in net unrealized losses on investments		(317,369)	—
Other operating revenue		302,482	—
Total other income		4,251,623	1,899,657
Excess of revenue over expenses		3,912,019	207,850
Contributions for property and equipment acquisition		909,425	29,129
Change in net unrealized gain on other-than-trading investments		—	623,095
Pension-related changes		(20,099,148)	(17,050,844)
Decrease in net assets without donor restrictions	$	(15,277,704)	(16,190,770)

See accompanying notes to consolidated financial statements.

TUALITY HEALTHCARE AND SUBSIDIARIES

Consolidated Statements of Changes in Net Assets

Years ended June 30, 2020 and 2019

	2020	2019
Net assets without donor restrictions:		
Excess of revenue over expenses	$ 3,912,019	207,850
Contributions for property and equipment acquisition	909,425	29,129
Change in net unrealized gain on other-than-trading securities	—	623,095
Pension-related changes	(20,099,148)	(17,050,844)
Decrease in net assets without donor restrictions	(15,277,704)	(16,190,770)
Net assets with donor restrictions:		
Gifts, grants, and bequests	1,808,800	1,523,300
Investment (loss) income	(190,600)	129,900
Net assets released from restrictions	(2,111,609)	(1,280,816)
Contributions for endowment funds	2,124	28,100
(Decrease) increase in net assets with donor restrictions assets	(491,285)	400,484
Change in net assets	(15,768,989)	(15,790,286)
Net assets, beginning of year	46,300,173	62,090,459
Net assets, end of year	$ 30,531,184	46,300,173

See accompanying notes to consolidated financial statements.

(1) Organization and Summary of Significant Accounting Policies

(a) Organization

As the only health sciences university and major academic health center in the state of Oregon (the State), Oregon Health & Science University (OHSU or the University) is dedicated to the education and training of healthcare professionals, research, patient care, outreach, and public service. In addition to the School of Medicine, School of Nursing, School of Dentistry, the joint College of Pharmacy with Oregon State University, and the joint School of Public Health with Portland State University, OHSU comprises several other academic and research units, including the Vollum Institute, the Vaccine and Gene Therapy Institute, Oregon National Primate Research Center, OHSU Brain Institute, Oregon Institute of Occupational Health Science, Oregon Clinical and Translational Research Institute, and the Pacific Northwest Center for Cryo-EM. OHSU also comprises several clinical units, including OHSU Hospital (the Hospital), the OHSU Practice Plan (OPP), and the Institute on Development and Disability (IDD). Doernbecher Children’s Hospital is a unit of the Hospital serving pediatric patients. The Knight Cancer Institute is the only National Cancer Institute designated cancer center in the State, and the Knight Cardiovascular Institute provides the State’s most comprehensive clinical and research heart program. In addition, OHSU operates a captive insurance company domiciled in Arizona for self-insurance purposes, OHSU Insurance Company (INSCO), which is blended in the accompanying financial statements.

Pursuant to an act of the Oregon Legislature (the Act), on July 1, 1995, OHSU was restructured from one of seven component units of the Oregon University System (OUS) to an independent public corporation. OHSU remains a component unit of the State.

The majority of the real property that constitutes OHSU’s main campus on Marquam Hill (and certain off-campus properties) in Portland is owned by the State. Pursuant to the Act, the State retained title of such real property and OHSU was granted exclusive care, custody, and control of such real property. To evidence this condition, the State and OHSU entered into a 99-year lease, dated July 1, 1995 (the State Lease), under which the State leased to OHSU all of the State’s leasable interest in such real property. Under the terms of the State Lease, the State may terminate the State Lease if, prior to such termination, the State causes the defeasance or discharge of all then-outstanding obligations of OHSU that were issued to finance improvements on the property subject to the State Lease or to refinance obligations of OHSU to the State. Under the State Lease, improvements include completed and partially completed buildings, fixtures, structures, and other improvements constructed on the property subject to the State Lease. In addition, OHSU was granted ownership of all personal property of the University, as it existed prior to the enactment of the Act.

Oregon Health & Science University Foundation (OHSU Foundation) and Doernbecher Children’s Hospital Foundation (together, the Foundations) are separately incorporated nonprofit foundations affiliated with OHSU. The primary purpose of the Foundations is to raise money for OHSU research, scientific, charitable, and educational purposes and to promote support for Doernbecher Children’s Hospital. Consequently, the financial position and the changes in financial position of the Foundations are blended in the accompanying financial statements.

Additionally, the University Medical Group (UMG) is included as a blended component unit of OHSU. UMG is an Oregon public benefit corporation, organized and operated to provide billing and reporting services solely for the OPP within the School of Medicine at OHSU. The OPP management committee acts as the board of directors for UMG and is responsible for the day-to-day oversight of the clinical practice. As the board of UMG is under the supervision and control of the OPP, and therefore, OHSU, UMG is a blended component unit of OHSU.

On February 1, 2016, OHSU affiliated with Tuality Healthcare (Tuality) through the execution of a management agreement (the Tuality Agreement) between the organizations. Tuality owns and operates Tuality Community Hospital, a 215-licensed-bed acute care hospital located in Hillsboro, Oregon. Under the Tuality Agreement, OHSU agrees to oversee the unified and integrated clinical enterprises of OHSU and Tuality as a single, integrated economic unit. OHSU and Tuality remain as separate legal entities, own their own assets, and continue to be the licensed operators of their respective facilities. Tuality is a component unit of OHSU as OHSU approves Tuality's annual operating budget. Since Tuality has a separate board of directors and they do not provide services exclusively to OHSU, they are presented as a discretely presented component unit of OHSU.

(b) Accounting Standards

The accompanying financial statements are prepared in accordance with accounting principles generally accepted in the United States of America using the accrual basis of accounting. OHSU's financial statements and note disclosures are based on all applicable Governmental Accounting Standards Board (GASB) pronouncements and interpretations. OHSU uses proprietary fund accounting.

OHSU prepares and presents its financial information in accordance with GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* (GASB 34), known as the "Reporting Model" statement. GASB 34 established the requirements and reporting model for annual financial statements. GASB 34 requires that financial statements be accompanied by a narrative introduction and analytical overview of the reporting entity in the form of "management's discussion and analysis." This reporting model also requires the use of a direct-method cash flow statement.

OHSU has also adopted GASB Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities – an amendment of GASB Statement No. 34*. This statement establishes accounting and financial reporting standards for public colleges and universities within the financial reporting guidelines of GASB 34.

(c) Accounting Standards Impacting the Future

On April 15, 2020, the GASB proposed to postpone the effective dates of provisions in almost all Statements and Implementation Guides due to be implemented by state and local governments for fiscal years 2019 and later. In light of the COVID-19 pandemic, *the Exposure Draft, Postponement of the Effective Dates of Certain Authoritative Guidance*, would postpone by one year the effective dates of provisions in the pronouncements noted below. OHSU has elected to postpone the adoption of the noted pronouncements accordingly, and, the date of adoption noted includes the one-year deferral period.

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities* (GASB 84), which is effective for reporting periods beginning after December 15, 2019. The objective of GASB 84 is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. GASB 84 establishes criteria for identifying activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. Governments with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position. An exception to that requirement is provided for a business-type activity that normally expects to hold custodial assets for three months or less. GASB 84 describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria. The University is currently analyzing the impact of this statement.

In June 2017, GASB issued Statement No. 87, *Leases* (GASB 87), which is effective for reporting periods beginning after December 15, 2020. The objective of GASB 87 is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. GASB 87 increases the usefulness of governments’ financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as deferred inflows of resources or deferred outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the principle that leases are financings of the right to use an underlying asset. Under GASB 87, a lessee is required to recognize a lease liability and an intangible right to use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments’ leasing activities. The University is currently analyzing the impact of this statement.

In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period* (GASB 89), which is effective for reporting periods beginning after December 15, 2020. The objectives of GASB 89 are to (1) enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reported period and (2) simplify accounting for interest cost incurred before the end of a construction period. GASB 89 requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. GASB 89 also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. The University is currently analyzing the impact of this statement.

In August 2018, GASB issued Statement No. 90, *Majority Equity Interests* (GASB 90), which is effective for reporting periods beginning after December 15, 2019. The objective of GASB 90 is to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value. The University is currently analyzing the impact of this statement.

(d) Financial Reporting Entity

As defined by generally accepted accounting principles, the financial reporting entity consists of OHSU as the primary government and its component units, which are legally separate organizations for which the primary government is financially accountable. Financial accountability is defined as a) appointment of the voting majority of the component units' board, and either (1) the ability to impose will by the primary government or (2) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government, or (b) the component unit is financially dependent on and there is potential for the component unit to provide specific financial benefits to, or impose specific burdens on, the primary government.

Component units are reported as part of the reporting entity under the blended or discrete method of presentation. Blending involves merging the component unit data with the primary government. There are three situations when blending is allowed: (1) when the board of the component unit is substantially the same as that of the primary government and there is a financial benefit or burden relationship between the primary government and the component unit or management of the primary government has operational responsibility for the component unit, (2) when the component unit provides services entirely, or almost entirely, to the primary government or otherwise exclusively, or almost exclusively, benefits the primary government even though it does not provide services directly to it, or (3) the component unit's total debt outstanding, including leases, is expected to be repaid entirely or almost entirely with resources of the primary government. OHSU Foundation, Doernbecher Children's Hospital Foundation, INSCO and UMG are considered to be blended component units as they serve the primary government exclusively. All transactions between OHSU and its blended component units are eliminated upon consolidation. Tuality is presented discretely since it has a separate board of directors and it does not provide services exclusively to OHSU. It is considered a nonmajor component unit as there are no significant transactions with OHSU and there is not a significant financial benefit/burden relationship with OHSU.

Financial reports for INSCO, UMG, OHSU Foundation, and Doernbecher Children's Hospital Foundation that include financial statements and required supplementary information are publicly available. These reports, and those of Tuality, may be obtained by contacting the management of OHSU.

(e) Basis of Accounting

Basis of accounting refers to the timing of when revenues and expenses are recognized in the accounts and reported in the financial statements. OHSU reports as a proprietary fund within the governmental model. OHSU's financial statements have been prepared using the accrual basis of accounting with the economic resources measurement focus. Under this method of accounting, revenue is recognized when earned and expenses are recorded when liabilities are incurred without regard to receipt or disbursement of cash.

(f) Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates in OHSU's financial statements include patient accounts receivable allowances, liabilities related to self-insurance programs, the fair value of interest rate swap agreements, and valuation of pension liabilities.

(g) Cash and Cash Equivalents

OHSU held no cash equivalents within cash and cash equivalents at June 30, 2020 or 2019.

(h) Investments

Investments are carried at fair value. Fair values are determined based on quoted market prices, where available. Investments in joint ventures are recorded using the equity method of accounting. Alternative investments, which are not readily marketable, are carried at estimated fair values as provided by investment managers, primarily using net asset values (NAVs). OHSU reviews and evaluates the values provided by the investment managers and agrees with the valuation methods and assumptions used in determining the fair value of the alternative investments. These estimated fair values may differ from the values that would have been used had a ready market for those securities existed.

Net unrealized gains and losses are included in the net unrealized gain (loss) in fair value of investments in nonoperating revenues in the statements of revenues, expenses, and changes in net position. Interest, dividends, and realized gains and losses on investments are included in nonoperating revenues as investment income when earned.

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(i) Inventories

Inventories consist primarily of supplies and pharmaceutical supplies in organized stores at various locations across the campus and in the Hospital. Inventories are recorded using several different methodologies dependent upon the operational use of the supplies and system capabilities. OHSU utilizes standard-cost and average-cost methodologies to record and report inventory value.

(j) Capital Assets

Capital asset acquisitions are stated at cost. Donated items are recorded on the basis of fair market value at the date of donation. OHSU capitalizes equipment additions greater than $5 and capital projects greater than $25. Maintenance, repairs, and minor replacements are expensed as incurred. When properties are retired or otherwise disposed of, the related cost and accumulated depreciation are removed from the respective accounts and any gain or loss on disposition is recorded as other in nonoperating revenue.

Interest on borrowed amounts during major construction is capitalized and amortized over the depreciable life of the related asset. During fiscal years 2020 and 2019, OHSU capitalized interest expense of approximately $2,377 and $6,095, respectively.

The provision for depreciation is determined by the straight-line method at rates calculated to amortize the cost of assets over the shorter of their estimated useful lives or the related lease term as follows: buildings and other improvements, 10 to 40 years; and equipment, 3 to 20 years.

(k) Net Position Classifications

Net position is classified into four net asset categories, in accordance with donor-imposed restrictions:

- Net investment in capital assets represents the depreciated value of capital purchases, net of related debt.
- Net position restricted, expendable, carries externally imposed time or purpose restrictions that expire in the future.
- Net position restricted, nonexpendable, carries externally imposed restrictions that never expire.
- Net position unrestricted carries no externally imposed restrictions.

Investment income earned on donor-restricted endowment funds in excess of the annual spending distribution is accounted for in the expendable restricted net position category.

The Foundations first apply restricted resources to an expense where an expense is incurred for a purpose for which both restricted and unrestricted funds are available.

(Dollars in thousands)

A summary of restricted funds by restriction category for fiscal years ended June 30, 2020 and 2019 is as follows:

		2020	2019
Restricted expendable:			
Research	$	481,238	506,307
Academic support		47,757	47,974
Instruction		37,666	40,218
Capital projects and planning		24,296	29,756
Student aid		51,193	54,156
Clinical support		10,193	12,525
Institutional support		3,537	3,400
Defined-benefit OPEB		6,200	3,493
Other		21,034	19,271
	$	683,114	717,100
Restricted nonexpendable:			
Research	$	40,865	38,615
Instruction		77,077	74,657
Clinical support		1,469	450
Public service		4,800	4,710
Academic support		102,700	88,370
Student aid		46,430	45,760
Other		22,585	22,200
	$	295,926	274,762

(l) Endowments

The endowment corpus is accounted for in the restricted, nonexpendable net position category and reported on the statements of net position as restricted long-term investments. The Foundations' spending policy for endowment funds is determined by the boards of trustees and is based on a three-year moving average of the fair value of the endowment fund. The boards of trustees authorized a 4.5% distribution in the years ended June 30, 2020 and 2019.

The Foundations' management and investment of donor-restricted endowment funds are subject to the provisions of the Uniform Prudent Management of Institutional Funds Act enacted by the State in January 2008.

The endowment fund investment pool (endowment fund) held by the Foundations is the repository for funds from restricted, nonexpendable contributions where the principal amount cannot be used, but a spending distribution, described below, can be used for the designated purpose. The endowment fund also holds quasi-endowment funds, which have been designated as endowment by the Foundations' boards of trustees. All interest, dividends, and changes in fair value on the endowment fund are allocated to the appropriate unrestricted or restricted net position classification as specified by the donor at the time of receipt. Endowment accounts receive spending distributions subject to the Foundations' boards of trustees approved spending policy, which provides a predetermined amount of total return that can be spent for purposes designated by the donor. All expendable income restricted by the donor is carried as restricted, expendable net position until such time as the restriction has been met. At June 30, 2020 and 2019, the fair value of investments in the endowment fund was $735,500 and $773,900, respectively. The fair value of the unspent portion of endowments in excess of corpus at June 30, 2020 and 2019 was $48,900 and $60,300, respectively.

Spending distributions were not made for certain endowment accounts during 2020 and 2019 because the market value of the individual endowment accounts dropped below the corpus. Spending distributions on these accounts will be resumed if specifically authorized by the Foundations' boards of trustees or at the time that the earnings of the endowment are sufficient to restore the corpus and support the annual spending distribution. At June 30, 2020 and 2019, the accumulated loss of $214 and $0, respectively, related to endowment accounts with market value below corpus was reflected in nonexpendable restricted net position.

(m) Federal Income Taxes

OHSU, as a division of the State, is not subject to federal income taxes of the Internal Revenue Code, except for unrelated business income.

(n) State Appropriations

The Oregon State Legislature makes an appropriation to OHSU on a biennial basis. The appropriation is recognized as nonoperating revenues over the related appropriation period as applicable eligibility requirements are met.

(o) Research Activity

Restricted grants receivable represent receivables for grant activities on which OHSU has met all applicable eligibility requirements and on which the funds are available from the granting agency. As of June 30, 2020 and 2019, the grants receivable balance was $27,323 and $26,905, respectively, and was included in grant and contract receivables in the accompanying statements of net position. The balance in unearned revenue as of year-end represents amounts advanced for which OHSU has not met all applicable eligibility requirements. As of June 30, 2020 and 2019, the grants unearned revenue balance was $42,474 and $38,309, respectively.

(p) Operating Revenues

OHSU includes patient service revenue, student tuition and fees, gifts, grants and contracts, and other income from sales and services in operating revenues. These revenues are key components of the operations of OHSU.

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(Dollars in thousands)

(q) Net Patient Service Revenue

A summary of patient service revenues during the years ended June 30, 2020 and 2019 is as follows:

		2020	2019
Gross patient charges	$	5,640,374	5,450,576
Contractual discounts		(3,252,987)	(3,078,429)
Bad debt adjustments		(12,112)	(21,221)
Net patient service revenues	$	2,375,275	2,350,926

OHSU has agreements with third-party payors that provide for payments at amounts different from established rates. Payment arrangements include prospectively determined rates per discharge, outpatient case rates, reimbursed costs, discounted charges, and per diem payments. Net patient service revenue is reported at the estimated net realizable amounts due and determined to be collectible from patients, third-party payors, and others for services rendered and includes estimates for potential retroactive revenue adjustments under reimbursement agreements with third-party payors. Such estimates are adjusted in future periods as final settlements are determined.

A significant portion of OHSU's services are provided to Medicare, Medicaid, and Oregon Health Plan (OHP) patients under contractual arrangements. Inpatient acute care services rendered by OHSU to Medicare, Medicaid, and OHP program beneficiaries are generally reimbursed at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors (i.e., Medicare severity diagnosis related groups or MS DRGs). Such payments include a capital cost component and may be greater or less than the actual charges for services. Most outpatient services related to Medicare beneficiaries are reimbursed prospectively under the ambulatory payment classifications methodology. Home health services related to Medicare beneficiaries are reimbursed under a prospective payment system methodology. OHSU is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after audits of OHSU's annual cost reports by the Medicare fiscal intermediary and Medicaid.

OHSU partners with the State of Oregon (the State) in an innovative collaboration resulting in significant additional federal funding for Oregon's Medicaid program. This program replaces several of OHSU's previous funding mechanisms and ended OHSU's participation in Oregon's provider tax in 2018. Through the Intergovernmental Transfer (IGT) partnership with the State this program reduces OHSU's losses from the Medicaid program and enables support for OHSU's research and education missions. In fiscal years 2020 and 2019, the program generated $129,500 and $116,000, respectively, for research and education.

(Dollars in thousands)

The laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. As a result, there is at least a reasonable possibility that estimated third-party payor settlements payable, net will change by a material amount in the near term. For the years ended June 30, 2020 and 2019, OHSU received third-party settlements of $2,598 and $151, respectively, as a result of final settlements of prior years' cost reports and revisions of estimates for prior years cost report settlements.

OHSU has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations to provide medical services to subscribing participants. The basis for payment to OHSU under these agreements includes prospectively determined rates per discharge, discounts from established charges, prospectively determined fee schedules, and certain capitated per member per month payment arrangements.

Significant concentrations of gross patient accounts receivable as of June 30, 2020 and 2019 were approximately as follows:

	2020	2019
Medicare and Medicare managed care contracts	23 %	24 %
Medicaid and OHP	19	21
Commercial and managed care insurance	56	53
Nonsponsored	2	2
	100 %	100 %

(r) Student Tuition and Fees Revenues

A summary of student tuition and fees revenues during the years ended June 30, 2020 and 2019 is as follows. In response to the COVID-19 pandemic, spring term academic programs were offered remotely using digital delivery methods. During this time student rotations and similar experiences were suspended, resulting in student tuition refunds of $2,400 for affected programs in fiscal year 2020.

		2020	2019
Gross student tuition	$	92,129	92,392
Tuition discounts		(14,824)	(14,060)
Student tuition and fees revenues, net	$	77,305	78,332

(s) Charity Care

OHSU provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its published rates. Because OHSU does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue.

OHSU maintains records to identify and monitor the level of charity care it provides. These records include the amount of charges forgone for services and supplies furnished under its charity care policy. Charity care provided measured as charges forgone and based on established rates was $78,097 and $52,799 in 2020 and 2019, respectively.

(t) Pledges and Estates Receivable

Pledges and estates receivable are recorded as receivables and revenues in the appropriate net asset category based upon donor-imposed restrictions and are reported at fair value at the date the promise is received. Pledges are generally received within 5 to 10 years of the date of original commitment. The majority of estates are received within one year. Pledges and estates receivable, less reserves for estimated uncollectible amounts, are discounted to their present value using rates that range from 0.30% to 4.88%.

(u) Life Income Agreements

The Foundations have been named as remainder beneficiaries for various life income agreements. Life income agreements provide for contractual payments to designated beneficiaries for a specific period, after which the remaining principal and interest revert to the Foundations. Contributions received under life income agreements are included in long-term investments, restricted, with the corresponding commitment to the beneficiary included in liability for life income agreements in the accompanying statements of net position. The Foundations have investments with a fair value of $54,100 and $55,400 as at June 30, 2020 and 2019, respectively, related to its individually managed life income agreements.

(v) Moda Note Receivable

OHSU has contracts with, and receives patient revenues from the major health plans in Oregon. OHSU's guiding principle in developing payor provider partnerships is to ensure that Oregonians continue to have access to Oregon's public health sciences university and academic health center and its affiliates and that OHSU has access to major populations of Oregon across its missions of patient care, education, research, and outreach.

Since 2013, OHSU has partnered with Moda Health Plan, Inc. (Moda) to advance population health management. In December 2014, OHSU invested $50,000 in Moda through a 10-year surplus note to help capitalize Moda's Oregon healthcare efforts. The principal balance of this note shall become due and payable in full on December 15, 2024, and the note bears interest on its unpaid principal balance at a rate equal to 4% per annum. Payment of interest and principal is subject to approval by the Oregon insurance commissioner, which is part of the Department of Consumer and Business Services (DCBS).

Moda had a large share of Oregon's individual insurance market during the initial years of the Affordable Care Act and has significant receivables due from the federal government under the risk corridor program that was designed to encourage plans to offer individual coverage. At that time, it was uncertain if, or when, the federal government would pay these amounts. In light of uncertain payment of federal risk corridor receivables, higher risk from losses at Moda, and the likelihood that interest payments will be deferred, OHSU recorded a valuation reserve of $16,500 against the surplus note receivable as of June 30, 2015. In April 2020, the U.S. Supreme Court ruled in favor of Moda Health

(Dollars in thousands)

Plan and other insurers that had sued the federal government for backing out of support under the Affordable Care Act. The justices reversed a lower court's ruling that Congress had suspended the government's obligation to make such payments under the Affordable Care Act.

In February 2016, DCBS issued a consent order requiring Moda to sell a variety of assets and take steps to improve its financial position. In June 2017, as a result of Moda completing several transactions to generate the capital needed to meet regulatory standards, together with Moda reducing its risk by withdrawing from some markets, DCBS lifted the consent order. In February 2019, Delta Dental of California and Moda announced the completion of a $152,400 investment by Delta Dental of California for a 49.5% ownership interest in Moda. The California Department of Managed Health Care (DMHC) and Oregon's DCBS have approved the investment. As a result of the improved financial position of Moda, the Oregon insurance commissioner allowed payment of accrued interest to OHSU of $2,000 in fiscal year 2020.

OHSU reviewed the valuation of the note receivable as of June 30, 2020 and 2019 and has retained the current net valuation of $33,500, which represents 0.9% and 0.9% of the University's total net position as of June 30, 2020 and June 30, 2019, respectively.

(2) Cash and Investments

OHSU holds substantially all of its cash, cash equivalents, and investment balances at financial institutions. OHSU's cash is insured by the Federal Deposit Insurance Corporation subject to standard limits. Additionally, a portion of cash and cash equivalents are collateralized deposits as required under the Oregon Revised Statutes (ORS).

OHSU's investment policies are approved by the board of directors and are accounted for as prescribed by GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Changes in the fair value of investments are included in nonoperating revenues. The composition of investments at fair value at June 30, 2020 and 2019 is as follows:

		2020	2019
Short-term investments:			
Cash & cash equivalents	$	80	423
U.S. agency securities		3,737	505
Corporate obligations		133,008	118,186
Other fixed income		18,841	115,200
Equities		98,323	90,851
		253,989	325,165

(Dollars in thousands)

		2020	2019
Funds held by trustee, current portion:			
Fixed income	$	38,062	42,891
		38,062	42,891
Funds held by trustee, less current portion:			
Other fixed income		13,252	13,040
		13,252	13,040
Long-term investments – less current portion:			
Cash and cash equivalents		54,229	28,703
U.S. government securities		201,051	379,017
U.S. agency securities		108,325	57,957
Corporate obligations		391,381	374,797
Fixed income		126,472	152,684
Equities		283,208	369,779
Alternative investments		241,536	204,178
Joint ventures and partnerships		401,091	343,958
Real estate investments and other		60,076	45,143
		1,867,369	1,956,216
Total investments, all categories	$	2,172,672	2,337,312

The methods used to determine the fair value of financial instruments reflect market participant objectives and are based on the application of a valuation hierarchy. These methods are prescribed by GASB No. 72, *Fair Value Measurement and Application*. The hierarchy is based on the reliability of inputs as follows:

- Level 1 – Valuation is based on quoted prices for identical financial instruments in active markets. OHSU does not adjust the quoted price for Level 1 financial instruments.
- Level 2 – Valuation is based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and independent pricing models or other model-based valuation techniques using observable inputs.
- Level 3 – Certain types of financial instruments are classified as Level 3 within the valuation hierarchy because these financial instruments trade infrequently and, therefore, have little or no price transparency.

(Dollars in thousands)

The following table presents a categorization, based on the foregoing valuation hierarchy, of OHSU's financial instruments measured at fair value as of June 30, 2020:

	Level 1	Level 2	Level 3	Fair value
Cash and money market funds	$ —	48,853	—	48,853
U.S. government securities	—	201,130	—	201,130
U.S. agency securities	—	112,062	—	112,062
Domestic equity securities	126,902	—	134	127,036
International equity securities	43,795	—	—	43,795
Commercial paper	—	7,564	—	7,564
U.S. corporate securities	65,549	290,520	—	356,069
Non-U.S. corporate securities	—	168,322	—	168,322
Asset-backed securities	—	57,633	—	57,633
Venture capital and private equity	—	—	14,936	14,936
Mutual funds – fixed income only	131,965	10	—	131,975
Municipal bonds	—	3,931	—	3,931
Other fixed income	1,523	528	12,100	14,151
Real estate investments and other	1,235	1,510	2,068	4,813
	$ 370,969	892,063	29,238	1,292,270
Investments measured using NAV per share or its equivalent				825,084
Equity method investments				55,318
Total assets				$ 2,172,672

(Dollars in thousands)

The following table presents a categorization, based on the foregoing valuation hierarchy, of OHSU's financial instruments measured at fair value as of June 30, 2019.

	Level 1	Level 2	Level 3	Fair value
Cash and money market funds	$ —	143,987	—	143,987
U.S. government securities	—	379,017	—	379,017
U.S. agency securities	—	58,462	—	58,462
Domestic equity securities	92,827	2	134	92,963
International equity securities	74,002	—	—	74,002
Commercial paper	—	7,779	—	7,779
U.S. corporate securities	—	283,528	—	283,528
Non-U.S. corporate securities	—	148,886	—	148,886
Asset-backed securities	—	65,745	—	65,745
Venture capital and private equity	—	—	8,554	8,554
Mutual funds – fixed income only	126,704	5,335	—	132,039
Municipal bonds	—	2,326	—	2,326
Other fixed income	1,820	600	—	2,420
Mutual funds – other	151,418	—	—	151,418
Real estate investments and other	1,273	1,607	2,191	5,071
	$ 448,044	1,097,274	10,879	1,556,197
Investments measured using NAV per share or its equivalent				735,820
Equity method investments				45,295
Total assets				$ 2,337,312

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(Dollars in thousands)

There were no transfers of financial instruments between Level 1 or Level 2 classifications in 2020 or 2019. Changes in Level 3 financial instruments are as follows:

		2020	2019
Balance at beginning of year	$	10,879	52,870
Net realized gains (losses)		16	(115)
Net unrealized gains (losses)		(21)	99
Purchases		14,945	8,569
Sales		(256)	(3,190)
Transfer from (to) NAV per share, or its equivalent, classification from sales		3,675	(47,354)
Balance at end of year	$	29,238	10,879

Net realized and unrealized gains and losses on financial instruments classified as Level 3 are reported as nonoperating revenues as investment income when earned.

OHSU uses a practical expedient for the estimation of the fair value of investments in funds for which the investment does not have a readily determinable fair value. The practical expedient used by OHSU for certain financial instruments is the NAV per share. Valuations provided by fund administrators for these financial instruments consider variables such as the financial performance of underlying investments, recent sales prices and other pertinent information. The valuation is adjusted when changes to inputs and assumptions are corroborated by evidence, such as completed or pending third-party transactions in the underlying security and changes in financial results, data, or cash flows. Management or its discretionary investment partner reviews the valuations and assumptions provided by fund administrators for reasonableness and believes that the carrying amounts of these financial instruments are reasonable estimates of fair value.

The following table presents information for investments where either the NAV per share or its equivalent was used to value the investments as of June 30, 2020 and 2019:

	Redemption frequency	Redemption notice period
Domestic equities	Quarterly	3–90 days
Non-U.S. equities	Weekly to every four years	3–90 days
Global equities	Quarterly	3–90 days
Venture capital/private equity	Event-driven	N/A
Marketable alternative investments	Monthly to annually	15–90 days
Real estate investments and contracts	Event-driven	N/A

(Dollars in thousands)

Domestic Equities, Non-U.S. Equities and Global Equities funds represent investments in equities, both U.S. and international, and may include investments in developed and emerging markets.

(3) Investments and Related Policies

(a) Interest Rate Risk

As of June 30, 2020 and 2019, OHSU had the following investments and maturities at fair value:

	2020				
	Maturity				
	Less than 1 year	1–5 Years	6–10 Years	More than 10 years or none	Total
Cash and money market funds	$ 48,168	685	—	—	48,853
U.S. government securities	886	192,853	6,870	520	201,129
U.S. agency securities	3,737	92,928	3,671	11,726	112,062
Domestic equity securities	—	—	—	201,927	201,927
International equity securities	—	—	—	179,604	179,604
Commercial paper	7,564	—	—	—	7,564
U.S. corporate securities	46,975	225,663	15,440	67,992	356,070
Non-U.S. corporate securities	26,094	139,367	2,646	216	168,323
Asset-backed securities	15,159	22,616	4,105	15,752	57,632
Joint ventures and partnerships	—	—	—	401,091	401,091
Mutual funds – fixed income only	67,997	31,244	19,566	13,541	132,348
Municipal bonds	262	1,427	2,024	217	3,930
Other fixed income	—	405	122	—	527
Alternative investments	—	—	—	241,536	241,536
Real estate investments and other	—	—	—	60,076	60,076
	$ 216,842	707,188	54,444	1,194,198	2,172,672

(Dollars in thousands)

		2019				
		Maturity				
		Less than 1 year	1–5 Years	6–10 Years	More than 10 years or none	Total
Cash and money market funds	$	143,636	351	—	—	143,987
U.S. government securities		1,029	358,864	17,713	1,411	379,017
U.S. agency securities		505	48,564	1,385	8,008	58,462
Domestic equity securities		—	—	—	128,885	128,885
International equity securities		—	—	—	240,894	240,894
Commercial paper		7,779	—	—	—	7,779
U.S. corporate securities		44,594	226,103	10,929	1,902	283,528
Non-U.S. corporate securities		23,554	121,914	3,418	—	148,886
Asset-backed securities		20,250	23,411	2,539	19,545	65,745
Joint ventures and partnerships		—	—	—	343,957	343,957
Mutual funds – fixed income only		43,833	50,222	25,331	13,120	132,506
Municipal bonds		71	994	1,037	224	2,326
Other fixed income		—	535	65	—	600
Mutual funds, other		—	—	—	151,418	151,418
Alternative investments		—	—	—	204,179	204,179
Real estate investments and other		—	—	—	45,143	45,143
	$	285,251	830,958	62,417	1,158,686	2,337,312

OHSU held $57,632 and $65,745 of asset-backed securities collateralized primarily by auto loans, credit card receivables, and collateralized mortgage obligations as of June 30, 2020 and 2019, respectively. These securities are valued at their estimated fair values. The valuation of these securities is sensitive to principal prepayments, which may result from a decline in interest rates, and they are sensitive to an increase in average maturity, which may result from interest rate increases that lead to decreasing prepayments.

At June 30, 2020 and 2019, OHSU had certain joint ventures and partnerships, alternative investments, real estate investments, and other investments. These investments may contain elements of both credit and market risk. Such risks may include limited liquidity, absence of regulatory oversight, dependence upon key individuals, and nondisclosure of portfolio composition. Because these investments are not readily marketable, their estimated fair value is subject to uncertainty and, therefore, may differ from the value that would have been used had a ready market for such investments existed. Such differences could be material.

OHSU's investment policies vary based on the investment objectives of the portfolio. The operating and trustee-held portfolios seek to preserve principal with the intent of maximizing total return within appropriate risk parameters. Maturities of securities selected in these portfolios are driven by prevailing market conditions, while considering cash requirements of the organization.

The Foundations investment policies are established based on the investment objectives of the portfolio. The endowment portfolio, which is included in long-term investments in the accompanying statements of net position, seeks to produce a predictable and stable payout stream that increases over time, while achieving growth of corpus. The endowment fund may invest in cash and cash equivalents, fixed-income securities, U.S. and non-U.S. equity securities and other alternative investments. The objective for the current fund is to provide a reliable source of liquidity to meet short-term working capital needs. The current fund may invest in cash, cash equivalents, fixed income securities, equity mutual funds and ETFs, and quasi endowment within the endowment fund. The duration of the C/F 1-5 year portfolio shall be within a range of 75% to 125% of the Barclay's 1–5 Year Government/Credit Bond Index. The charitable gift annuity pool seeks to produce a relatively predictable and stable payout stream that will satisfy the funds distribution obligations while achieving long-term capital appreciation of the overall fund balance. The charitable gift annuity pool may invest in cash and cash equivalents, U.S. and non-U.S. equities, fixed-income, and real estate. Charitable trusts are managed to provide for the distribution of a stated income payment while attempting to achieve reasonable expected total returns. Charitable trust investment objectives and asset allocation guidelines are determined based on the individual circumstances of each trust account. Allowable investments for charitable trusts include cash and cash equivalents, U.S. and non-U.S. equities, fixed-income, real estate, and commodities.

(b) Credit Risk

The operating and trustee-held portfolios require the following minimum ratings or better from Moody's or Standard & Poor's (S&P) at the date of purchase:

	Minimum Moody's rating	**Minimum S&P rating**
Bankers acceptances	P-1	A-1
Commercial paper	P-2	A-2
Certificates of deposit	Baa3/P-2	BBB-/A-2
Deposit notes	Baa3/P-2	BBB-/A-2
Eurodollar certificate of deposits (CD) or Eurodollar time deposits	Baa3/P-2	BBB-/A-2
Yankee CDs	Baa3/P-2	BBB-/A-2
Corporate debt	Baa3	BBB-
Foreign government and supranational debt	Baa3	BBB-
Insurance company annuity contracts and guaranteed investment contracts	A3	A-
Mortgage pass-through securities	Aaa	AAA
Structured securities, including asset-backed securities	Aaa	AAA
Pooled investments	Aa	AA
Municipal bonds (taxable or tax-exempt)	A2/P-1	A/A-1

The current fund investment policy requires minimum ratings or better from S & P's, Moody's, or Fitch as follows:

	Minimum Standard & Poor's rating	**Minimum Moody's rating**	**Minimum Fitch rating**
U.S. and foreign corporate indebtedness	BBB- or A-2	Baa3 or P-2	BBB- or F-2
Certificates of deposit	BBB- or A-2	Baa3 or P-2	BBB- or F-2
Foreign government, foreign agency, or supranational organization debt	A or A-1	A2 or P-1	A or F-1
Agency mortgage-backed securities	AAA	Aaa	AAA
Commercial mortgage-backed securities	AAA	Aaa	AAA
Asset-backed securities	AAA	Aaa	AAA
Municipal bonds	A	A2	A

At the time of purchase, securities must be rated by at least two of the three rating agencies. If the security is rated by all three agencies, the middle rating will apply. If only two ratings are available, then the lower rating will be used.

If the credit quality of a holding in the current fund declines so that it is below the level required as stated above, a decision will be made by the Investment Committee to hold or sell the security.

Investments in the charitable gift annuity pool shall have a minimum credit quality rating of Baa/BBB or an average credit rating of Baa/BBB for mutual funds or pooled funds and a minimum rating of A-1/P-1 for investments in commercial paper. The charitable trust investments generally have a minimum credit quality rating in investment-grade Baa/BBB bond investments and a minimum rating of A-1/P-1 for investments in commercial paper. However, an individual trust may hold up to 9% of the portfolio in below-investment-grade investments.

(Dollars in thousands)

As of June 30, 2020 and 2019, OHSU had the following investments with credit rating at fair value:

Investment type	Credit rating S&P or equivalent		Total 2020	Total 2019
Cash and money market funds	AAA	$	6,030	54,493
	AA-		—	1,006
	A+		—	1,005
	A-1+		41,802	74,902
	Not rated		1,012	884
	NA		9	11,697
U.S. government securities	AAA		22,576	87,448
	AA+		176,605	291,569
	AA		577	—
	A+		1,372	—
U.S. agency securities	AAA		14,831	10,649
	AA+		96,920	47,812
	AA		194	—
	A		118	—
	A-1		—	7,779
Commercial Paper	A-1+		2,225	—
	A-1		5,339	—
U.S. corporate securities	AAA		46	714
	AA+		1,666	2,047
	AA		7,877	9,950
	AA-		12,724	19,093
	A+		24,881	36,568
	A		48,860	58,214
	A-		47,774	39,605
	BBB+		79,248	51,076
	BBB		49,018	55,611
	BBB-		14,628	8,493
	BB		1,614	1,164
	B		603	341
	Below B		97	45
	Not rated		347	607
	n/a		66,683	—

(Dollars in thousands)

Investment type	Credit rating S&P or equivalent	Total 2020	Total 2019
Non-U.S. corporate securities			
	AA+	$ 444	
	AA-	15,953	19,158
	A+	22,291	18,791
	A	23,095	33,838
	A-	47,724	28,053
	BBB+	28,008	23,074
	BBB	24,072	17,287
	BBB-	6,316	7,370
	A-1	—	998
	NA	420	319
Asset-backed securities	AAA	32,127	39,430
	AA+	6,397	—
	AA	1,221	4,370
	AA-	—	267
	A	764	753
	BBB	252	280
	BB	110	179
	B	109	62
	Below B	1,530	1,535
	A-1+	4,184	5,247
	Not rated	1,886	2,682
	NA	9,052	10,940
Mutual funds – fixed income only	AAA	87,604	84,940
	AA	4,882	6,456
	A	11,631	14,136
	BBB	13,525	12,606
	BB	4,440	3,574
	B	4,940	4,426
	Below B	3,062	2,828
	Not rated	2,264	3,539
Municipal bonds	AAA	192	163
	AA	3,362	1,995
	A	224	168
	BBB	97	—
	BB	56	—

(Dollars in thousands)

Investment type	Credit rating S&P or equivalent		Total 2020	Total 2019
Other fixed income	BBB	$	85	265
	BB		194	193
	B		234	123
	Below B		15	8
	Not rated		—	10
Joint ventures and partnerships	NA		401,091	343,958
Mutual funds – other	NA		—	151,418
Alternative investments	NA		241,536	204,179
Real estate investments and other	NA		60,076	45,143
Domestic equity securities	NA		201,927	128,885
International equity securities	NA		179,604	240,894
		$	2,172,672	2,337,312

(c) Concentration of Credit Risk

OHSU's operating and trustee-held portfolios limit investments in any one issue to a maximum of 5% (10% prior to investment policy amendment adopted by the board in October 2013) depending upon the investment type, except for issues of the U.S. government, which may be held without limitation, or U.S. government agencies limited to 15% (without limit prior to policy amendment). The current fund's investment policy limits investments in any issuer or issuer as follows:

	Maximum concentration
U.S. and foreign corporate indebtedness	No more than 3% per issuer
Certificates of deposit	No more than 5% per issuer
Foreign government, foreign agency, or supranational organization debt	No more than 5% per issuer
Agency mortgage-backed securities	No more than 15% per cusip
Commercial mortgage-backed securities	No more than 5% per cusip
Asset-backed securities	No more than 5% per cusip
Municipal bonds	No more than 5% per cusip

(Dollars in thousands)

The investment policy relating to the charitable gift annuity pool limit investments in any one issue to a maximum of 5%, except for issues of the U.S. government and its agencies or diversified mutual funds, which may be held without limitation. The investment policy for charitable trusts limits investments in any one issue to a maximum of 5%, except for issues of the U.S. government and its agencies or diversified mutual funds.

As of June 30, 2020 or 2019, OHSU had no investments in excess of the thresholds discussed above.

(d) Foreign Currency Risk

OHSU's investment policies permit investments in international equities and other asset classes, which can include foreign currency exposure. The endowment fund allows for investments in international equities and in non-U.S. dollar-denominated bonds. The current fund allows up to 20% of the portfolio to be invested in non-U.S. sovereign or supranational issues. The charitable gift annuity pool investment policy allows up to 30% of the portfolio to be invested in international equities. The charitable trust investment policy allows up to 32% of the portfolio to be invested in international equities, based on the individual circumstances of each trust account. The following table details the fair value of foreign denominated securities by currency type:

		Value (U.S. dollar)	
Foreign currency		**2020**	**2019**
British sterling pound	$	11,264	9,655
Canadian dollar		8,671	8,122
Euro		14,257	19,438
Total	$	34,192	37,215

(Dollars in thousands)

(4) Due from/to Contractual Agencies

Due from contractual agencies, reflected in patient accounts receivable under current assets in the statements of net position, represents amounts receivable from the State Medicaid Program (Medicaid), the Federal Medicare Program (Medicare), and other contractual agencies. Due to contractual agencies, reflected in other current liabilities in the statements of net position, represents amounts payable to Medicaid, Medicare and other contractual agencies. A summary of the balances as of June 30, 2020 and 2019 is as follows:

		Due from contractual agencies		Due to contractual agencies		Net, due from (to)	
		As of June 30, 2020	As of June 30, 2019	As of June 30, 2020	As of June 30, 2019	As of June 30, 2020	As of June 30, 2019
Medicaid	$	23,122	14,682	—	—	23,122	14,682
Intergovernmental transfer		16,176	18,984	(1,876)	(4,215)	14,300	14,769
Medicare		—	—	(2,770)	(815)	(2,770)	(815)
Other contractual agencies		8,714	6,351	—	—	8,714	6,351
	$	48,012	40,017	(4,646)	(5,030)	43,366	34,987

In 2017, OHSU worked with the state legislature and the Oregon Health Authority to build a new program that would leverage additional federal funds for the state's Medicaid program, maintain historical principles of support for OHSU's missions, and simplify the complexity of prior funding programs between OHSU and the State. The legislature approved the program in the Oregon Health Authority's 2017–2019 budget and Oregon's OHSU Intergovernmental Transfer (IGT) Program was approved by the U.S. Centers for Medicare and Medicaid Services (CMS) and implemented on January 1, 2018, with the corresponding funding payments between entities beginning in March 2018. Under this new IGT program, OHSU no longer pays the provider tax paid by other hospitals in Oregon. Instead, because OHSU is an Oregon public corporation, it transfers funds directly to the state to be used for Oregon's Medicaid program. The federal government matches funds used in the Medicaid program on approximately a three-to-one basis.

Oregon's Medicaid coordinated care organizations (CCO's) pay OHSU an additional amount per clinical service provided to patients as Quality and Access payments. These additional payments have been approved by CMS and are funded through a combination of OHSU's IGT and federal dollars. The purpose of these funds is to maintain access to the high quality unique academic health center services OHSU provides to Medicaid patients.

During fiscal year 2020 and 2019, respectively, OHSU made intergovernmental transfers of $321,517 and $299,570 to the State of Oregon. The State of Oregon used these dollars, and the corresponding federal match, for payment of Medicaid services throughout Oregon. Oregon's Medicaid CCO's paid OHSU $424,642 and $357,415, in fiscal year 2020 and 2019, respectively, through Quality and Access payments. The Quality and Access Payments and the Intergovernmental transfers, are included as a net reduction in the contractual discounts and represents a portion of the Medicaid payment for patient care services. A net benefit of the program, including funding from other federal and state sources, allows the University to have resources available to support OHSU's missions. During the year ended June 30, 2020 and 2019, the University was able to provide support for research and education of $129,500 and $116,000, respectively.

(Dollars in thousands)

(5) Capital Assets

Capital assets for fiscal years ended June 30, 2020 and 2019 are listed by category below:

	2020	2019
Land and land improvements	$ 82,303	83,645
Buildings and other improvements	2,757,678	2,655,655
Equipment	1,072,012	1,058,487
Construction in progress	151,347	102,172
Accumulated depreciation	(1,959,749)	(1,826,963)
Total capital assets, net	$ 2,103,591	2,072,996

The following is a summary of capital assets for the fiscal years ended June 30, 2020 and 2019:

	Balance June 30, 2019	Increases	Decreases	Balance June 30, 2020
Capital assets not depreciated:				
Land and land improvements	$ 83,645	—	(1,341)	82,304
Construction in progress	102,172	163,021	(113,846)	151,347
Total capital assets not depreciated	185,817	163,021	(115,187)	233,651
Other capital assets:				
Buildings and other improvements	2,655,655	102,513	(490)	2,757,678
Equipment	1,058,487	56,949	(43,424)	1,072,012
Total other capital assets	3,714,142	159,462	(43,914)	3,829,690
Less accumulated depreciation:				
Buildings and other improvements	(1,031,448)	(101,469)	13	(1,132,904)
Equipment	(795,515)	(75,124)	43,794	(826,845)
Total accumulated depreciation	(1,826,963)	(176,593)	43,807	(1,959,749)
Other capital assets, net	1,887,179	(17,131)	(107)	1,869,941
Total capital assets, net	$ 2,072,996	145,890	(115,294)	2,103,592

(Dollars in thousands)

	Balance June 30, 2018	Increases	Decreases	Balance June 30, 2019
Capital assets not depreciated:				
Land and land improvements	$ 83,645	—	—	83,645
Construction in progress	523,114	—	(420,942)	102,172
Total capital assets not depreciated	606,759	—	(420,942)	185,817
Other capital assets:				
Buildings and other improvements	2,123,230	554,193	(21,768)	2,655,655
Equipment	986,769	128,614	(56,896)	1,058,487
Total other capital assets	3,109,999	682,807	(78,664)	3,714,142
Less accumulated depreciation:				
Buildings and other improvements	(951,805)	(93,289)	13,646	(1,031,448)
Equipment	(755,389)	(74,956)	34,830	(795,515)
Total accumulated depreciation	(1,707,194)	(168,245)	48,476	(1,826,963)
Other capital assets, net	1,402,805	514,562	(30,188)	1,887,179
Total capital assets, net	$ 2,009,564	514,562	(451,130)	2,072,996

(6) Compensated Absences Payable

Vacation pay for classified employees is earned at 8 to 24 hours per month, depending on the length of service and classification, with a maximum accrual of up to 364 hours per employee and a maximum payment upon separation of up to 364 hours. Due to the COVID-19 pandemic, in recognition of the fact that employees may not be able to take time off during this time, and therefore, they would reach their accrual cap and stop accruing time off, the maximum accrual cap has been temporarily increased or waived. A maximum of 96 to 288 hours of vacation can be earned per year, depending on the length of service and classification. Vacation pay for unclassified employees is earned at 14.67 hours per month, with a maximum accrual of 256 hours. The maximum payment of unused vacation hours at termination varies from 80 to 136 hours at a 50% payment rate with specific exceptions for certain classes of employees.

Sick leave is recorded as an expense when paid. Sick leave for employees is earned at the rate of 8 hours per month and a maximum of 96 hours per year, with no restrictions on maximum hours accrued. Employees in the following groups earn sick leave at the rate of 1 hour for 30 hours worked: resource, flex, temporary, unclassified below 0.5 FTE, OHSU student, non-OHSU student, graduate assistant. In response to the COVID-19 pandemic, effective March 2020 employees were granted an additional 112 sick leave hours prorated by FTE. The additional hours are intended to support employees who become sick prior to December 20, 2020; 80 hours available immediately when needed and 32 hours available after exhausting the employee's sick leave bank. No liability for sick leave exists for terminated employees, and therefore, no amounts have been accrued in the financial statements.

(7) Retirement Plans

The University, excluding blended component units, offers various pension plans to all qualified employees: the State's Public Employees Retirement System (PERS), which includes a cost-sharing, defined-benefit plan and a defined-contribution plan (individual account plan – IAP), the University Pension Plan (UPP), and the Clinical Retirement Plan (CRP).

(a) Defined-Benefit Pension Plan Descriptions

PERS is a cost-sharing, multiemployer retirement system available to units of state government, political subdivisions, community colleges, and school districts, containing multiple actuarial pools. Plan assets may be used to pay the benefits of the employees of any employer that provides pensions through the plan. As of the June 30, 2019 measurement date, there were 906 participating employers.

PERS is administered in accordance with ORS Chapter 238, Chapter 238A, and Internal Revenue Code Section 401(a). The State's legislature has delegated authority to the Public Employees Retirement Board (PERS Board) to administer the system. The PERS Board is composed of five trustees who administer retirement (service and disability), death, and retiree health insurance benefits. All members of the PERS Board are appointed by the governor and confirmed by the state senate. The governor designates the chairperson. Statute specifies PERS Board membership must be three people with experience in business management, pension management, or investing who are not members of the PERS system; one person who is either an employee of the state in a management position or a person who holds an elective office in the governing body of a participating public employer other than the state; and one person representing public employees and retirees.

The State's PERS issues a publicly available financial report that includes financial statements and required supplementary information, including a 10-year historical trend information showing the accumulation of sufficient assets to pay benefits when due. Copies of the State's PERS's Comprehensive Annual Financial Report and Actuarial Valuations may be obtained from the PERS Web site at https://www.oregon.gov/pers/EMP/Pages/Actuarial-Financial-Information.aspx.

PERS comprises three separate defined-benefit groups: PERS Tier 1, PERS Tier 2, and Oregon Public Service Retirement Plan (OPSRP).

(i) Benefits Provided

The following describes the benefits provided through the PERS plan:

(1) PERS Tier 1/PERS Tier 2

(a) The Tier 1/Tier 2 plans are closed to new members hired on or after August 29, 2003.

(b) Members are provided retirement, disability, and death benefits.

(c) Vesting occurs if either of the following conditions are met, unless the account is withdrawn:

1. An active member in each of 5 calendar years
2. Reached at least 55 years of age while working in a qualifying position (age 50 for police and fire members).

(d) The retirement allowance is payable monthly for life. It may be selected from 13 retirement benefit options. These options include survivorship benefits and lump-sum refunds.

(e) The basic benefit is based on years of service and final average salary. A percentage (2.00% for police and fire employees, 1.67% for general employees) is multiplied by the number of years of service and the final average salary. Benefits may also be calculated under either a formula plus annuity (for members who were contributing before August 21, 1981) or a money match computation if a greater benefit results.

(f) Normal retirement age for general members is age 58 for Tier 1 and age 60 for Tier 2, or any age with 30 years or more of retirement credit. Normal retirement age for police and fire members is age 55, or age 50 with 25 years or more of retirement credit. Benefits are reduced if normal retirement age is not attained.

(g) Annual Cost of Living Adjustments (COLA) of up to 2% annually for service time accrued before October 1, 2013; COLA for service time after that date uses a lower rate. Service time accrued in both periods is "blended."

(2) PERS OPSRP

(a) The OPSRP plan is open to members hired on or after August 29, 2003.

(b) Members are provided retirement, disability, and death benefits.

(c) Vesting occurs if either of the following conditions are met, unless the account is withdrawn:

1. Completion of at least 600 hours of service in each of five calendar years
2. Reached normal retirement age as an active member on that date.

(d) The retirement allowance is payable monthly for life.

(e) The basic benefit is based on years of service and final average salary. A percentage (1.8% for police and fire employees, 1.5% for general employees) is multiplied by the number of years of service and the final average salary.

(f) Normal retirement age for general members is age 65, or age 58 with 30 years or more of retirement credit. Normal retirement age for police and fire members is age 60, or age 53 with 25 years or more of retirement credit. Benefits are reduced if normal retirement age is not attained.

(g) Annual COLA of up to 2% annually for service time accrued before October 1, 2013; COLA for service time after that date uses a lower rate. Service time accrued in both periods is "blended."

(ii) Contributions

PERS funding policy provides for monthly employer contributions at actuarially determined rates. These contributions, expressed as a percentage of covered payroll, are intended to accumulate sufficient assets to pay benefits when due. This funding policy applies to the PERS defined-benefit plan and the OPEBs.

The employer contribution rate for active employees is established by the PERS Board based upon actuarial valuations, which are performed once every two years to determine the level of employer contributions. Employer contribution rates during the period were based on the December 31, 2017 actuarial valuation. The rates were based on a percentage of payroll and first became effective July 1, 2019. The employer contribution rate for PERS Tier 1 and Tier 2 was 19.96% from July 1, 2019 to June 30, 2021. The employer contribution rate for OPSRP was 13.35% (OPSRP Police and Fire, 17.98%) from July 1, 2019 to June 30, 2021.

The State and certain schools, community colleges, and political subdivisions have made lump-sum payments to establish side accounts and their rates have been reduced. OHSU made $10,000 lump-sum payments to PERS during fiscal years 2020 and 2019, respectively. Amounts contributed postmeasurement date, including fiscal year 2020 and 2019 side account contributions of $10,000, are recorded as deferred outflows in the amount of $60,841 and $47,919 for the years ended June 30, 2020 and 2019, respectively. In fiscal year 2020, OHSU participated in the Employer Incentive Fund (EIF), a program that provided a 25% match on qualifying employer lump-sum payments made after June 2, 2018, receiving a $5,000 match payment.

The defined-benefit pension plan contributions can be found in the required supplementary information.

(iii) Net Pension Liability

OHSU's proportionate share of the net pension liability for PERS as of June 30, 2020 and 2019 is $503,720 and $456,006, respectively, utilizing a June 30, 2019 and 2018 measurement date, respectively. The net pension liability for the June 30, 2020 and 2019 fiscal year-end was determined based on the results of the December 31, 2017 and December 31, 2016 actuarial valuation rolled forward to the respective measurement dates using standard actuarial procedures.

The basis for OHSU's proportion is actuarially determined by comparing OHSU's projected long-term contribution effort to the PERS cost-sharing, multiple-employer defined-benefit pension plan with the total projected long-term contribution effort of all participating employers. OHSU's proportionate share was 2.91% for the June 30, 2019 measurement date and 3.01% for the June 30, 2018 measurement date.

Senate Bill 1049, signed into law in June 2019, introduced a limit on the amount of annual salary included for the calculation of benefits. Beginning in calendar year 2020, annual salary in excess of $195,000 (as indexed in future years) will be excluded when determining member benefits. As a result, future benefits for certain active members are now projected to be lower than prior to the legislation.

The benefits valued in the Net Pension Liability are required to be in accordance with the benefit terms legally in effect as of the relevant fiscal year-end for the plan. As a result, Senate Bill 1049 was reflected in the June 30, 2019 Net Pension Liability, and the salary limit provision is the only difference in the valuation basis used to determine the Net Pension Liability between the measurement dates June 30, 2018 and June 30, 2019.

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of PERS, and additions to/deductions from PERS' fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

(iv) Proportionate Share of Pension Expense and Deferrals Related to Pensions

OHSU's pension expense for the years ended June 30, 2020 and 2019 was $109,907 and $72,043, respectively. The pension expense, which is considered period interest cost, service cost, amortization of deferred outflows and inflows, and changes in benefit terms, has increased since prior year and is included in salaries, wages, and benefits in the statements of revenues, expenses, and changes in net position.

In July 2017, the assumed rate of return on investments was reduced from 7.50% to 7.20%. The new assumed rate was also used in the actuarial valuation, which established the employer contribution rates for the 2019-21 biennium.

(Dollars in thousands)

Deferred outflows of resources and deferred inflows of resources for pensions were related to the following sources as of the fiscal years ended June 30, 2020 and 2019:

	Deferred outflow of resources		Deferred inflow of resources	
	2020	**2019**	**2020**	**2019**
Differences between expected and actual experience	$ 27,779	15,512	—	—
Changes of assumptions	68,335	106,021	—	—
Net difference between projected and actual earnings on pension plan investments	—	—	(14,280)	(20,250)
Changes in proportionate share	—	—	(39,012)	(45,026)
Differences between contributions and OHSU's proportionate share of system contributions	3,095	4,062	(2,726)	(3,399)
Total (prior to post-MD contributions)	99,209	125,595	(56,018)	(68,675)
Contributions subsequent to the measurement date	60,841	47,919		—
Gross deferred outflow (inflow) of resources	$ 160,050	173,514	(56,018)	(68,675)

The contributions made subsequent to the measurement date of $60,841 will be recognized as a reduction in the net pension liability during the year ending June 30, 2021.

(Dollars in thousands)

Remaining amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Fiscal year ending		Deferred outflow (inflow) of resources
2021	$	31,241
2022		(6,776)
2023		9,043
2024		9,291
2025		392
Total	$	43,191

(v) Actuarial Methods and Assumptions

The following methods and assumptions were used in developing total pension liability reported as of June 30, 2020 and 2019.

Actuarial Methods and Assumptions	2020	2019
Valuation date	December 31, 2017	December 31, 2016
Measurement date	June 30, 2019	June 30, 2018
Experience study report	2016, published July 2017 Based on data for the experience period January 1, 2013 to December 31, 2016	2016, published July 2017 Based on data for the experience period January 1, 2013 to December 31, 2016
Actuarial assumptions:		
Actuarial cost method	Entry Age Normal	Entry Age Normal
Inflation rate	2.50 %	2.50 %
Long-term expected rate of return	7.20	7.20
Discount rate	7.20	7.20
Projected salary increases	3.50	3.50
Cost of Living Adjustments (COLA)	Blend of 2% COLA and graded COLA (1.25%/0.15%) in accordance with *Moro* case decision; blend based on service	Blend of 2% COLA and graded COLA (1.25%/0.15%) in accordance with *Moro* case decision; blend based on service

(Dollars in thousands)

Actuarial Methods and Assumptions	2020	2019
Mortality	***Healthy retirees and beneficiaries:*** RP-2014 Healthy annuitant, sex-distinct, generational with Unsex, Social Security Data Scale, with collar adjustments and set-backs as described in the valuation.	***Healthy retirees and beneficiaries:*** RP-2014 Healthy annuitant, sexdistinct, generational with Unsex, Social Security Data Scale, with collar adjustments and set-backs as described the valuation.
	Active members: RP-2014 Employees, sex-distinct, generational with Unisex, Social Security Data Scale, with collar adjustments and setbacks as described in the valuation.	***Active members:*** RP-2014 Employees, sex-distinct, generational with Unisex, Social Security Data Scale, with collar adjustments and set-backs as described in the valuation.
	Disabled retirees: RP-2014 Disabled retirees, sex-distinct, generational with Unsex, Social Security Data Scale.	***Disabled retirees:*** RP-2014 Disabled retirees, sexdistinct, generational with Unsex, Social Security Data Scale.

Actuarial valuations of an ongoing plan involve estimates of the value of projected benefits and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Experience studies are performed as of December 31 of even numbered years. The 2016 experience study, used in developing total pension liability reported as of June 30, 2020, was based on the data for the experience period January 1, 2013 to December 31, 2016.

(vi) Discount Rate

The discount rate used to measure the total pension liability at June 30, 2019 and June 30, 2018 was 7.20%, respectively. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for PERS was applied to all periods of projected benefit payments to determine the total pension liability. The impact of a 1.00% decrease and increase in the discount rate on the net pension liability is as follows:

Discount Rate Sensitivity – Net Pension Liability
(Dollars in thousands)

OHSU's proportionate share		1% Decrease	Current discount rate	1% Increase
June 30, 2020	$	806,664	503,720	250,199
June 30, 2019		762,072	456,006	203,373

(vii) Investments

The Oregon State Treasury is the investment officer for the State. Investment standards are established in ORS 293.726 and require funds to be managed as a prudent investor would do. The Oregon Investment Council (OIC) establishes policies for the investment and reinvestment of moneys in the Oregon Public Employees Retirement Fund (OPERF).

ORS 293.701 defines the investment funds over which OIC has responsibility. Included is the OPERF, which comprises the defined-benefit pension plan, the individual account program, and the other postemployment benefit plans. OIC establishes policies for the investment and reinvestment of moneys in the investment funds as well as the acquisition, retention, management, and disposition of investments in the investment funds. OIC is also responsible for providing an examination of the effectiveness of the investment program.

(1) Assumed Asset Allocation

The following table illustrates both the assumed asset allocation. Deferred outflows of resources and deferred inflows of resources for pensions were related to the following sources as of the measurement date June 30, 2019:

OIC Target and Actual Investment Allocation as of June 30, 2019*

Asset class/strategy	OIC policy low range	OIC policy high range	OIC target allocation	Asset class/strategy	Actual allocation
Debt securities	15.0	25.0	20.0 %	Debt securities	20.1 %
Public equity	32.5	42.5	37.5	Public equity	36.4
Real estate	9.5	15.5	12.5	Real estate	11.1
Private equity	14.0	21.0	17.5	Private equity	21.4
Alternative equity	—	12.5	12.5	Alternative equity	8.9
Opportunity portfolio[1]	—	3.0	—	Opportunity portfolio[1]	2.1
Total			100.0 %	Total	100.0 %

[1] Opportunity portfolio is an investment strategy, and it may be invested up to 3% of total plan net assets.

(Dollars in thousands)

The following table illustrates both the assumed asset allocation. Deferred outflows of resources and deferred inflows of resources for pensions were related to the following sources as of the measurement date June 30, 2018:

OIC Target and Actual Investment Allocation as of June 30, 2018*

Asset class/strategy	OIC policy low range	OIC policy high range	OIC target allocation	Asset class/strategy	Actual allocation
Cash	— %	3.0 %	— %	Cash	5.2 %
Debt securities	15.0	25.0	20.0	Debt securities	18.9
Public equity	32.5	42.5	37.5	Public equity	36.7
Real estate	9.5	15.5	12.5	Real estate	10.1
Private equity	13.5	21.5	17.5	Private equity	19.7
Alternative equity	—	12.5	12.5	Alternative equity	7.3
Opportunity portfolio[1]	—	3.0	—	Opportunity portfolio[1]	2.1
Total			100.0 %	Total	100.0 %

[1] Opportunity portfolio is an investment strategy, and it may be invested up to 3% of total plan net assets.

* The OIC target allocations are based on OIC asset classes as determined by each manager's primary investment type, not the financial statement classification of individual holdings. The target allocation amounts do not include deferred compensation plan investments. The actual investment allocation is based on the financial statement investment classifications, including deferred compensation plan investments.

(2) Long-Term Expected Rate of Return

To develop an analytical basis for the selection of the long-term expected rate of return assumption the PERS Board reviews long-term assumptions developed by the consulting actuary's capital market assumptions team and the OIC investment advisers. The table below shows the actuary's assumptions for each of the asset classes in which the plan was invested at that time based on the OIC long-term target asset allocation. The OIC's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions and includes adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

(Dollars in thousands)

Asset class	2020 Target allocation*	2020 Compound annual return (Geometric)	2019 Target allocation**	2019 Compound annual return (Geometric)
Core fixed income	8.00 %	3.49 %	8.00 %	3.49 %
Short-term bonds	8.00	3.38	8.00	3.38
Bank/leveraged loans	3.00	5.09	3.00	5.09
High-yield bonds	1.00	6.45	1.00	6.45
Large/mid cap U.S. equities	15.75	6.30	15.75	6.30
Small cap U.S. equities	1.30	6.69	1.30	6.69
Micro cap U.S. equities	1.30	6.80	1.30	6.80
Developed foreign equities	13.13	6.71	13.13	6.71
Emerging market equities	4.12	7.45	4.12	7.45
Non-U.S. small cap equities	1.88	7.01	1.88	7.01
Private equity	17.50	7.82	17.50	7.82
Real estate (property)	10.00	5.51	10.00	5.51
Real estate (REITs)	2.50	6.37	2.50	6.37
Hedge fund of funds – diversified	2.50	4.09	2.50	4.09
Hedge fund – event-driven	0.63	5.86	0.63	5.86
Timber	1.88	5.62	1.88	5.62
Farmland	1.88	6.15	1.88	6.15
Infrastructure	3.75	6.60	3.75	6.60
Commodities	1.88	3.84	1.88	3.84
Assumed inflation – mean	—	2.50	—	2.50
	100.00 %		100.00 %	

* Based on the OIC Statement of Investment Objectives and Policy Framework for the Oregon Public Employees Retirement Fund, revised as of December 3, 2014. The revised allocation was adopted at the June 7,2017 OIC meeting.

** Based on the OIC Statement of Investment Objectives and Policy Framework for the Oregon Public Employees Retirement Fund, revised as of December 3, 2014. The revised allocation was adopted at the June 26, 2015 OIC meeting.

(b) Other Retirement Plans

In addition to the PERS defined-benefit retirement plan, OHSU has three defined-contribution plans – the PERS IAP, the UPP, and the CRP.

Effective January 1, 2004, employees participating in PERS (Tier 1, Tier 2, and OPSRP) have had their 6% member contributions placed in the IAP. The IAP is a defined-contribution plan and is managed separately from the defined-benefit portion of the PERS pension plan.

Effective July 1, 1996, OHSU established the UPP. The UPP is a defined-contribution plan, which is available as an alternate to PERS for employees who are not eligible for the CRP. Employees become fully vested in employer contributions over a three- to four-year period (depending on collective bargaining agreements) or upon reaching age 50. Contribution levels are determined by the collective bargaining agreements for union represented employees and the board of directors of OHSU for noncollective bargaining employees. In fiscal years 2020 and 2019, all employer contributions to the plan were 6% of salary.

For Oregon Nurse Association (ONA) represented employees and noncollective bargaining employees, which includes faculty, research, and unclassified administrative participating in the UPP; OHSU offers a 6% employee contribution, which is employer paid and is fully vested at the time of the contribution.

In January 2016, the 6% employee contributions that OHSU funded for American Federation of State, County and Municipal Employees (AFSCME) represented employees, were eliminated per a Memorandum of Understanding of the July 19, 2015–June 30, 2019 collective bargaining agreement, which states that the Employer will discontinue the 6% employee contribution pickup for eligible employees participating in the UPP.

In July 2016, the 6% employee contributions that OHSU funded for the OHSU Police Association-represented employees, were eliminated from the July 1, 2016–June 30, 2019 collective bargaining agreement, which states that the Employer shall continue to make a 6% employee retirement plan contribution for eligible employees participating in the UPP prior to the first full-pay period following July 1, 2016, at which time the contribution will be discontinued.

(Dollars in thousands)

For employees who are members of the OPP who work in a qualifying position, OHSU offers participation in the CRP. The CRP is an employer-paid, defined-contribution plan, and contributions to this plan are fully vested at the time of the contribution. A variable contribution rate is used for employees enrolled prior to January 1, 2009. After January 1, 2009, a 12% contribution rate is used.

		2020	2019
UPP:			
Employer contribution	$	46,850	41,305
Employee contribution [1]		23,519	23,989
	$	70,369	65,294

		2020	2019
CRP:			
Employer contribution	$	31,251	28,620
	$	31,251	28,620

[1] Of the employees' share, the employer paid $23,519 and $23,989 related to noncollective bargaining employees and ONA-represented employees in fiscal years 2020 and 2019, respectively.

OHSU offers all eligible employees, full and part time, an option to participate in one of two tax-deferred savings plans through the University Voluntary Savings Program. The 403(b) Plan is often referred to as a tax-deferred investment plan while the 457(b) Plan is referred to as a deferred compensation plan. Both plans offer a variety of investment options. The contribution and investment earnings under these plans are tax deferred, which may be accumulated by the employee for distribution at a future date. All contributions to these plans are made by the employee and are fully vested at the time of the contribution.

The Foundations have defined-contribution plans available for substantially all employees. The plans are funded through the purchase of a group annuity contract with an insurance company at a discretionary amount equal to 12% of eligible compensation. Contributions are fully vested after five years. The Foundations contributed $1,000 and $1,000 for the purchase of retirement annuities during the fiscal years ended June 30, 2020 and 2019, respectively.

(Dollars in thousands)

(8) Postemployment Benefits Other than Pensions (OPEB)

OHSU administers a single-employer, defined-benefit healthcare plan for qualified employees and postemployment healthcare for retiring employees eligible to receive medical coverage. Additionally, for eligible PERS members, PERS administers the Retirement Health Insurance Account (RHIA) cost-sharing, multiple-employer defined-benefit OPEB plan.

(a) Single-Employer, Defined-Benefit Plans

(i) Plan Description

OHSU provides retiree health program coverage to current and future retirees of OHSU who qualify for retirement. Members who terminate prior to retirement eligibility or are not participating in the plan at retirement are not eligible to participate in the program. The employee must be actively enrolled in an OHSU medical plan at the time of separation from OHSU.

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

(ii) Employees Covered by Benefit Terms

The plan provides access for retiring employees to OHSU's employee medical plans at the same premium rates assessed to active employees. As of the measurement date of October 1, 2018, the following employees were covered by the benefit terms.

	October 1, 2019	October 1, 2018
Active employees	14,460	13,018
Retired members and others, receiving benefits	115	101
Total participants	14,575	13,119

(iii) Benefit Payments

Benefit payments made for the fiscal year-end June 30, 2020 and June 30, 2019 were $634 and $458, respectively.

(iv) Total OPEB Liability

The total OPEB liability as of the reporting date June 30, 2020 and 2019 is $20,955 and $12,335, respectively. The total OPEB liability was determined by an actuarial valuation as of October 1, 2019, calculated based on the discount rate and actuarial assumptions below, and was then projected forward to the measurement date. The liability is included in other noncurrent liabilities in the accompanying statements of net position.

(Dollars in thousands)

(v) Actuarial Assumptions and Other Inputs

The following methods and assumptions were used in developing the total OPEB liability.

Fiscal year ending	June 30, 2020	June 30, 2019
Valuation date	October 1, 2019	October 1, 2017
Measurement date	October 1, 2019	October 1, 2018
Reporting date	June 30, 2020	June 30, 2019
Experience study report	2018 Oregon PERS Experience Study Based on January 1, 2015 to December 31, 2018	2016 Oregon PERS Experience Study Based on January 1, 2013 to December 31, 2016
Inflation	2.50 %	2.50 %
Discount rate*	2.66 %	4.18 %

* The discount rate was based on the Bond Buyer General Obligation 20-Bond Municipal Index.

(vi) Expense and Deferred (Inflows)/Outflows of Resources Related to OPEB

The OPEB expense, which is considered concurrent period interest cost, service cost, amortization of deferred outflows and inflows, and effect of plan changes, was $860 and $1,033 for the fiscal year ended June 30, 2020 and June 30, 2019, respectively.

As of June 30, 2020 and 2019, the deferred inflows and outflows of resources were as follows:

	Deferred outflow of resources		Deferred inflow of resources	
	2020	2019	2020	2019
Differences between expected and actual experience	$ 1,098	—	—	—
Changes of assumptions	7,060	—	(1,037)	(1,249)
Total (prior to post-MD contributions)	8,158	—	(1,037)	(1,249)
Contributions subsequent to the measurement date	634	458	—	—
Gross deferred outflow (inflow) of resources	$ 8,792	458	(1,037)	(1,249)

The contributions made subsequent to the measurement date of $634 will be recognized as a reduction in the total OPEB liability during the year ending June 30, 2021.

(b) Cost-Sharing, Multiple-Employer Defined-Benefit Plans

(i) Plan Description

ORS 238.420 established the RHIA. RHIA is a cost-sharing, multiple-employer OPEB plan for 904 participating employers. The plan was closed to new entrants hired on or after August 29, 2003.

The State's PERS issues a publicly available financial report that includes financial statements and required supplementary information, including a 10-year historical trend information showing the accumulation of sufficient assets to pay benefits when due. Copies of the Oregon Public Employees Retirement System's Comprehensive Annual Financial Report and Actuarial Valuations may be obtained from the PERS Web site at: www.oregon.gov/pers/Pages/Financials/Actuarial-Financial-Information.aspx.

(ii) Benefits Provided

The plan authorizes a payment of up to sixty dollars from RHIA toward the monthly cost of health insurance for eligible PERS members.

(iii) Contributions

Contributions are advance-funded on an actuarially determined basis. The contractually required contributions for retiree healthcare liabilities for the period July 1, 2019 through June 30, 2021 are 0.06% for Tier One and Tier Two member-covered salaries to amortize the unfunded actuarial accrued liability. These rates were based on the December 31, 2017 actuarial valuation.

Contributions to the OPEB plan from OHSU were $153 and $1,590 for the years ended June 30, 2020 and June 30, 2019, respectively. Employees are not required to contribute to the OPEB plan.

(iv) OPEB Asset (Liability), OPEB Expense (Income), and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At fiscal year ended June 30, 2020 and 2019, OHSU reported an asset of $6,200 and $3,493 for its proportionate share of the net OPEB asset (liability), respectively. The net OPEB asset (liability) was measured as of June 30, 2018 and 2017 and the total OPEB asset (liability) used to calculate the net OPEB asset (liability) was determined by an actuarial valuation as of December 31, 2017 and December 31, 2016, respectively. OHSU's proportion of the net OPEB asset (liability) was based on a projection of OHSU's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating members, actuarially determined. At the June 30, 2019 and 2018 measurement date, OHSU's proportionate share was 3.21% and 3.13%, respectively.

(Dollars in thousands)

The OPEB expense (income), which is considered concurrent period interest cost, service cost, amortization of deferred outflows and inflows, and effect of plan changes, was $(1) and $(1), for the year ended June 30, 2020 and 2019, respectively. As of June 30, 2020 and 2019, the deferred inflows and outflows of resources were as follows:

	Deferred outflow of resources		Deferred inflow of resources	
	2020	**2019**	**2020**	**2019**
Differences between expected and actual experience	$ —	—	(818)	(198)
Changes of assumptions	—	—	(6)	(11)
Net difference between projected and actual earnings on investments	—	—	—	(753)
Changes in proportionate share	17	31	(383)	(18)
Differences between contributions and OHSU's proportionate share of system contributions	—	—	(50)	—
Total (prior to post-MD contributions)	17	31	(1,257)	(980)
Contributions subsequent to the measurement date	153	1,590	—	—
Gross deferred outflow (inflow) of resources	$ 170	1,621	(1,257)	(980)

The contributions made subsequent to the measurement date of $153 will be recognized as a reduction in the total OPEB liability during the year ending June 30, 2021.

(Dollars in thousands)

(v) Actuarial Assumptions and Other Inputs

The total OPEB asset (liability) in the December 31, 2017 and 2016 actuarial valuations were determined using the following actuarial assumptions, applied to all periods included in the measurement.

Fiscal year ending	June 30, 2020	June 30, 2019
Valuation date	December 31, 2017	December 31, 2016
Measurement date	June 30, 2019	June 30, 2018
Reporting date	June 30, 2020	June 30, 2019
Experience study report	2016, published July 26,2017 Based on data for the experience period January 1,2013 to December 31,2016	2016, published July 26, 2017 Based on data for the experience period January 1, 2013 to December 31, 2016
Actuarial assumptions:		
Actuarial cost method	Entry age normal	Entry age normal
Inflation rate	2.50 %	2.50 %
Long-term expected rate of return	7.20 %	7.20 %
Discount rate	7.20 %	7.20 %

(9) Long-Term Debt, Bonds, and Capital Leases

Long-term debt, including related unamortized original issue discounts and premiums and capital leases at June 30, 2020 and 2019, is as follows:

	2020	2019
Revenue Bonds		
Series 1995A	$ 23,027	32,485
Series 2012A, B3, and C	79,230	129,765
Series 2012E	—	126,365
Series 2015C	100,000	100,000
Series 2016B	199,835	199,835
Series 2017A	65,460	65,460
Series 2019A, B1, B2, and C	271,125	—
Direct Placement and Direct Purchase Revenue Bonds		
Series 2015A	—	57,050
Series 2015B	—	80,270
Series 2016A	50,000	50,000
Series 2017B	50,000	50,000

(Dollars in thousands)

		2020	2019
Series 2019D	$	50,000	—
Other Debt			
Debt Service Payment Agreement (DSPA)		2,004	3,976
Tenancy in Common Agreement (TIC)		24,080	24,682
Local improvement district agreements		13,251	15,106
Lines of Credit		—	—
Unamortized Bond Premiums and Discounts		67,396	38,512
Capital Leases		1,987	5,825
Less: Current Portion of Long-Term Debt and Capital Leases		(23,419)	(27,890)
Noncurrent Long-Term Debt and Capital Leases	$	973,976	951,441

(a) Revenue Bonds

1995A Insured Revenue Bonds

The OHSU 1995A Insured Revenue Bonds (1995A Bonds) are tax-exempt capital appreciation bonds with interest accreted until maturity. The total amount outstanding for the 1995A Bonds is $23,027 as of June 30, 2020; including principal amount of $5,745 and an accreted interest balance of $17,282. The 1995A Bonds have remaining outstanding maturities due July 1, 2020 through July 1, 2021 requiring quarterly deposits to the bond trustee for debt service. OHSU is required to maintain funds held by a trustee for debt service reserve requirements for these bonds in amounts sufficient to pay specified principal and interest payments. The 1995A Bonds are limited obligations of OHSU and are secured by OHSU's gross revenue. Pursuant to the Oregon Uniform Revenue Bond Act, the 1995A Bonds are not general obligation bonds and are payable solely from the revenue pledged.

2009A Revenue Bonds (Refunded)

OHSU Series 2009A Revenue Bonds (2009A Bonds) were advance refunded on February 25, 2016 of fiscal year 2016 by a portion of the OHSU Series 2016B Revenue Bonds. At the time of the advance refunding, funds were deposited into an irrevocable escrow account to provide for all future payments of principal and interest for the Series 2009A up to the redemption date of July 1, 2019. The debt was considered as defeased in-substance and removed from long-term debt. In the current fiscal year, on the redemption date of July 1, 2019, the funds held in escrow were fully disbursed and the bonds were redeemed for a total payment of principal $158,505 and accrued interest $4,569. While the advance refunding of the Series 2009A resulted in an economic gain for OHSU, the event generated a deferred accounting loss, which has been reflected as a deferred outflow in the financial statements. The deferred accounting loss is being amortized using the effective-interest method over the original life of the 2009A Bonds. The balances of the deferred accounting loss from the advance refunding of the 2009A Bonds as of June 30, 2020 and 2019 are $19,442 and $20,640, respectively.

2012ABCD Revenue Bonds (Partially Refunded)

OHSU Series 2012A Revenue Bonds (2012A Bonds) are tax-exempt fixed rate bonds with an outstanding principal amount of $79,230 as of June 30, 2020. The 2012A Bonds have remaining maturities due July 1, 2020 through July 1, 2028, and require semiannual interest payments with coupon rates ranging from 3.0% to 5.0%. The 2012A Bonds are limited obligations of OHSU and are secured by OHSU's gross revenue. Pursuant to the Oregon Uniform Revenue Bond Act, the 2012A Bonds are not general obligation bonds and are payable solely from the revenue pledged.

The OHSU Series 2012B-1, Series 2012B-2, Series 2012B-3, Series 2012C, and Series 2012D have been refunded; specifically the OHSU Series 2012B-3 and Series 2012C were refunded on December 19, 2019 of the current fiscal year. The 2012B-3 Bonds in the amount of $28,520 were refunded on a current refunding basis by the OHSU Series 2019B-1 Revenue Bonds, $25,950 fixed rate put bonds issued at a premium of $2,685. The 2012C Bonds in the amount of $14,575 were refunded on a current refunding basis by a portion of the proceeds from the OHSU Series 2019A Revenue Bonds, $131,010 tax-exempt fixed rate bonds issued at a premium of $23,534.

The previous 2012B-3 Bonds and 2012C Bonds were variable rate bonds with interest payments based on prevailing one-month LIBOR rates. While the refunding of these variable rate bonds are deemed to result in an economic gain for the University, the uncertainty of future variable interest rates, execution of put provision, and other considerations make the economic gain subjective in nature. No accounting gain or loss was recorded as a result of the 2012B-3 and 2012C refunding. Refunding the variable rate debt with fixed rate debt eliminated interest rate, tax policy, and remarketing risk, while taking advantage of the reduction in long-term interest rates. Further information on the refunding is provided under "2019ABC Revenue Bonds."

2012E Revenue Bonds (Refunded)

OHSU Series 2012E Revenue Bonds (2012E Bonds) were refunded on December 19, 2019 of the current fiscal year. The 2012E Bonds had an outstanding principal amount of $126,365 and were refunded partially on a current refunding basis and partially on an advance refunding basis. Through a tender offer, $21,900 of the 2012E Bonds was refunded on a current refunding basis by a portion of proceeds from the OHSU Series 2019A Revenue Bonds, $131,010 tax-exempt fixed rate bonds issued at a premium of $23,534. The remaining $104,465 of the 2012E Bonds was refunded on an advance refunding basis by proceeds from the taxable fixed rate OHSU Series 2019C Revenue Bonds, $65,045, and the taxable direct purchase OHSU Series 2019D Revenue Bonds, $50,000.

The 2012E Bonds are considered to be defeased in substance and the liability related to these bonds has been removed from long-term debt. The amount of in substance defeased debt outstanding as of June 30, 2020 is $104,465. At the time of the advance refunding, funds were deposited into an irrevocable escrow account to provide for all future payments of principal and interest for the Series 2012E up to the redemption date of July 1, 2022 on which the University intends to redeem the bonds. The funds held in escrow for the refunding of the Series 2012E as of June 30, 2020 is $111,899.

The 2012E Bonds had remaining scheduled debt service payments of $190,267 over the next 12 years. In comparison, the 2019A Bonds portion, the 2019C Bonds, and the 2019D Bonds, which refunded the 2012E Bonds have scheduled debt service payments of $178,013 over the next 29 years. As a result, the refunding of the 2012E Bonds decreased debt service payments by $12,254, and generated an economic gain, net present value savings, of $11,456. While the refunding resulted in an economic gain for OHSU, the event generated a deferred accounting loss of $9,857, which has been reflected as a deferred outflow in the financial statements. The deferred accounting loss is being amortized using the effective-interest method over the original life of the 2012E Bonds. The balance of the deferred accounting loss from the refunding of the 2012E Bonds is $9,361 as of June 30, 2020.

2015C Revenue Bonds

OHSU Series 2015C Revenue Bonds (2015C Bonds) are taxable fixed rate bonds with an outstanding principal amount of $100,000 as of June 30, 2020. The 2015C Bonds have a maturity date of July 1, 2045, and require semiannual interest payments at a coupon rate of 5.0%. Proceeds from the Series 2015C were used for general public corporation or other public purposes, including, but not limited to, financing capital expenses, noncapital expenses, and costs related to the issuance of the bonds. The 2015C Bonds are limited obligations of OHSU and are secured by OHSU's gross revenues. Pursuant to the Oregon Uniform Revenue Bond Act, the 2015C Bonds are not general obligation bonds and are payable solely from revenue pledged.

2016B Revenue Bonds

OHSU Series 2016B Revenue Bonds (2016B Bonds) are tax-exempt fixed rate bonds with an outstanding principal amount of $199,835 as of June 30, 2020. The 2016B Bonds have maturities due beginning July 1, 2028 through July 1, 2046 requiring semiannual interest payments with coupon rates ranging from 2.5% to 5.0%. The 2016B Bonds were issued to advance refund the Series 2009A and for capital improvements related to the construction of a new ambulatory care tower and as a prerequisite to the receipt of state matching grant funds for the construction of a new Knight Cancer Research Building. The 2016B Revenue Bonds are limited obligations of OHSU and are secured by OHSU's gross revenues. Pursuant to the Oregon Uniform Revenue Bond Act, the 2016B Revenue Bonds are not general obligation bonds and are payable solely from revenue pledged.

2017A Revenue Bonds

OHSU Series 2017A Revenue Bonds (2017A Bonds) are tax-exempt fixed rate bonds with an outstanding principal amount of $65,460 as of June 30, 2020. The 2017A Bonds have maturities due beginning July 1, 2033 through July 1, 2046 requiring semiannual interest payments with coupon rates ranging from 3.5% to 5.0%. The Series 2017A Revenue Bonds were issued for capital improvements related to the construction of a new ambulatory care tower and as a prerequisite to the receipt of State matching grant funds for the construction of a new Knight Cancer Research Building. The 2017A Bonds are limited obligations of OHSU and are secured by OHSU's gross revenues. Pursuant to the Oregon Uniform Revenue Bond Act, the 2017A Bonds are not general obligation bonds and are payable solely from revenue pledged.

2019ABC Revenue Bonds

OHSU Series 2019A Revenue Bonds (2019A Bonds) $131,010 were issued on December 19, 2019 at a premium of $23,534. The 2019A Bonds are tax-exempt fixed rate bonds with maturities due beginning July 1, 2020 through July 1, 2049, requiring semiannual interest payments with coupon rates ranging from 3.0% to 5.0%.

OHSU Series 2019B1 Revenue Bonds (2019B1 Bonds) $25,950 were issued on December 19, 2019 at a premium of $2,685. The 2019B1 Bonds are tax-exempt put bonds with maturities due beginning July 1, 2040 through July 1, 2042, and a first optional redemption date of November 1, 2022. The 2019B1 Bonds require semiannual debt service payments at a coupon rate of 5.0%.

OHSU Series 2019B2 Revenue Bonds (2019B2 Bonds) $49,120 were issued on December 19, 2019 at a premium of $8,214. The 2019B2 Bonds and are tax-exempt put bonds with maturities due beginning July 1, 2040 through July 1, 2042, and a first optional redemption date of November 1, 2024. The 2019B2 Bonds require semiannual debt service payments at a coupon rate of 5.0%.

OHSU Series 2019C Revenue Bonds (2019C Bonds) $65,045 were issued on December 19, 2019. The 2019C Bonds are taxable fixed rate bonds with maturities due beginning July 1, 2023 through July 1, 2032, and require semiannual interest payments with coupon rates ranging from 2.2% to 3.0%.

The 2019A, 2019B1, 2019B2, and 2019C Bonds were issued to refund a portion of the OHSU Series 2012E Revenue Bonds on a current and advance refunding basis, to refund the OHSU Series 2012C and Series 2012B-3 Revenue Bonds on a current refunding basis, to refund the OHSU Series 2015A and 2015B Revenue Bonds on a current refunding basis, to pay for capital improvements for the University, and to pay for costs of issuance for the bonds. The 2019A, 2019B1, 2019B2, and 2019C Bonds are limited obligations of OHSU and are secured by OHSU's gross revenues. Pursuant to the Oregon Uniform Revenue Bond Act, the 2019A, 2019B1, 2019B2, and 2019C Bonds are not general obligation bonds and are payable solely from revenue pledged.

(b) Direct Placement and Direct Purchase Bonds

2015AB Revenue Bonds

OHSU Series 2015A (2015A Bonds) and Series 2015B (2015B Bonds) Revenue Bonds were both refunded on December 19, 2019 of the current fiscal year. The 2015A Bonds in the amount of $57,050 were refunded on a current refunding basis by the OHSU Series 2019B-2 Revenue Bonds. The 2015B Bonds in the amount of $78,970 were refunded on a current refunding basis by a portion of proceeds from the OHSU Series 2019A Revenue Bonds.

The previous 2015A Bonds and 2015B Bonds were variable rate bonds with interest payments based on prevailing one-month LIBOR rates and an applicable spread. While the refunding of these variable rate bonds are deemed to result in an economic gain for the University, the uncertainty of future variable interest rates, execution of put provision, and other considerations make the economic gain subjective in nature. No accounting gain or loss was recorded as a result of the 2015A and 2015B refunding. Refunding the variable rate debt with fixed rate debt eliminated interest rate, tax policy, and remarketing risk, while taking advantage of the reduction in long-term interest rates. Further information on the refunding is provided under "2019ABC Revenue Bonds."

2016A Revenue Bonds

OHSU Series 2016A Revenue Bonds (2016A Bonds) are tax-exempt fixed rate direct placement bonds with an outstanding principal amount of $50,000 as of June 30, 2020. The 2016A Bonds were issued for capital improvements related to the construction of a new ambulatory care tower and as a prerequisite to the receipt of state matching grant funds for the construction of a new Knight Cancer Research Building. The 2016A Bonds are subject to event of default provisions that may cause the full outstanding amount to become immediately due and payable at the discretion of the bondholder representative. Event of default provisions are extensive with certain provisions subjective in nature based on materiality. Some notably event of default provisions included, but not limited to, are if the University fails to pay principal or interest on any bond when due, if the University makes any material misrepresentation in connection to the agreement and if the University fails to meet the debt covenants requiring financial disclosures. The 2016A Bonds are limited obligations of OHSU and are secured by OHSU's gross revenues. Pursuant to the Oregon Uniform Revenue Bond Act, the 2016A Bonds are not general obligation bonds and are payable solely from revenue pledged.

2017B Revenue Bonds

OHSU Series 2017B Revenue Bonds (2017B Bonds) are tax-exempt fixed rate direct placement bonds with an outstanding principal amount of $50,000 as of June 30, 2020. The 2017B Bonds were issued for capital improvements related to the construction of a new ambulatory care tower and as a prerequisite to the receipt of state matching grant funds for the construction of a new Knight Cancer Research Building. The 2017B Bonds are subject to event of default provisions that may cause the full outstanding amount to become immediately due and payable at the discretion of the bondholder representative. Event of default provisions are extensive with certain provisions subjective in nature based on materiality. Some notably event of default provisions included, but not limited to, are if the University fails to pay principal or interest on any bond when due, if the University makes any material misrepresentation in connection to the agreement, and if the University fails to meet the debt covenants requiring financial disclosures. The 2017B Bonds are limited obligations of OHSU and are secured by OHSU's gross revenues. Pursuant to the Oregon Uniform Revenue Bond Act, the 2017B Bonds are not general obligation bonds and are payable solely from revenue pledged.

2019D Revenue Refunding Bonds

OHSU Series 2019D Revenue Bonds (2019D Bonds) were issued on December 19, 2019 in the amount of $50,000. The 2019D Bonds are taxable fixed rate direct purchase rate bonds with an outstanding principal amount of $50,000 as of June 30, 2020. The 2019D Bonds were issued to refund a portion of the OHSU Series 2012E Revenue Bonds on an advance refunding basis. The 2019D Bonds are subject to event of default provisions that may cause the full outstanding amount to become immediately due and payable at the discretion of the bondholder representative. Event of default provisions are extensive with certain provisions subjective in nature based on materiality. Some notably event of default provisions included, but not limited to, are if the University fails to pay principal or

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interest on any bond when due, if the University makes any material misrepresentation in connection to the agreement, and if the University fails to meet the debt covenants requiring financial disclosures. The 2019D Bonds are limited obligations of OHSU and are secured by OHSU's gross revenues. Pursuant to the Oregon Uniform Revenue Bond Act, the 2019D Bonds are not general obligation bonds and are payable solely from revenue pledged.

(c) Other Debt

Debt Service Payment Agreement (DSPA)

OHSU became an independent public corporation pursuant to an act of the Oregon Legislative Assembly in 1995 (the Act). Pursuant to the Act, OHSU assumed liability for outstanding indebtedness of the State previously incurred for the benefit of OHSU. To evidence this obligation, OHSU and the Oregon State Board of Higher Education (on behalf of the State of Oregon) entered into a DSPA, dated as of July 1, 1995, as subsequently amended (the State DSPA), pursuant to which OHSU makes semiannual payments to the State in amounts sufficient to pay when due all principal, interest, and any other charges with respect to such previously issued debt. The total amount of principal and accreted interest outstanding under the State DSPA is $2,004 as of June 30, 2020, including principal amount of $1,073 and an accreted interest balance of $931. Payment under the terms of the State DSPA by OHSU represents full satisfaction of any legal obligation related to such outstanding indebtedness.

Tenancy in Common Agreement – Robertson Life Sciences Building

During fiscal year 2011, OHSU entered into a joint construction project with the Oregon State Board of Higher Education (previously referred to as Oregon University System) to build the Robertson Life Sciences Building (previously referred to as the Collaborative Life Sciences Building) on OHSU's Schnitzer Campus located in Portland's South Waterfront to be jointly owned, developed, and operated collaboratively with Portland State University and Oregon State University. As partial consideration for OHSU's receipt of 50% undivided percentage interest in the tenancy in common of the Robertson Life Sciences Building, OHSU agreed to pay to the State one half of each assigned scheduled fixed rate Series 2011F and G State Bonds debt service issued to fund the construction of the project. OHSU makes semiannual payments to the State in amounts sufficient to pay when due all principal, interest, and any other charges with respect to these bonds. The total amount of principal outstanding for OHSU portion of debt is $24,080 as of June 30, 2020. Payments under the terms of the TIC by OHSU represents full satisfaction of any legal obligation related to such outstanding indebtedness.

Local Improvement District Assessments

OHSU initially entered into various local improvement district agreements (LIDs) with the City of Portland, Oregon during fiscal years 2007 and 2008 for real improvements to Portland's South Waterfront District. During fiscal year 2012, OHSU entered into additional LIDs with the City of Portland for real improvements to the same Portland South Waterfront District. All outstanding LID debt is scheduled to be repaid in semiannual installments, with maturities through fiscal year 2029 and interest rates ranging between 4.19% and 4.71%. The total outstanding amount of principal as of June 30, 2020 and 2019 are $13,251 and $15,106, respectively, and have been included in long-term debt in the statements of net position.

(Dollars in thousands)

(d) *Lines of Credit*

OHSU established two lines of credit on April 14, 2020. The two lines of credit are in the amounts of $100,000 and $50,000, respectively, and both credit agreements have a maturity date within one year ending on April 13, 2021. Interest is payable on a monthly basis and interest rates are variable based on the one-month LIBOR rate and an applicable spread. As of June 30, 2020, OHSU has not drawn on these lines of credit. Both lines of credit are subject to event of default provisions that would cause the full outstanding amount to become immediately due and payable.

(e) *Unamortized Bond Premiums and Discounts*

OHSU has issued bonds at a premium and bonds at a discount. The premium and discount are amortized over the life of the bond and the unamortized balances are included in long-term debt in the statements of net position. The unamortized net premium balances as of June 30, 2020 and June 30, 2019 are $67,396 and $38,512. The 2019A, 2019B1, and 2019B2 Bonds were issued on December 19, 2019 at a premium totaling $34,433.

(f) *Interest Rate Swap Agreement*

As of June 30, 2020 and 2019, OHSU held one interest rate swap agreement with Wells Fargo Bank, NA. The balances of OHSU's swap as of June 30, 2020 and 2019 are as follows:

		Notional		Fair value	
		2020	**2019**	**2020**	**2019**
Wells Fargo swap	$	70,200	70,200	(26,699)	(13,413)
	$	70,200	70,200	(26,699)	(13,413)

The notional amount of the outstanding swap with Wells Fargo Bank, NA declines over time and terminates on July 1, 2042. OHSU's interest rate swap agreement with Wells Fargo Bank, NA was established when OHSU entered into an International Swaps and Derivatives Association swap novation in fiscal year 2016.

Under the swap agreement with Wells Fargo Bank, NA, OHSU makes fixed rate interest payments of 2.506% and receives a variable rate payment computed as 70.00% of the London Interbank Offered Rate. The fair value represents the estimated amount that OHSU would pay or receive if the swap agreement was terminated at year-end, taking into account current interest rates and the creditworthiness of the underlying counterparty. Total cash payments made to the swap counterparty were $1,030 and $590 during the years ended June 30, 2020 and 2019, respectively.

On December 19, 2019, OHSU refunded the Series 2012B-3 and Series 2015A Bonds, which were the assigned hedges under the interest rate swap. As of June 30, 2020, the outstanding interest rate swap has no assigned hedges and is not associated with any variable rate debt.

The companion debt instrument for the interest rate swap and deferred amortization of debt instruments were adjusted based on the market value of the swap on the date of the termination of the related hedge assignments. The value of the companion debt instrument is $14,815 and $13,871 as of June 30, 2020 and 2019, respectively. The deferred amortization of debt instruments is $7,342 and $7,330 as of June 30, 2020 and 2019, respectively. OHSU continues to amortize both the companion debt instrument and the deferred amortization of debt instruments. In addition, without the hedged debt associated with the swap, the change in market value of the interest rate swap, as determined after the date of debt refinancing, is now recorded to an unrealized gain or loss. An unrealized loss of $11,884 related to the swap has been recorded as of June 30, 2020.

OHSU is exposed to swap credit risk, which is the risk that the counterparty will not fulfill its obligation. As of June 30, 2020 and 2019, the counterparties' long-term credit ratings were A+ from Standard & Poor's, Aa2 from Moody's, and AA- from Fitch. Additionally, the swap exposes OHSU to basis risk, which is the risk that arises when the relationship between the rates on the variable rate bonds and the swap formulas noted above vary from historical norms. If this occurs, swap payments received by OHSU may not fully offset its bond interest payments.

OHSU may be additionally responsible for posting collateral based on its credit ratings and if the total swap liability exceeds a predetermined value on its reporting date. Based on current credit ratings for OHSU and the current market value of the swap, OHSU is not required to post any collateral at this time.

OHSU or the counterparty may terminate the swap if the other party fails to perform under the terms of the contracts. The swap has the option of early termination with a cash settlement.

(g) Subsequent Debt Activity

On July 16, 2020 of fiscal year 2021, the State of Oregon refunded a portion of the bonds assigned to the State Debt Service Payment Agreement and Tenancy in Common Agreement. Under these two agreements, OHSU is required to make semiannual debt service payments to the State of Oregon for State debt issued for the benefit of OHSU. The State of Oregon refunded OHSU assigned debt from the State Bonds Series 2010A, Series 2011E, Series 2011G, and a portion of the Series 2012A for a total principal amount of $11,988. To refund this debt, the State issued the Series 2020O Bonds of which OHSU is assigned $12,895 in principal to be repaid with maturities out to fiscal year 2042. The State's refunding increased the amount of debt principal due for OHSU, but resulted in interest savings over the life of the bonds. OHSU debt service payments, including principal and interest, was $22,056 under the old refunded bonds and is $17,747 under the new bonds issued, a decrease of $4,309. The economic gain or net present value savings for OHSU, as calculated by the State, was $3,850.

(Dollars in thousands)

(h) Capital Leases

OHSU has entered into agreements for the lease of certain equipment and vehicles. Amortization of the capitalized value of these assets is included in depreciation and amortization expense on the statements of revenues, expenses, and changes in net position. Future minimum lease payments under these agreements are as follows:

Year ending June 30:		
2021	$	1,003
2022		1,001
2023		58
2024		13
2025		—
		2,075
Less amount representing interest		(88)
		1,987
Less current portion		(943)
	$	1,044

(i) Summary of Long-Term Debt, Bonds, and Capital Leases

Long-term debt and capital lease balances as of June 30, 2020 and 2019 are $997,395 and $979,331, respectively. As of June 30, 2020, the total long-term debt balance of $997,395 includes the current portion of $23,419 and the noncurrent portion of $973,976. These balances comprises revenue bonds, direct placement and purchase rate bonds, other debt related to the DSPA, TIC and LID agreements, unamortized balances for bond premiums and discounts, and capital leases.

(Dollars in thousands)

Principal and interest payments under the long-term debt obligations and capital leases are as follows:

	Principal	Interest	Total
Year(s) ending June 30:			
2021	$ 14,107	47,060	61,167
2022	14,891	46,384	61,275
2023	23,127	35,943	59,070
2024	23,393	34,878	58,271
2025	24,215	33,929	58,144
2026–2030	135,631	152,792	288,423
2031–2035	148,215	124,796	273,011
2036–2040	146,038	93,460	239,498
2041–2045	173,175	57,060	230,235
2046–2050	208,995	8,084	217,079
	$ 911,787	634,386	1,546,173

(j) Changes in Long-Term Liabilities

Changes in OHSU's total long-term liabilities during the fiscal years ended June 30, 2020 and 2019 is summarized below:

	June 30, 2019 Balance	Increases	Decreases	June 30, 2020 Current Portion	June 30, 2020 Noncurrent Portion
Liability for self-funded insurance programs	$ 72,903	27,006	(26,113)	33,935	39,861
Liability for life income agreements	23,235	947	(3,441)	—	20,741
Long-term debt	973,506	356,904	(335,002)	22,477	972,931
Long-term capital leases	5,825	104	(3,942)	943	1,044
Other noncurrent liabilities	33,483	21,615	—	—	55,098
Pension liability	456,006	277,791	(230,077)	—	503,720
	$ 1,564,958	684,367	(598,575)	57,355	1,593,395

(Dollars in thousands)

		June 30, 2018 Balance	Increases	Decreases	June 30, 2019 Current Portion	June 30, 2019 Noncurrent Portion
Liability for self-funded insurance programs	$	67,945	31,009	(26,051)	33,221	39,682
Liability for life income agreements		23,975	2,560	(3,300)	—	23,235
Long-term debt		998,071	—	(24,565)	23,971	949,535
Long-term capital leases		3,580	3,460	(1,215)	3,919	1,906
Other noncurrent liabilities		34,754	33	(1,304)	—	33,483
Pension liability		424,000	249,928	(217,922)	—	456,006
	$	1,552,325	286,990	(274,357)	61,111	1,503,847

(10) Life Income Fund – Annuities

Assets contributed as life income agreements are recorded at their fair value. The present value of estimated future payments to beneficiaries of annuity agreements is recorded as a liability. The present values of these estimated payments were determined on the basis of published actuarial factors for the ages of the respective annuity beneficiaries. Differences between the assets contributed and the expected payments to be made to beneficiaries have been recorded as donations in the year established.

Life income contributions, including gifts, grants, and contracts in the accompanying statements of revenues, expenses, and changes in net position, are as follows for the fiscal years ended June 30, 2020 and 2019:

	2020 Agreements		2020 Asset	2020 Liability
Charitable remainder unitrusts	3	$	2,297	1,250
Charitable lead unitrusts	—		—	—
Charitable gift annuities	7		310	148
Total	10	$	2,607	1,398

(Dollars in thousands)

	2019			
	Agreements		Asset	Liability
Charitable remainder unitrusts	3	$	2	1
Charitable lead unitrusts	1		1,011	299
Charitable gift annuities	13		1,545	902
Total	17	$	2,558	1,202

The assets and corresponding liabilities related to life income agreements are included in long-term investments, restricted, and the liability for life income agreements in the accompanying statements of net position.

Total life income instruments held at June 30, 2020 and 2019 are as follows:

	2020			
	Agreements		Asset	Liability
Charitable remainder unitrusts	55	$	21,649	6,335
Charitable lead unitrusts	3		21,188	7,857
Charitable remainder trust annuities	1		93	67
Charitable gift annuities	178		10,170	5,906
Life estate agreements	3		977	576
Total	240	$	54,077	20,741

	2019			
	Agreements		Asset	Liability
Charitable remainder unitrusts	64	$	23,820	7,922
Charitable lead unitrusts	3		21,615	8,451
Charitable remainder trust annuities	1		117	79
Charitable gift annuities	191		10,446	6,185
Life estate agreements	3		996	598
Total	262	$	56,994	23,235

Thirteen charitable gift annuities, included above, have been reinsured with insurance carriers in order to reduce liability exposure. Under the reinsurance contracts, the future beneficiary payments are paid by the insurance carrier. To the extent the insurance carriers are unable to perform under the contract, OHSU would be responsible for payment.

(Dollars in thousands)

(11) Funds Held in Trust by Others

The Foundations are the named beneficiaries of 40 and 41 trusts held by outside trustees as of June 30, 2020 and 2019, respectively. The reported fair market value of trust assets held by others was $47,100 and $50,200 of the years ended June 30, 2020 and 2019, respectively. The Foundations record contributions as trust distributions occur. Trust distributions of $1,900 and $2,400 were recorded as contributions during the fiscal years ended June 30, 2020 and 2019, respectively.

(12) Pledges and Estates Receivables

The Foundations had the following pledges and estates receivable as of June 30, 2020 and 2019:

		2020	2019
Pledges maturing within 1 year	$	86,308	72,949
Pledges maturing within 2–10 years		323,229	372,939
		409,537	445,888
Less allowance for uncollectible pledges		(2,373)	(2,420)
		407,164	443,468
Less discount for net present value		(14,711)	(19,814)
Total net pledges receivable		392,453	423,654
Estates receivable		15	1,935
Less allowance for uncollectible estates		(1)	(97)
Total net estates receivable		14	1,838
Total pledges and estates receivable	$	392,467	425,492

(13) Commitments and Contingencies

(a) Liability for Self-Funded Insurance Programs

Coverage for professional liability, patient general liability, and automobile liability is provided through OHSU's solely owned captive insurance company, OHSU Insurance Company. Current coverage limits are $4,500 per claim with an annual aggregate of $17,500 for professional liability and $3,000 per claim for general liabilities.

Coverage for the directors' and officers' liability and employment practices liability deductible is also provided through OHSU Insurance Company. Current coverage limits for claims made on or after July 1, 2014 are $1,000 for each and every claim.

Coverage for the cyber liability deductible is also provided through OHSU Insurance Company. The coverage limit for cyber liability is $250 for each and every claim.

(Dollars in thousands)

Excess coverage and reinsurance is provided by a variety of insurers for claims that may exceed these limits. Coverage is written on a claims-made basis.

OHSU has contracted with independent actuaries to estimate the ultimate costs of settlement related to the coverage provided by OHSU Insurance Company. The liabilities are discounted at 1.5% in 2020 and 3.0% in 2019 and, in management's opinion, provide an adequate reserve for loss contingencies.

In December 2007, the Oregon Supreme Court found unconstitutional certain provisions of the Oregon Tort Claims Act (OTCA) that limited OHSU's liability for the acts of its employees and agents in large damages cases.

Effective July 1, 2009, the OTCA was amended by Senate Bill 311 for events occurring on or after December 28, 2007. The new OTCA limits are as follows:

Date of event		New OTCA limit (per claim)	Occurrence aggregate
07/01/2010–06/30/2011	$	1,600	3,200
07/01/2011–06/30/2012		1,700	3,400
07/01/2012–06/30/2013		1,800	3,600
07/01/2013–06/30/2014		1,900	3,800
07/01/2014–06/30/2015		2,000	4,000
07/01/2015–06/30/2016		2,048	4,096
07/01/2016–06/30/2017		2,074	4,147
07/01/2017–06/30/2018		2,118	4,236
07/01/2018–06/30/2019		2,182	4,363
07/01/2019–06/30/2020		2,247	4,494

The impact of this decision has been included in the liability for self-funded insurance programs in the accompanying financial statements.

In September 2013, a judgment was awarded against OHSU in a professional liability case that was in excess of the OTCA, which limits OHSU's and other Oregon public body's liability for the acts of its employees and agents. OHSU disbursed the sum of $3,000, the amount of the tort cap in place at the date of the event. In May 2016, the Oregon Supreme Court affirmed the OTCA in this case.

Effective January 1, 2017, OHSU Insurance Company affiliated with a newly formed Oregon limited liability company called OHSU Project Co., LLC (a controlled affiliate of OHSU), which comprises OHSU and other nonaffiliated healthcare providers and systems, referred to as members. The operating agreement of OHSU Project Co., LLC asserts that OHSU's membership interest or voting power with respect to OHSU Project Co., LLC may not constitute less than ten percent (10%) of the outstanding membership interests. OHSU's membership interest was 31.4% and 34.2% as of June 30, 2020 and 2019, respectively.

The OHSU Project Co., LLC's sole purpose is to purchase casualty stop-loss insurance from OHSU Insurance Company for the benefit of its members. Each provider is entitled to coverage equal to its percentage membership interest in the limited liability company. The contracted payor effectuated the health insurance products entering into a provider-networking contract with OHSU Project Co., LLC.

Insco provides to OHSU Project Co., LLC medical aggregate excess of loss coverage for its share of the medical loss ratio (MLR) risk and cedes a portion of the risk to Swiss Re. Should MLR deteriorate sufficiently so as to trigger the risk ceded to Swiss Re, then Swiss Re will be liable for 90% of OHSU Project Co., LLC's risk share, subject to a maximum liability of $1,500 with the 10% retention staying with OHSU Insurance Company.

On January 1, 2006, workers compensation coverage for all employees was placed with the SAIF Corporation in accordance with statutory requirements. The State Accident Insurance Fund also provides Employers Liability coverage in the amount of $500, without retention. The State Accident Insurance Fund policy was written as a paid loss retrospective plan until July 1, 2017 at which time it converted its coverage to a guaranteed cost plan. This paid premium is an estimate and varies with audited payroll. In addition, the State Accident Insurance Fund bills monthly for the prior year's claims paid losses. (2006 to June 2017), adding a 16.5% loss conversion factor to the paid loss costs. Six months after the policy term, and every 12 months thereafter, a retrospective evaluation is completed (for years 2006 to June 2017) to determine any additional amounts to be paid, including outstanding reserves, for claims relating to the policy year.

(b) *Unemployment Compensation*

Unemployment compensation claims are administered by the Oregon Employment Division pursuant to Oregon Revised Statutes. The estimated amount of future benefits payments to claimants and the resulting liability to OHSU have been reflected as accrued salaries, wages, and benefits in the accompanying statements of net position.

(c) *Employee Health Programs*

OHSU is self-insured for its risk of loss related to costs to insure its employees for medical, dental, and vision coverage. OHSU has utilized a third-party actuary to assist in the estimation of its liability for the employee health programs related to claims payable and those claims incurred but not yet paid or reported of approximately $19,240 and $17,957 as of June 30, 2020 and 2019, respectively. These amounts are included in current portion of self-funded insurance program liabilities in the accompanying statements of net position.

(d) *Labor Organizations*

As of fiscal year-end June 30, 2020, approximately 55% of OHSU's employees are represented by labor organizations: 15% of OHSU's employees are nurses represented by the ONA, 39% of OHSU's employees are represented by the AFSCME, and less than 1% of OHSU's employees are represented by the OHSU Police Association. The current contract with ONA expires on August 30, 2020. The current contract with AFSCME will be in effect until June 30, 2022. The current contract with the OHSU Police Association expires on June 30, 2021.

(e) Construction Contracts

OHSU had outstanding commitments on unexpended construction contracts totaling approximately $34,136 and $42,362 at June 30, 2020 and 2019, respectively. These commitments will be primarily funded from gifts, grants, funds held by trustee, and other investment accounts.

(f) Legal Proceedings

The healthcare industry and academic medical centers are subject to numerous laws and regulations of federal, state, and local governments. These laws and regulations include, but are not limited to, laws and regulations related to licensure, accreditation, government health program participation, reimbursement for patient services, Medicare and Medicaid fraud and abuse, and laws and regulations governing the conduct of federally funded research, research involving human and animal subjects, and other facets of research. Government monitoring and enforcement activity continues with respect to possible violations of fraud and abuse laws and regulations and other laws and regulations applicable to healthcare providers and healthcare institutions, including academic medical centers. Violations of these laws and regulations could result in expulsion from government healthcare programs, together with the imposition of significant fines and penalties and repayments for patient services previously billed. Management believes OHSU is in compliance with applicable fraud and abuse laws and regulations, as well as other applicable government laws and regulations.

OHSU's compliance with the referenced laws and regulations may be subject to current or future government review and interpretation, as well as regulatory actions unknown or unasserted at this time.

OHSU is involved in litigation and is periodically the subject of regulatory inquiries in the normal course of its business. In past years, OHSU was subject to several federal healthcare audits as a part of national initiatives targeting large numbers of hospitals and academic medical centers and was the subject of government-issued subpoenas and postpayment reviews concerning specific OHSU billing practices. OHSU responded to these audits, subpoenas, and reviews, and these matters were resolved or are expected to be resolved without material adverse effect on OHSU's financial position, changes in financial position, or liquidity.

(g) Operating Leases

Leases that do not meet the criteria for capitalization are classified as operating leases, with the related rentals charged to operations as incurred.

(Dollars in thousands)

Rental expenses under operating leases were approximately $21,582 and $22,393 in 2020 and 2019, respectively. The following is a schedule of future minimum rental commitments under operating leases as of June 30, 2020 and 2019 that have initial or remaining lease terms in excess of one year:

Year ending June 30:		
2021	$	16,853
2022		12,815
2023		10,690
2024		8,046
2025		7,675
Thereafter		18,430
	$	74,509

(h) Tuality Health Affiliation

On February 1, 2016, OHSU affiliated with Tuality Healthcare (Tuality) through the execution of a management agreement (the Tuality Agreement) between the organizations. Under the Tuality Agreement, OHSU agrees to oversee the unified and integrated clinical enterprises of OHSU and Tuality as a single, integrated economic unit. OHSU and Tuality remain as separate entities, own their own assets, and continue to be the licensed operators of their own facilities. Per the agreement, OHSU has guaranteed Tuality's operating income and will provide operating cash flow support. The initial term of the Tuality Agreement is 20 years and it may be renewed or extended by written agreement of the parties. The Tuality Agreement is subject to termination in the event of material breaches of the agreement or for certain other reasons specified in the Tuality Agreement.

After February 1, 2016, OHSU guarantees operating income support in the following manner: to the extent Tuality incurs an operating loss for any fiscal year, OHSU will provide operating support in the form of a cash payment to Tuality in an amount equal to the operating loss, which will result in Tuality's operating income being equal to zero. OHSU may recoup prior payments for operating support from Tuality's positive operating cash flow generated in future fiscal years as specified in the Tuality Agreement.

If in any fiscal year, Tuality's operating cash flow, defined in the Tuality Agreement as operating income plus depreciation less regular principal payments on long-term debt and less capital spending, is negative, OHSU will provide Tuality a capital advance in the form of a cash payment to bring Tuality's operating cash flow to a balance of zero. The capital advance will be recorded on Tuality's financial statements as a payable to OHSU, and on OHSU's financial statements as a receivable from Tuality, subject to any required reserves for estimates of collectibility. Such capital advances will not bear interest and will be repayable by Tuality to OHSU from positive operating cash flow generated in future fiscal years under general guidelines specified in the Tuality Agreement.

For fiscal years 2020 and 2019, operating income support amounted to $25,321 and $7,556, respectively. The operating cash flow capital advance, recorded as a note receivable, in other noncurrent assets on the statements of net position, was $4,036 and $7,952 for the years ended June 30, 2020 and 2019, respectively. In light of uncertain operating income in the near term and the likelihood that cash flow available for repayment will be deferred into future years, OHSU recorded a valuation reserve of $19,300 against the note receivable under other noncurrent assets as of June 30, 2020. The total note receivable as of June 30, 2020 was $19,300.

(i) Adventist Health

On January 1, 2018, OHSU and Adventist Health entered into a Health System agreement, an operating agreement and an academic affiliation agreement. Under this affiliation, OHSU and Adventist Health will operate as a unified clinical system with a shared bottom line. The affiliation applies to OHSU's Portland-area clinical services and activities and Adventist Health Portland, which includes the 302-bed Adventist Health Portland Medical Center and its 34 affiliated clinics and home care and hospice services in the Portland-Vancouver metro area. The other 19 Adventist Health hospitals in the western United States are excluded from the agreements. Each organization will retain its existing hospital licenses, capital assets, and employees and will not join each other's master trust indenture obligated group or otherwise guarantee each other's outstanding debt.

Each entity will continue to maintain its individual mission and culture but will together strive to transform access and the delivery of healthcare to Oregonians through a unified clinical enterprise and shared brand experience. A board of managers comprising representatives from each organization has been created to oversee the system.

The initial term of the Adventist agreement is 20 years and it may be renewed or extended by written agreement of the parties, and the agreement is subject to termination in the event of material breaches or for certain other reasons specified in the agreement.

OHSU and Adventist Health's allocation amount is determined by multiplying the consolidated Metro Health System net operating results by such party's proportional allocation percentage, including the amount of such party's total capital charges (for the same period for which such allocation amount is determined). The result shall equal the party's net share of the Metro Health System earnings before interest, depreciation, and amortization (EBIDA).

OHSU and Adventist's net share for each period shall be compared to each party's actual metro clinical enterprise adjusted EBIDA for the same period. OHSU and Adventist Health agree that if a party's net share for a period is less than such party's metro clinical enterprise adjusted EBIDA for such period, such party shall pay to the other party the amount of the difference (net share payment). OHSU and Adventist agree that if a party's net share for a period is more than such party's metro clinical enterprise adjusted EBIDA for the same period, such party shall receive from the other party a payment in the amount of the difference (net share receivable).

For fiscal years 2020 and 2019, OHSU's support payment to Adventist amounted to $10,000 and $5,000 per year as the net share payment cap was met, respectively. In order to optimize healthcare provider coverage and accessibility within the Portland metropolitan area, OHSU also paid $992 for physician recruitments in fiscal year 2020.

(Dollars in thousands)

(14) Blended Component Units

Condensed combining statements for OHSU and its blended component units are shown below:

	2020						
	University	INSCO	UMG	OHSUF Foundation	DCH Foundation	Eliminations/ reclassifications	Total combined
Assets:							
Current assets	$ 1,337,730	9,685	12,014	106,396	5,354	(61,164)	1,410,015
Noncurrent assets:							
Capital assets, net of accumulated depreciation	2,102,981	—	506	104	—	—	2,103,591
Other noncurrent assets	757,729	73,288	—	1,313,065	87,383	—	2,231,465
Total noncurrent assets	2,860,710	73,288	506	1,313,169	87,383	—	4,335,056
Total assets	4,198,440	82,973	12,520	1,419,565	92,737	(61,164)	5,745,071
Deferred outflows	206,985	—	—	—	—	—	206,985
Total assets and deferred outflows	$ 4,405,425	82,973	12,520	1,419,565	92,737	(61,164)	5,952,056
Liabilities:							
Current liabilities	$ 602,148	964	4,193	65,207	708	(61,164)	612,056
Noncurrent liabilities	1,532,974	36,900	49	21,874	1,599	—	1,593,396
Total liabilities	2,135,122	37,864	4,242	87,081	2,307	(61,164)	2,205,452
Deferred inflows	59,858	—	—	79,481	1,923	—	141,262
Net position:							
Net investment in capital assets	1,254,101	—	—	104	—	—	1,254,205
Restricted, expendable	91,070	—	—	570,307	21,737	—	683,114
Restricted, nonexpendable	—	—	—	264,179	31,747	—	295,926
Unrestricted	865,274	45,109	8,278	418,413	35,023	—	1,372,097
Total net position	2,210,445	45,109	8,278	1,253,003	88,507	—	3,605,342
Total liabilities, deferred inflows, and net position	$ 4,405,425	82,973	12,520	1,419,565	92,737	(61,164)	5,952,056

(Dollars in thousands)

	2019						
	University	INSCO	UMG	OHSUF Foundation	DCH Foundation	Eliminations/ reclassifications	Total combined
Assets:							
Current assets	$ 1,003,339	68,174	12,058	98,912	4,967	(61,603)	1,125,847
Noncurrent assets:							
Capital assets, net of accumulated depreciation	2,072,351	—	478	167	—	—	2,072,996
Other noncurrent assets	899,181	—	—	1,386,424	86,383	—	2,371,988
Total noncurrent assets	2,971,532	—	478	1,386,591	86,383	—	4,444,984
Total assets	3,974,871	68,174	12,536	1,485,503	91,350	(61,603)	5,570,831
Deferred outflows	205,752	—	—	—	—	—	205,752
Total assets and deferred outflows	$ 4,180,623	68,174	12,536	1,485,503	91,350	(61,603)	5,776,583
Liabilities:							
Current liabilities	$ 449,792	871	3,595	66,695	669	(61,603)	460,019
Noncurrent liabilities	1,441,698	36,111	7	24,314	1,717	—	1,503,847
Total liabilities	1,891,490	36,982	3,602	91,009	2,386	(61,603)	1,963,866
Deferred inflows	73,381	—	—	117,943	2,194	—	193,518
Net position:							
Net investment in capital assets	1,239,137	—	—	167	—	—	1,239,304
Restricted, expendable	82,979	—	—	608,639	25,482	—	717,100
Restricted, nonexpendable	—	—	—	244,651	30,111	—	274,762
Unrestricted	893,636	31,192	8,934	423,094	31,177	—	1,388,033
Total net position	2,215,752	31,192	8,934	1,276,551	86,770	—	3,619,199
Total liabilities, deferred inflows, and net position	$ 4,180,623	68,174	12,536	1,485,503	91,350	(61,603)	5,776,583

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(Dollars in thousands)

Condensed combining information related to revenues, expenses, and changes in net position for the years ended June 30, 2020 and 2019 is as follows:

	2020						
	University	INSCO	UMG	OHSUF Foundations	DCH Foundations	Eliminations/ reclassifications	Total combined
Operating revenues:							
Patient service revenue	$ 2,375,275	—	—	—	—	—	2,375,275
Student tuition and fees, net	77,305	—	—	—	—	—	77,305
Gifts, grants, and contracts	698,157	—	—	71,318	13,936	(118,765)	664,646
Other revenue	197,448	22,576	18,622	1,976	115	(44,842)	195,895
Total operating revenues	3,348,185	22,576	18,622	73,294	14,051	(163,607)	3,313,121
Operating expenses:							
Salaries, wages, and benefits	2,013,525	—	13,574	14,578	—	—	2,041,677
Defined-benefit pension	109,907	—	—	—	—	—	109,907
Services, supplies, and other	1,145,469	14,443	5,612	122,420	14,004	(167,334)	1,134,614
Depreciation and amortization	176,524	—	93	83	—	—	176,700
Interest	36,656	—	—	—	—	—	36,656
Total operating expenses	3,482,081	14,443	19,279	137,081	14,004	(167,334)	3,499,554
Operating income (loss)	(133,896)	8,133	(657)	(63,787)	47	3,727	(186,433)
Nonoperating revenues (expenses):							
Investment income and change in fair value of investments	56,148	5,784	1	19,823	1,122	—	82,878
State appropriations	39,581	—	—	—	—	—	39,581
CARES Act grants	37,859	—	—	—	—	—	37,859
Other	(12,088)	—	—	623	(1,070)	—	(12,535)
Total nonoperating revenues (expenses), net	121,500	5,784	1	20,446	52	—	147,783
Net income (loss) before other changes in net position	(12,396)	13,917	(656)	(43,341)	99	3,727	(38,650)
Other changes in net position:							
Contributions for capital and other	7,088	—	—	—	—	(3,727)	3,361
Nonexpendable donations	—	—	—	19,794	1,638	—	21,432
Total other changes in net position	7,088	—	—	19,794	1,638	(3,727)	24,793
Total increase (decrease) in net position	(5,308)	13,917	(656)	(23,547)	1,737	—	(13,857)
Net position – beginning of year	2,215,752	31,192	8,934	1,276,551	86,770	—	3,619,199
Net position – end of year	$ 2,210,444	45,109	8,278	1,253,004	88,507	—	3,605,342

(Dollars in thousands)

	2019						
	University	**INSCO**	**UMG**	**OHSUF Foundations**	**DCH Foundations**	**Eliminations/ reclassifications**	**Total combined**
Operating revenues:							
Patient service revenue	$ 2,350,926	—	—	—	—	—	2,350,926
Student tuition and fees, net	78,332	—	—	—	—	—	78,332
Gifts, grants, and contracts	679,603	—	—	55,217	14,962	(138,702)	611,080
Other revenue	135,961	19,893	19,229	3,516	134	(40,953)	137,780
Total operating revenues	3,244,822	19,893	19,229	58,733	15,096	(179,655)	3,178,118
Operating expenses:							
Salaries, wages, and benefits	1,832,965	—	12,549	13,622	—	—	1,859,136
Defined-benefit pension	72,043	—	—	—	—	—	72,043
Services, supplies, and other	990,334	17,224	5,647	156,361	18,801	(204,878)	983,489
Depreciation and amortization	186,526	—	95	99	—	—	186,720
Interest	31,300	—	—	—	—	—	31,300
Total operating expenses	3,113,168	17,224	18,291	170,082	18,801	(204,878)	3,132,688
Operating income (loss)	131,654	2,669	938	(111,349)	(3,705)	25,223	45,430
Nonoperating revenues (expenses):							
Investment income and change in fair value of investments	74,606	4,281	1	58,410	3,812	—	141,110
State appropriations	37,276	—	—			—	37,276
Other	(8,040)	—	—	5,006	(955)	—	(3,989)
Total nonoperating revenues (expenses), net	103,842	4,281	1	63,416	2,857	—	174,397
Net income (loss) before other changes in net position	235,496	6,950	939	(47,933)	(848)	25,223	219,827
Other changes in net position:							
Contributions for capital and other	32,816	—	—	—	—	(25,223)	7,593
Nonexpendable donations	—	—	—	23,192	1,296	—	24,488
Total other changes in net position	32,816	—	—	23,192	1,296	(25,223)	32,081
Total increase (decrease) in net position	268,312	6,950	939	(24,741)	448	—	251,908
Net position – beginning of year	1,947,440	24,242	7,995	1,301,292	86,322	—	3,367,291
Net position – end of year	$ 2,215,752	31,192	8,934	1,276,551	86,770	—	3,619,199

(Dollars in thousands)

Condensed combining information related to cash flows for the years ended June 30, 2020 and 2019 is as follows:

2020		University	INSCO	UMG	OHSUF Foundations	DCH Foundations	Eliminations/ reclassifications	Total combined
Net cash provided by (used in) operating activities	$	269,656	11,278	307	(79,467)	1,598	—	203,372
Net cash provided by noncapital financing activities		81,039	—	—	1,893	91	—	83,023
Net cash provided by (used in) capital and related financing activities		(222,863)	—	(123)	(20)	—	—	(223,006)
Net cash provided by (used in) investing activities		206,778	(10,248)	—	76,168	(360)	—	272,338
Net change in cash and cash equivalents		334,610	1,030	184	(1,426)	1,329	—	335,727
Cash and cash equivalents, beginning of year		49,809	4,085	9,763	20,611	2,747	—	87,015
Cash and cash equivalents, end of year	$	384,419	5,115	9,947	19,185	4,076	—	422,742

2019		University	INSCO	UMG	OHSUF Foundations	DCH Foundations	Eliminations/ reclassifications	Total combined
Net cash provided by (used in) operating activities	$	322,655	7,212	1,497	(91,513)	(3,313)	—	236,538
Net cash provided by noncapital financing activities		57,377	—	—	(456)	(41)	—	56,880
Net cash provided by (used in) capital and related financing activities		(296,203)	—	(396)	(4)	—	—	(296,603)
Net cash provided by (used in) investing activities		(50,746)	(6,529)	—	91,813	2,744	—	37,282
Net change in cash and cash equivalents		33,083	683	1,101	(160)	(610)	—	34,097
Cash and cash equivalents, beginning of year		16,726	3,402	8,662	20,771	3,357	—	52,918
Cash and cash equivalents, end of year	$	49,809	4,085	9,763	20,611	2,747	—	87,015

(15) Coronavirus Impacts

On March 11, 2020, the World Health Organization declared the Novel Coronavirus DiseaseOutbreak a global pandemic and shortly following a national emergency declaration concerning the COVID-19 outbreak was enacted. Subsequently, OHSU has been operating under Federal Government, along with State and local, mandates as of March 13, 2020, including a State of Emergency for Oregon declared by Governor Kate Brown in early March, which extended through the fiscal year-end. In response to COVID-19, and guidance from state and local public health authorities, OHSU began modified operations in mid-March 2020 and continues to operate under some level of modified operations.

CARES Act Provider Relief Funds

The Coronavirus Aid, Relief, and Economic Security Act, also known as the CARES Act, is an economic stimulus bill passed by Congress and signed into law on March 27, 2020. The CARES Act Provider Relief Fund supports healthcare providers in the battle against the COVID-19 pandemic. Through the Coronavirus Aid, Relief, and Economic Security Act and the Paycheck Protection Program and Health Care Enhancement Act (PPPHCEA), the federal government has allocated $175 billion to the Public Health and Social Services Emergency Fund, to reimburse eligible healthcare providers for COVID-19 related expenses, through payments from what is now referred to as the Provider Relief Fund (PRF).

Qualified providers of healthcare, services, and support may receive PRF payments for healthcare-related expenses or lost revenue due to COVID-19. Separately, the COVID-19 Uninsured Program reimburses providers for testing and treating uninsured individuals with COVID-19. These distributions do not need to be repaid to the US government, assuming recipients comply with the terms and conditions.

The U.S Department of Health and Human Services (HHS) provided $50 billion, in the Phase 1 General Distribution, to providers who bill Medicare fee-for-service in order to provide financial relief during the coronavirus pandemic. On April 10, 2020, HHS distributed $30 billion to eligible providers throughout the American healthcare system based on each provider's share of total Medicare fee-for-service reimbursement in 2019. Shortly thereafter on April 24, 2020, an additional $20 billion was distributed proportional to providers' share of 2018 net patient revenue.

In fiscal year 2020, OHSU received $36,872 from the Phase 1 General Distribution, based on an allocated proportion of net patient revenue and were recognized as nonoperating revenue for the year ended June 30, 2020. All Provider Relief Funds awarded to OHSU (via the Public Health and Social Services Emergency Fund) have been applied toward lost operating income due to the cancellation of elective procedures in accordance with the Governor's Executive Order.

HHS allocated targeted distribution funding to providers in areas particularly impacted by the COVID-19 outbreak, rural providers, and providers requesting reimbursement for the treatment of uninsured. OHSU received $440 from the rural health distribution to support OHSU's Scappoose Clinic and was applied toward lost operating income for the clinic. The funds are reflected in nonoperating revenue for the year ended June 30, 2020.

HHS also allocated a portion of the Provider Relief Fund to be used to be used to reimburse providers for- COVID-19-related treatment of uninsured patients at Medicare rates. In fiscal year 2020, OHSU received and recognized $11 in operating revenue as a part of patient service revenue.

The CARES Act temporarily suspends the -2% sequestration payment adjustment on Medicare fee-for-service payments. This means that providers will see a 2% payment increase on Medicare claims effective May 1, 2020. The increase is effective for claims with dates of service from May 1, 2020, through December 31, 2020. In fiscal year 2020, $821 is reflected in operating revenue as a part of patient service revenue.

The CARES Act created a 20% premium, or add-on, for COVID-19 Medicare inpatients. In fiscal year 2020, $44 is reflected in operating revenue – patient service revenue.

Cares Act Higher Education Emergency Relief Fund

The CARES Act establishes and funds the Higher Education Emergency Relief Fund (HEERF), which allows institutions to provide emergency financial aid grants to students whose lives have been disrupted, many of whom are facing financial challenges and struggling to make ends meet, and also allows institutions of higher education to use up to 50 percent of the funds they receive to cover any costs associated with significant changes to the delivery of instruction due to the coronavirus, or to provide refunds to students for room and board, tuition, and other fees as a result of significant changes to the delivery of instruction, including interruptions in instruction, due to the coronavirus.

OHSU received $1,012 from HEERF and used half of the funding for grants to students and the remainder to cover support the delivery of instruction online. 1,467 students were verified as eligible to participate under Section 484 of Title IV of the Higher Education Act of 1965 and also eligible to receive Emergency Financial Aid Grants to students under Section 18004(a)(1) of the CARES Act. Of those eligible, 438 students received grants. OHSU provided students with emergency grants in amounts ranging from $100 to $1,900, based on student reported expenses through OHSU’s online application process in total $506. This funding is reflected in operating revenue within gifts, grants, and contracts.

In spring term 2020, OHSU provided tuition and fee refunds of $2,416 to students in academic programs where clinical or experiential learning was cancelled, due to patient and student safety concerns related to the pandemic, and could not be substituted by equivalent educational experiences. With the CARES Act institutional portion of $506, OHSU covered part of the tuition and fee refunds to students. The recognition of the funding is reflected under nonoperating revenue – Cares Act nonexchange in the financial statements.

Additionally, the CARES Act waives the requirement that OHSU pay a matching share of Federal Work-Study (FWS) program wages and Federal Supplemental Educational Opportunity Grants (FSEOG) in 2019-20 and 2020-21. The CARES Act allows colleges and universities to transfer leftover Federal Work-Study funding into the FSEOG program, so that the money may be awarded to students as grants. OHSU transferred unspent FWS to SEOG and awarded it as Emergency Grants to students.

Families First Coronavirus Response Act

The Families First Coronavirus Response Act (FFCRA), Section 6008, provides a temporary 6.2 percentage point increase to each qualifying state and territory's Federal Medical Assistance Percentage (FMAP) under section 1905(b) of the Social Security Act (the Act) effective beginning January 1, 2020 and extending through the last day of the calendar quarter in which the public health emergency declared by the Secretary of Health and Human Services for COVID-19, including any extensions, terminates. As a result, OHSU received in fiscal year 2020 federally matched funds through the State of Oregon. The funding increase is effective through December 31, 2020 and is recorded through revenue deductions.

Loans

In response to the COVID-19 public health emergency, the Centers for Medicare & Medicaid Services (CMS) expanded its Medicare Accelerated and Advance Payment Program (AAPP) to allow Medicare providers and suppliers to receive advances on future Medicare reimbursement. OHSU received $145,975 in federal Medicare advances in fiscal year 2020. These funds are reflected on the financial statements under Medicare Advance Payment current liability. The recoupment or repayment process begins 120 days after receipt, which will occur in OHSU's fiscal year 2021.

Finally, under the CARES Act employers are allowed to defer the deposit and payment of the employer's share of Social Security taxes, OHSU deferred $24,113 of applicable payroll taxes from the date the Act was signed into law through June 30, 2020. These funds are reflected on the financial statements under accrued salaries, wages, and benefits current liability. OHSU will continue to defer payroll taxes through December 31, 2020, per the regulation. The deferred amounts will be due in two equal installments on December 31, 2021 and December 31, 2022.

Risk Factors

The impacts of the current COVID-19 pandemic are presenting unprecedented risks and uncertainties in all missions across OHSU, and continued volatility in the financial markets and economy bring additional challenges. Depending on the magnitude of such effects, OHSU may be affected by changes in patient payor mix (shifting from commercial or private to government due to unemployment), reduced volume in patient activities, additional costs to operate in a COVID-19 environment, decreased grant awards and research, and impacts to the appropriations provided by the State of Oregon.

In the current fiscal year, the CARES Act funding provided some relief to addressing the losses incurred as a result of the pandemic, however, OHSU cannot reasonably estimate the length or severity of this pandemic, or to the extent it may materially impact OHSU's financial position, results of operations and cash flows in the future. Additionally, the Department of Health and Human Services (HHS) published its Provider Reporting Guidelines on September 19, 2020. The Guidelines include the reporting timing and deadlines and methodology for calculating lost revenues attributable to COVID-19. This new guidance is effective on the date of enactment. While OHSU has not completed the evaluation of the potential impacts, management expects the guidance to change the calculation methodology that determines the accounting recognition of the Provider Relief Fund distributions.

OHSU continues to build strategies and policies and take actions to proactively manage evolving developments, and to aggressively pursue additional relief measures provided through the CARES Act and other available funding.

Required Supplementary Information – Unaudited
OHSU's Proportionate Share of the Net Pension (Asset) Liability and Related Ratios

(Dollar amounts in thousands)

Defined-benefit pension plan[1]		2020	2019	2018	2017	2016	2015
OHSU's proportion of the net pension (asset) liability (rounded)		2.91 %	3.01 %	3.51 %	3.51 %	3.98 %	4.26 %
OHSU's proportionate share of the net pension (asset) liability	$	503,720	456,006	424,000	526,200	228,337	(96,652)
Covered payroll		330,868	323,343	337,473	326,959	345,363	365,618
OHSU's proportionate share of the net pension (asset) liability as a percentage of covered payroll		152.24 %	141.03 %	125.64 %	160.94 %	66.12 %	(26.44)%
Plan fiduciary net position as a percentage of the total pension liability		80.20 %	82.10 %	83.10 %	80.50 %	91.90 %	103.60 %

[1] Ten-year trend information will be presented prospectively.

Required Supplementary Information – Unaudited
Schedule of Defined-Benefit Pension Plan Contributions

(Dollars in thousands)

Year ended June 30[1]		2020	2019	2018	2017	2016	2015
Contractually required contributions	$	50,841	37,919	37,087	30,809	31,353	30,250
Contributions in relation to the contractually required contributions		60,841	47,919	47,087	30,809	31,353	37,750
Contribution excess	$	(10,000)	(10,000)	(10,000)	—	—	(7,500)
OHSU's covered payroll	$	340,369	330,868	323,343	337,473	326,959	345,363
Contributions as a percentage of covered payroll		17.88 %	14.48 %	14.56 %	9.13 %	9.59 %	10.93 %

[1] Ten-year trend information will be presented prospectively.

See accompanying independent auditors' report.

PUBLIC

OREGON HEALTH & SCIENCE UNIVERSITY

Combining Schedules of Net Position

Year ended June 30, 2020 with comparitive totals for June 30, 2019

(Dollars in thousands)

Assets	Hospital	Other University	Total University	Foundation	Eliminations/ Reclassifications	2020	2019
Current assets:							
Cash and cash equivalents	$ 330,047	69,434	399,481	23,261	—	422,742	87,015
Short-term Investments	209,232	44,677	253,909	80	—	253,989	325,165
Current portion of funds held by trustee	23,479	14,583	38,062	—	—	38,062	42,891
Patients accounts receivable, net of bad debt allowances of $1,528 and $3,150 – in 2020 and 2019	390,304	622	390,926	—	—	390,926	390,249
Student receivables	—	28,644	28,644	—	—	28,644	26,184
Grant and contract receivable	—	61,970	61,970	—	—	61,970	62,550
Current portion of pledges and estates receivable	—	—	—	85,605	—	85,605	74,160
Other receivables, net	33,285	66,861	100,146	2,437	(56,496)	46,087	43,274
Inventories, at cost	46,550	2,673	49,223	—	—	49,223	44,421
Prepaid expenses	13,095	19,305	32,400	367	—	32,767	29,938
Total current assets	1,045,992	308,769	1,354,761	111,750	(56,496)	1,410,015	1,125,847
Noncurrent assets:							
Capital assets, net of accumulated depreciation	1,069,392	1,034,095	2,103,487	104	—	2,103,591	2,072,996
Funds held by trustee – less current portion	11,012	2,240	13,252	—	—	13,252	13,040
Other long-term receivables, net of reserves	—	33,500	33,500	—	—	33,500	33,500
Long-term investments:							
Long-term investments, restricted	—	46,828	46,828	605,805	—	652,633	680,006
Long-term investments, unrestricted	527,889	201,642	729,531	485,205	—	1,214,736	1,276,210
Total long-term investments	527,889	248,470	776,359	1,091,010	—	1,867,369	1,956,216
Prepaid financing costs, net	1,243	462	1,705	—	—	1,705	1,932
Pledges and estates receivable – less current portion	—	—	—	306,862	—	306,862	351,332
Restricted postemployment benefit asset	—	6,200	6,200	—	—	6,200	3,493
Other noncurrent assets	—	—	—	2,577	—	2,577	12,475
Interest in the Foundations	—	1,341,511	1,341,511	—	(1,341,511)	—	—
Total noncurrent assets	1,609,536	2,666,478	4,276,014	1,400,553	(1,341,511)	4,335,056	4,444,984
Total assets	2,655,528	2,975,247	5,630,775	1,512,303	(1,398,007)	5,745,071	5,570,831
Deferred outflows:							
Deferred amortization of derivative instruments	4,097	3,245	7,342	—	—	7,342	7,330
Loss on refunding of debt	26,427	3,770	30,197	—	—	30,197	22,306
Pension obligation	—	160,050	160,050	—	—	160,050	173,514
Goodwill	435	—	435	—	—	435	523
Other postemployment benefits (OPEB) obligation	—	8,961	8,961	—	—	8,961	2,079
Total deferred outflows	30,959	176,026	206,985	—	—	206,985	205,752
Total assets and deferred outflows	$ 2,686,487	3,151,273	5,837,760	1,512,303	(1,398,007)	5,952,056	5,776,583

(Continued)

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OREGON HEALTH & SCIENCE UNIVERSITY

Combining Schedules of Net Position

Year ended June 30, 2020 with comparitive totals for June 30, 2019

(Dollars in thousands)

Liabilities	Hospital	Other University	Total University	Foundation	Eliminations/ Reclassifications	2020	2019
Current liabilities:							
Current portion of long-term debt	$ 13,575	8,901	22,476	—	—	22,476	23,971
Current portion of long-term capital leases	865	78	943	—	—	943	3,919
Current portion of self-funded insurance programs liability	—	33,935	33,935	—	—	33,935	33,221
Accounts payable and accrued expenses	103,946	41,240	145,186	9,354	—	154,540	168,693
Accrued salaries, wages, and benefits	20,821	85,367	106,188	—	—	106,188	101,775
Compensated absences payable	40,276	28,720	68,996	—	—	68,996	62,338
Unearned revenue	11,521	63,022	74,543	—	—	74,543	60,565
Unearned/Medicare Advance Payment	137,629	8,346	145,975	—	—	145,975	—
Other Current Liabilities	4,185	222	4,407	56,549	(56,496)	4,460	5,537
Total current liabilities	332,818	269,831	602,649	65,903	(56,496)	612,056	460,019
Noncurrent liabilities:							
Long-term debt – less current portion	642,414	330,518	972,932	—	—	972,932	949,535
Long-term capital leases – less current portion	898	146	1,044	—	—	1,044	1,906
Liability for self-funded insurance programs – less current portion	—	39,861	39,861	—	—	39,861	39,682
Liability for life income agreements	—	—	—	20,741	—	20,741	23,235
Pension Liability	—	503,720	503,720	—	—	503,720	456,006
Other noncurrent liabilities	14,901	37,453	52,354	2,744	—	55,098	33,483
Total noncurrent liabilities	658,213	911,698	1,569,911	23,485	—	1,593,396	1,503,847
Total liabilities	991,031	1,181,529	2,172,560	89,388	(56,496)	2,205,452	1,963,866
Deferred inflows:							
Deferred amortization of derivative instruments	—	—	—	—	—	—	643
Gain on refunding of debt	805	741	1,546	—	—	1,546	1,834
Life income agreements	—	—	—	33,269	—	33,269	33,681
Pending Funds	—	—	—	48,135	—	48,135	86,456
Pension obligation	—	56,018	56,018	—	—	56,018	68,675
Other Postemployment Benefits (OPEB) obligation	—	2,294	2,294	—	—	2,294	2,229
Total Deferred Inflows	805	59,053	59,858	81,404	—	141,262	193,518
Net position:							
Investments in capital assets	461,098	793,107	1,254,205	—	—	1,254,205	1,239,304
Restricted, expendable	—	683,114	683,114	592,044	(592,044)	683,114	717,100
Restricted, nonexpendable	—	295,926	295,926	295,926	(295,926)	295,926	274,762
Unrestricted	1,233,553	138,544	1,372,097	453,541	(453,541)	1,372,097	1,388,033
Total net position	1,694,651	1,910,691	3,605,342	1,341,511	(1,341,511)	3,605,342	3,619,199
Total liabilities, deferred inflows, and net position	$ 2,686,487	3,151,273	5,837,760	1,512,303	(1,398,007)	5,952,056	5,776,583

See accompanying independent auditors' report.

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Schedule 2

OREGON HEALTH & SCIENCE UNIVERSITY

Consolidated Statements of Revenues, Expenses, and Changes in Net Position

Years ended June 30, 2020 and 2019

(Dollars in thousands)

	Hospital	Other University	Total University	Foundation	Eliminations/ Reclassifications	2020	2019
Operating revenues:							
Patient service revenue, net of bad debt adjustments of $12,112 and $21,221 – in 2020 and 2019	$ 1,909,408	465,867	2,375,275	—	—	2,375,275	2,350,926
Student tuition and fees, net	—	77,305	77,305	—	—	77,305	78,332
State appropriations	1,382	38,199	39,581	—	(39,581)	—	—
Gifts, grants, and contracts	38,642	659,515	698,157	85,254	(118,765)	664,646	611,080
Other	146,584	53,660	200,244	2,091	(6,440)	195,895	137,780
Research and education support	(129,500)	129,500	—	—	—	—	—
Total operating revenues	1,966,516	1,424,046	3,390,562	87,345	(164,786)	3,313,121	3,178,118
Operating expenses:							
Salaries, wages, and benefits	912,587	1,114,512	2,027,099	14,578	—	2,041,677	1,859,136
Defined-benefit pension	—	109,907	109,907	—	—	109,907	72,043
Services, supplies, and other	992,537	134,585	1,127,122	136,424	(128,932)	1,134,614	983,489
Depreciation and amortization	96,230	80,387	176,617	83	—	176,700	186,720
Interest	23,451	13,205	36,656	—	—	36,656	31,300
Total operating expenses	2,024,805	1,452,596	3,477,401	151,085	(128,932)	3,499,554	3,132,688
Operating income (loss)	(58,289)	(28,550)	(86,839)	(63,740)	(35,854)	(186,433)	45,430
Nonoperating revenues, incl. state appropriations:							
Investment income and gain (loss) in fair value of investments	56,662	5,271	61,933	20,945	—	82,878	141,110
State appropriations	—	—	—	—	39,581	39,581	37,276
CARES Act grants	33,476	4,383	37,859	—	—	37,859	—
Other	(11,676)	(412)	(12,088)	(447)	—	(12,535)	(3,989)
Total nonoperating revenues (expenses), net	78,462	9,242	87,704	20,498	39,581	147,783	174,397
Net income (loss) before contributions for capital and other	20,173	(19,308)	865	(43,242)	3,727	(38,650)	219,827
Other changes in net position:							
Contributions for capital and other	8,633	(1,545)	7,088	—	(3,727)	3,361	7,593
Change in interest in the Foundations	—	(21,810)	(21,810)	—	21,810	—	—
Nonexpendable donations	—	—	—	21,432	—	21,432	24,488
Total other changes in net position	8,633	(23,355)	(14,722)	21,432	18,083	24,793	32,081
Total increase (decrease) in net position	28,806	(42,663)	(13,857)	(21,810)	21,810	(13,857)	251,908
Net position – beginning of year	1,665,845	1,953,354	3,619,199	1,363,321	(1,363,321)	3,619,199	3,367,291
Net position – end of year	$ 1,694,651	1,910,691	3,605,342	1,341,511	(1,341,511)	3,605,342	3,619,199

See accompanying independent auditors' report.

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OREGON HEALTH & SCIENCE UNIVERSITY

(A Component Unit of the State of Oregon)

Financial Statements
and Supplementary Information

June 30, 2021 and 2020

(Dollars in thousands)

(With Independent Auditors' Report Thereon)

OREGON HEALTH & SCIENCE UNIVERSITY
(A Component Unit of the State of Oregon)

Table of Contents

KPMG LLP
Suite 3800
1300 South West Fifth Avenue
Portland, OR 97201

Independent Auditors' Report

The Board of Directors
Oregon Health & Science University:

We have audited the accompanying financial statements of the business-type activities and discretely presented component units of Oregon Health & Science University (OHSU), as of and for the years ended June 30, 2021 and 2020, and the related notes to the financial statements, which collectively comprise OHSU's basic financial statements for the years then ended as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component units of the Oregon Health & Science University as of June 30, 2021 and 2020 and the respective changes in its financial position and, where applicable, its cash flows thereof for the years then ended in accordance with U.S. generally accepted accounting principles.

KPMG LLP, a Delaware limited liability partnership and a member firm of
the KPMG global organization of independent member firms affiliated with
KPMG International Limited, a private English company limited by guarantee.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 3 through 28 and the supplementary pension information on page 104, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information, in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise OHSU's basic financial statements. The supplemental information included in schedules 1, 2, 3, 4, and 5 on pages 105 through 111 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information included in schedules 1 through 5 is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

KPMG LLP

Portland, Oregon
October 29, 2021

Introduction

Oregon Health & Science University (OHSU or the University) is Oregon's only public health sciences university and major academic health center. It is a national leader in education of health professionals and scientists, advanced biomedical and healthcare research, leading edge patient care, and outreach. As part of its multifaceted public mission, OHSU strives for excellence in education, research and scholarship, clinical practice, and community service. Through its dynamic interdisciplinary environment, OHSU stimulates the spirit of inquiry, initiative, and collaboration among students, faculty, and staff.

The following discussion and analysis provides an overview of the financial activities of OHSU for the year ended June 30, 2021 and should be read in conjunction with the financial statements and related note disclosures. This discussion was prepared by management and is designed to focus on current activities, resulting changes, and current known facts with selective comparative information for the years ended June 30, 2020 and June 30, 2019.

Financial Highlights

The broadest measure of OHSU's financial strength is net position, which increased by $493 million or 13.7% in fiscal year 2021, to $4.1 billion, compared to a small decrease in net position of $14 million in fiscal year 2020. Very strong investment returns of $440 million, $73 million in additional federal grants from the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), and increased recovery of operations from the initial impacts of Coronavirus or COVID-19, were partially offset by accrued pension expense.

Accrued pension expense in fiscal year 2021 and 2020 reflects cumulative 2018 and 2019 investment returns on pension assets that were less than assumed, generating actuarial investment losses in Oregon's Public Employees Retirement System (PERS) that covers certain OHSU employees. PERS results affect OHSU financial statements with a lag.

OHSU's debt service coverage ratio was 6.92 times maximum annual debt service in fiscal year 2021, up from 2.93 in fiscal year 2020. Unrestricted days cash on hand, post GASB 68, were 256 on June 30, 2021, which include $130 million of Medicare Accelerated and Advance Payments and $62 million of OHSU's share of deferred FICA payroll taxes that were part of the federal response to COVID-19. Excluding these one time cash receipts, days cash on hand were 233.

For management purposes, OHSU prepares internal financial statements using the single line "equity method" of reporting results of OHSU Foundation. This method follows the "Total University" column on the combining financial statements included at the end of these financial statements, with gifts recorded when transferred from the Foundation to the University for use and State appropriations included within operating revenues.

The State grant to the Knight Cancer Challenge, the recording then spending of large gifts, and accrued expenses for PERS pension have caused large swings in OHSU's revenues and expenses over the past several years. Management uses the analysis of adjusted operating income on the following table to track underlying performance on a consistent basis: revenue from the State grant and gifts to the Knight Cancer Challenge that funded the Knight Cancer Research Building are removed, and expenses for pension benefits are recorded on a cash basis, rather than an accrual basis, as they were prior to adoption of GASB 68.

On this basis, adjusted operating revenues increased by 8.1% and adjusted operating income recovered to a gain of $72 million in fiscal year 2021, compared to revenue growth of only 4.2% and a loss of $(28) million in fiscal year 2020. This pattern reflects recovery from deferral of non-urgent cases and other impacts to operations during the first months of COVID-19 in the spring of 2020. Increased complexity of cases, stable payer mix, strong pharmacy growth, and tight control of services and supplies also contributed to improved year-over-year performance. Nonoperating gains were much higher in fiscal year 2021 as well, from investment returns and CARES Act funding.

Analysis of Total University Column of Combining Statements of Revenues, Expense, and Changes in Net Position

Years Ended June 30, 2021, 2020 and 2019

(Dollars in thousands)

	2021	2020	2019
Adjusted operating revenues before Knight Cancer Research Building funding	$ 3,663,867	3,390,562	3,254,385
Salaries, benefits, services, and supplies, net of accrual adjustments for pension	3,379,530	3,205,607	2,859,985
Depreciation, amortization, and interest	211,878	213,273	217,921
Adjusted operating expenses	3,591,408	3,418,880	3,077,906
Adjusted operating income (loss)	72,459	(28,318)	176,479
Knight Cancer Research Building funding	—	—	30,393
Accrual adjustments for pension benefits	(67,092)	(58,521)	(34,336)
Total University operating income (loss)	5,367	(86,839)	172,536
CARES Act funding	72,593	37,859	—
Investment and other nonoperating income	147,994	49,845	70,849
Total University net income	225,954	865	243,385
Contributions for capital and other	5,965	7,088	32,816
Change in interest in the Foundations	260,807	(21,810)	(24,293)
Total increase (decrease) in net position	$ 492,726	(13,857)	251,908

Although risks from COVID-19 remain, management believes that OHSU has preserved its underlying financial position, providing a firm platform to build back to where revenues cover both operations and robust investment in people, programs and places on a sustainable basis.

COVID-19 Funding

Significant federal and state COVID-19 financial and liquidity support was provided to OHSU in the form of grants and loans in both fiscal year 2021 and 2020. The key programs included:

Medicare Advance Payment Program. In response to the COVID-19 public health emergency, the Centers for Medicare & Medicaid Services (CMS) expanded its Medicare Accelerated and Advance Payment Program (AAPP) to allow Medicare providers to receive advances on future Medicare reimbursement. OHSU received $145 million in federal Medicare advances in fiscal year 2020. Medicare began recovering advance payments by offsetting claims for services starting in April 2021 and recovered $15 million in fiscal year 2021. OHSU estimates the recoupment period will extend into 2022. The remaining $130 million is recorded in the accompanying Statements of Net Position: $118 million as Unearned/Medicare advance payment current liability and $12 million as long-term liability.

CARES Act FICA Deferral. Under the CARES Act employers are allowed to defer the deposit and payment of the employer's share of Social Security taxes. OHSU deferred $62 million of applicable payroll taxes from the date the Act was signed into law through June 30, 2021. The deferred amounts will be due in two equal installments on December 31, 2021 and December 31, 2022. The portion due December 31, 2021 of $31 million is reflected on the Statements of Net Position as accrued salaries, wages and benefits current liability while the remaining is shown as long-term liability.

CARES Act Provider Relief Fund. Under the CARES Act, enacted in March 2020, the Provider Relief Fund payments are intended to provide financial support to healthcare providers who diagnose, test, or care for individuals with possible or actual cases of COVID-19, and have health care related expenses and lost revenues attributable to COVID-19. OHSU received $109.9 million under the "General" and "Targeted" distributions. OHSU recognized as CARES Act grants under other nonoperating revenues $72.6 million and $37.3 million for fiscal years 2021 and 2020, respectively.

Higher Education Emergency Relief Fund (HEERF) Grants. OHSU was awarded funding from HEERF I, II and III grants for Postsecondary Education. Each grant has specific criteria defined as the use of funds and eligibility. The provided funding comes in the form of emergency financial aid grants for students (Student Portion) and supplemental grant funds for institutional costs (Institutional Portion) to defray expenses associated with coronavirus. As of fiscal year end June 30, 2021, OHSU has applied the Institutional Portion to cover lost tuition and fees incurred in spring term 2020. OHSU recognized as CARES Act grants under other nonoperating revenues $1.1 million and $0.5 million for fiscal years 2021 and 2020, respectively.

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Results of Operations

The statements of revenues, expenses, and changes in net position present OHSU's results of operations, including the Foundation. In accordance with generally accepted accounting principles (GAAP) for a government entity, revenues and expenses are classified as either operating or nonoperating.

The programs and operations of the University and the Foundation are funded from a broad range of sources, some of which are classified as operating and others as nonoperating. Thus on the combined GAAP statements summarized below, management believes that the net income/(loss) before contributions for capital and other line, which includes both operating and nonoperating revenues, provides the most useful indicator of financial performance, for several reasons. First, State appropriations and federal CARES Act grants are reported as nonoperating revenues although they support operating expenses and lost operating revenues. Second, Foundation operating expenses include transfers to the University as well as fundraising and other costs that are funded in part by endowment investment income, also reported as nonoperating. Third, a large factor impacting defined-benefit pension expense on a GASB 68 accrual basis is prior-year investment returns in Oregon's PERS pension system, while other investment returns are reported on a current year basis within nonoperating revenues.

Condensed Statements of Revenues, Expenses, and Changes in Net Position

(Dollars in thousands)

	2021	2020	$ Change
Patient service revenue, net	$ 2,595,048	2,375,275	219,773
Gifts, grants, and contracts	703,065	664,646	38,419
All other operating revenues	308,161	273,200	34,961
Total operating revenues	3,606,274	3,313,121	293,153
Salaries, wages, and benefits	2,166,014	2,041,677	124,337
Defined-benefit pension	113,695	109,907	3,788
All other operating expenses	1,406,739	1,347,970	58,769
Total operating expenses	3,686,448	3,499,554	186,894
Operating income	(80,174)	(186,433)	106,259
Other nonoperating revenues (expenses)	443,932	70,343	373,589
State appropriations	44,243	39,581	4,662
CARES Act Grants	72,593	37,859	34,734
Net income/(loss) before contributions for capital and other	480,594	(38,650)	519,244
Other changes in net position	12,132	24,793	(12,661)
Total change in net position	$ 492,726	(13,857)	506,583

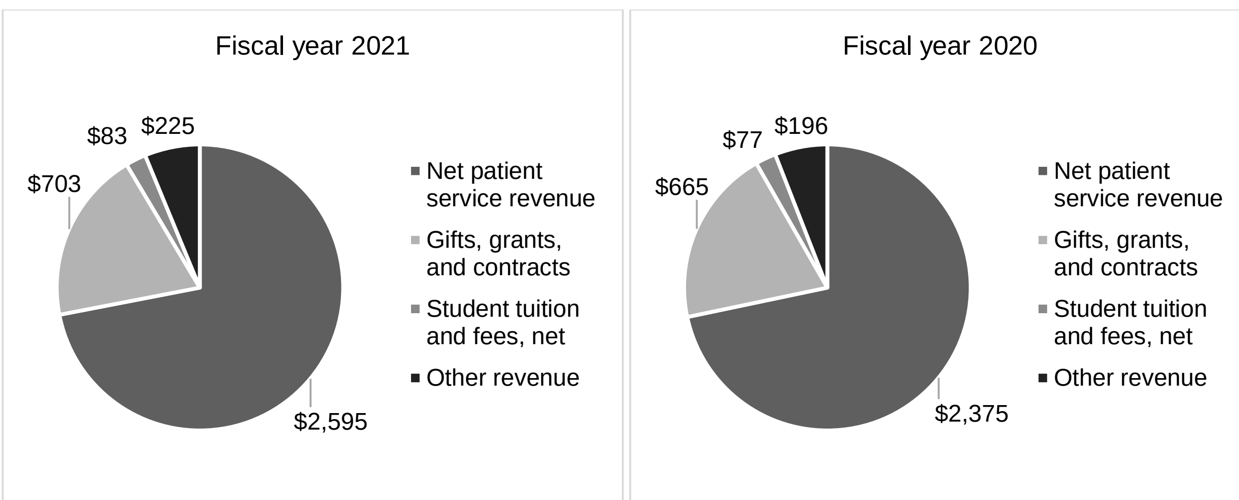
OHSU's consolidated operating income increased in fiscal year 2021 by $106 million compared to fiscal year 2020. The resuming of essential services, non-urgent and elective procedures, resulted in revenues rising, offset in part by PERS pension impacts and additional expenses associated with pandemic management. While the CARES Act grants, reported as nonoperating revenue, provided additional relief, they did not close the gap fully. However, significant investment returns, endowment gains and philanthropy did, resulting in positive consolidated net income before contributions for capital and other of $481 million in fiscal year 2021, an increase of $519 million from the loss of $(39) million recorded in fiscal year 2020.

Revenues Supporting Core Activities

OHSU's operating revenues for fiscal year 2021 total $3.60 billion, an increase of 8.9% from fiscal year 2020 at $3.31 billion. The increase was driven by patient service revenue, grants, gifts and contracts and pharmaceutical services.

Operating Revenue by Source
Fiscal years 2021 and 2020 (Total $3.6 billion and $3.3 billion, respectively)

(Dollars in millions)



(Dollars in thousands)

Patient service revenue increases stemmed from complexity of cases and stable payer mix. The following table of admissions and surgeries by month for fiscal years 2021 and 2020, shows the initial impact of the pandemic in March and April 2020 followed by recovery since then. Demand for OHSU's tertiary and quaternary services remains strong, however capacity has been constrained by beds in double rooms not used due to COVID-19, nurse staffing shortages limiting some ICU, OR and procedural capacity, and an increase in behavioral health cases that has increased average length of stay.

Hospital Patient Volume Count Detail and Hospital and Clinics Surgical Cases

	Admissions		Surgical Cases	
	FY21	**FY20**	**FY21**	**FY20**
July	2,227	2,633	2,745	3,270
August	2,168	2,422	2,697	3,247
September	2,135	2,368	2,675	2,995
October	2,194	2,524	2,956	3,287
November	1,995	2,342	2,561	3,006
December	2,053	2,413	2,782	3,081
January	2,012	2,439	2,516	3,162
February	1,867	2,257	2,496	2,828
March	2,228	2,030	2,939	2,163
April	2,318	1,542	3,041	965
May	2,216	2,000	2,829	2,045
June	2,199	2,085	2,887	2,623
Total	25,612	27,055	33,124	32,672

Grants, gifts, and contracts remained strong in fiscal year 2021 at $703 million, compared to $665 million in 2020, despite the restricted research environment due to modified operations as a result of COVID-19. The University continues to report consistent growth in federal government and industry grants, an indicator of the success of OHSU's research and other programs, along with steady increases in medical contracts over the last three fiscal years, reflecting partnerships that extend OHSU programs across the region.

Gifts are recorded at the OHSU Foundation when pledged, and at the University when transferred from the Foundations and applied to program expenditures. The receipt of large gifts pledged in one year, received in cash over time, then spent during subsequent periods, results in significant fluctuation in the gift component of OHSU revenues on a combined basis. Gifts from the Foundations continue to provide critical funding to faculty, programs, and academic initiatives.

The Bill and Melinda Gates Foundation provided two grants in fiscal year 2021 totaling $14.2 million to support HIV and TB vaccine using the CMV (Cytomegalovirus) platform. Several gifts were made in support of the pandemic response in fiscal year 2020, including: a $7 million joint donation by Nike leaders and spouses John and Eileen Donahoe, Mark and Kathy Parker, and Phil and Penny Knight, to accelerate statewide efforts to contain, diagnose and treat COVID-19; $1.6 million from the Andrew and Corey Morris-Singer Foundation to

 (Continued)

expand access to healthcare professionals through a new phone hotline and telemedicine services; and $1.5 million from an Oregon couple moved by the heroic work of frontline clinicians and healthcare workers during the COVID-19 crisis.

		Fiscal year ending June 30		
		2021	**2020**	**2019**
			(Dollars in thousands)	
University grants and contracts, direct portion	$	534,952	492,818	457,088
University grants and contracts, indirect cost recovery		105,887	102,882	97,974
State grant to the Knight Cancer Challenge		—	—	8,332
Foundation gifts, net of eliminations, transferred to the University		62,226	68,946	47,686
Total gifts, grants, and contracts	$	703,065	664,646	611,080

Student tuition and fees were $83 million and $77 million in fiscal year 2021 and 2020, respectively. Fiscal year 2021 marks the eighth year of the OHSU Tuition Promise. Under this initiative, students enrolled in eligible clinical degree programs pay a tuition rate that is fixed for the remainder of their studies, as long as they complete the degree within the normal timeframe specified by the program. In 2020, OHSU refunded $2.4 million in tuition to students that were unable to participate in clinical rotations during spring term as a result of the COVID-19 pandemic.

Other revenue increased in fiscal year 2021 by $29 million, or 15.1%, from fiscal year 2020 in part from increases in outpatient pharmaceutical sales. OHSU provides drug treatment to patients through normal retail sales, as well as a specialty pharmacy where patients are able to obtain specialty drugs delivered to their homes for complex conditions such as autoimmune diseases and organ transplants.

Investment income and gain in fair value of investments, reported in other nonoperating revenues (expenses), totaled $440 million in fiscal year 2021 compared to $83 million in fiscal year 2020, largely reflecting the financial market response to the COVID-19 pandemic and unprecedented levels of federal fiscal and monetary support.

Certain revenues relied upon and budgeted for in operational support of education and service programs of the University are required to be recorded as nonoperating revenues. For management purposes, OHSU measures operating results including state appropriations. State appropriations totaled $44 million in fiscal year 2021 and $40 million in 2020. State appropriations support education in the Schools of Nursing, Dentistry and Medicine, as well as operations of the Child Development and Rehabilitation Center, the Office of Rural Health, and the Poison Center. In fiscal year 2021, state appropriations includes a $5 million match from the State of Oregon Employer Incentive Fund (EIF), a program introduced to match PERS pension employer side account deposits.

As noted previously, OHSU received $108 million under the “General” and “Targeted” distributions of the CARES Act Provider Relief Fund. OHSU recognized as CARES Act grants under other nonoperating revenues

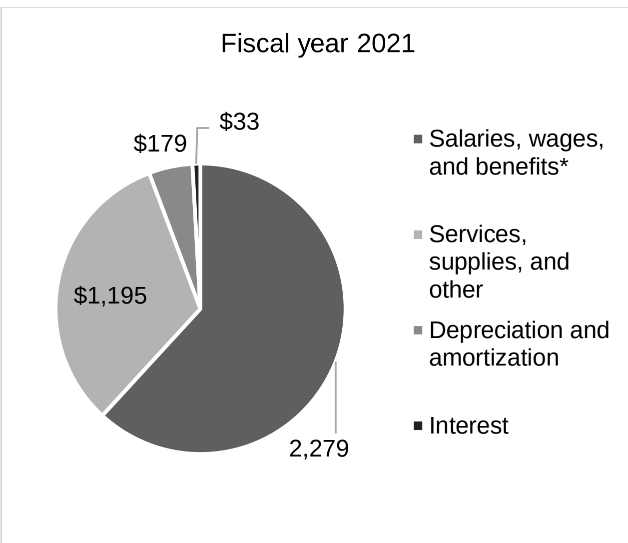
$73 million and $38 million for fiscal years 2021 and 2020, respectively, which also includes the institution portion of the HEERF grants for Postsecondary Education.

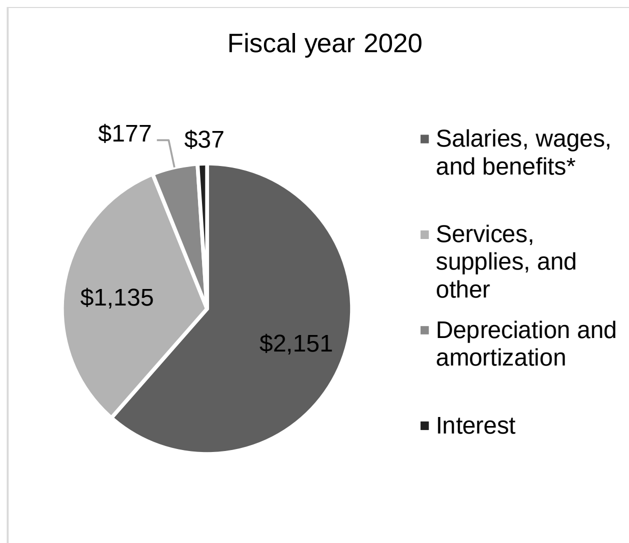
Expenses Associated with Core Activities

OHSU's total operating expenses on a combined basis increased by $187 million, or 5.3%, in fiscal year 2021, and $367 million, or 11.7%, in fiscal year 2020. In fiscal year 2021, expense growth is related to salaries, wages, and benefits, defined-benefit pension expense, services, supplies and other.

Operating Expenses
Fiscal years 2021 and 2020 (Total $3.7 billion and $3.5 billion, respectively)

(Dollars in millions)





* Salaries, wages, and benefits figures include OHSU's proportionate share of the Oregon PERS's net pension liability of $114 million and $110 million expensed in fiscal years 2021 and 2020, respectively.

Salaries, wages, and benefits (excluding the impact of defined-benefit pension expense) comprised approximately 58.8% of total expenses, increasing by $124 million, or 6.1%, in 2021 and $183 million, or 9.8%, in 2020, respectively. In fiscal year 2021, expenses reflects additional staffing required to maintain operations in a COVID-19 pandemic environment and in fiscal year 2020 reflects OHSU's commitment to maintaining a full workforce with pay and benefits in March through June 30, 2020, during which elective and non-urgent procedures were restricted in order to conserve and redirect personal protective equipment for Oregon's COVID-19 emergency response.

OHSU's proportionate share of the Oregon Public Employees Retirement System (PERS) defined-benefit pension expense increased in fiscal year 2021 and 2020 as a result of cumulative 2018 and 2019 asset returns that were less than assumed, generating actuarial investment losses. Partially offsetting are provisions from Senate Bill 1049 that re-amortized the unfunded actuarial liability over 22 years and limited certain annual salary benefits to $195,000 (indexed) starting in fiscal year 2020.

Services, supplies, and other expenses increased $60 million or 5.3% in fiscal year 2021 and $151 million, or 15.4%, in 2020, representing the non-labor costs associated with program growth, spending on pharmaceuticals and medical supplies, along with new expenses required to operate in a COVID-19 pandemic environment, such as technology used to support telemedicine.

Fiscal year 2021 and 2020 also included integrated clinical operations support/(benefit) for Adventist Health Portland at $(4.2) million and $10 million, respectively, an affiliate since January 2018, and Tuality (Hillsboro Medical Center) at $0 million and $25 million, respectively, a partner since February 2016.

Depreciation and amortization represents the reduction in value of capital assets with the passage of time. In fiscal year 2021, depreciation and amortization increased by $2 million, or 1.3%, compared to a decrease of $(10) million, or 5.4%, in 2020. After a decrease in annual depreciation in fiscal 2020 due to the change in capital threshold in fiscal 2019, fiscal year 2021 saw a modest increase in depreciation. The increase reflects overall reduced capital and routine equipment expenditures related to the sharp reduction of capital activity in the last quarter of fiscal year 2020 as a result of COVID-19 which led to a slower resumption of capital activities in fiscal year 2021.

Interest expense decreased by $3.7 million, or 10.0%, in fiscal year 2021. Interest expense in the prior fiscal year was elevated due to costs of issuance of $2.7 million for the Series 2019 Bonds. These costs of issuance were considered as a one-time expense in the prior year. The remaining difference year over year is the result of scheduled repayment of principal, interest savings from refinancing, and other amortization.

Operating Expenses by Functional Classification

(Dollars in thousands)

		2021	2020	2019
Instruction, research, and public service	$	565,922	541,954	507,049
Clinical activity		2,333,445	2,251,293	1,986,762
Auxiliary activities		6,528	8,220	7,498
Internal service centers		15,746	16,049	10,327
Student services		18,260	16,772	14,800
Academic support		108,619	92,708	82,662
Institutional support		205,433	169,228	146,093
Operations, maintenance, and other		144,736	133,926	118,943
Direct foundation expenditures		41,695	34,183	37,499
Depreciation and amortization		178,972	176,700	186,719
Defined pension benefit, net of contribution		67,092	58,521	34,336
Total operating expenses	$	3,686,448	3,499,554	3,132,688

Financial Position

The statements of net position present the assets and liabilities, deferred inflows of resources and deferred outflows of resources, and net position of OHSU as of a point in time. Net position, the difference between total assets and deferred outflows as compared to total liabilities and deferred inflows, presents the financial position at the end of the fiscal year and is one of the broadest measures of the financial condition of OHSU, while the change in net position is an indication of whether the overall financial condition has improved or worsened during the year.

The following table summarizes OHSU's statements of net position for the past three years by major category of assets, liabilities, deferred inflows and outflows, and net position.

Condensed Statements of Net Position

(Dollars in thousands)

		2021	2020	2019
Assets:				
Current assets	$	1,401,359	1,410,015	1,125,847
Capital assets		2,055,987	2,103,591	2,072,996
Other noncurrent assets		2,894,624	2,231,465	2,371,988
Total assets		6,351,970	5,745,071	5,570,831
Deferred outflows		234,013	206,985	205,752
Total assets and deferred outflows	$	6,585,983	5,952,056	5,776,583
Liabilities:				
Current liabilities	$	634,898	612,056	460,019
Noncurrent liabilities		1,699,451	1,593,396	1,503,847
Total liabilities		2,334,349	2,205,452	1,963,866
Deferred inflows		153,566	141,262	193,518
Net position:				
Net investment in capital assets		1,232,802	1,254,205	1,239,304
Restricted, expendable		801,921	683,114	717,100
Restricted, nonexpendable		304,696	295,926	274,762
Unrestricted		1,758,649	1,372,097	1,388,033
Total net position		4,098,068	3,605,342	3,619,199
Total liabilities, deferred outflows, and net position – end of year	$	6,585,983	5,952,056	5,776,583

Assets

The largest components of OHSU's assets are cash and investments and capital assets, or physical plant.

Cash and Investments. During fiscal year 2021, OHSU's unrestricted and restricted cash and investments increased from $2.5 billion to $3.1 billion attributable to operating and investment performance and Foundation activity. Policies set by OHSU and the Foundations dictate how investments are allocated and what risk profiles are assumed. Working capital is primarily invested in short duration, liquid fixed-income assets. Long-term investment strategy, including the investment of endowment funds and the associated spending distribution policy at the OHSU Foundation, is equity oriented, aiming to maximize total return, promote diversification, preserve capital, and provide for cash flow needs of the University.

Consolidated Asset Allocation of
Unrestricted and Restricted Cash and Investments

(Dollars in thousands)

		2021	2020	2019
Unrestricted cash and investments:				
Cash and cash equivalents	$	433,534	427,991	96,419
Fixed income		942,161	855,547	1,035,482
Public Equity		366,662	191,761	243,920
Private Equity, Marketable Alt., and Other		524,907	389,588	300,800
Subtotal		2,267,264	1,864,887	1,676,621
Restricted cash and investments:				
Cash and cash equivalents		33,364	43,305	16,480
Fixed income		158,260	133,778	166,309
Public Equity		172,478	135,443	214,597
Private Equity, Marketable Alt., and Other		502,081	366,687	294,389
Subtotal		866,183	679,213	691,775
Totals	$	3,133,447	2,544,100	2,368,396

The unrestricted portion of cash and investments is represented in the calculation of days cash on hand for OHSU. Days cash on hand increased from 222 days in 2020 to 256 days in 2021, the effect of a 20.9% increase in unrestricted operating cash and investments compared to a 4.9% increase in net unrestricted operating expenses.

Days Unrestricted Cash and Investments on Hand

(Dollars in thousands)

		2021	2020	2019
OHSU without OHSU Foundation:				
Unrestricted cash and investments	$	1,616,669	1,356,421	1,171,106
Less nonoperating cash and investments		(80,132)	(55,319)	(45,297)
Operating cash and investments	$	1,536,537	1,301,102	1,125,809
Unrestricted operating expenses:				
Total operating expenses	$	3,269,674	3,128,200	2,777,553
Less depreciation and amortization		(178,888)	(176,617)	(186,621)
Net unrestricted operating expenses	$	3,090,786	2,951,583	2,590,932
Daily expense	$	8,468	8,087	7,098
Days cash on hand		181	161	159
OHSU plus OHSU Foundation:				
Unrestricted cash and investments	$	2,267,264	1,864,887	1,676,621
Less nonoperating cash and investments		(80,132)	(55,319)	(45,297)
Operating cash and investments	$	2,187,132	1,809,568	1,631,324
Unrestricted operating expenses:				
Total operating expenses	$	3,297,622	3,150,353	2,797,999
Less depreciation and amortization		(178,972)	(176,700)	(186,720)
Net unrestricted operating expenses	$	3,118,650	2,973,653	2,611,279
Daily expense	$	8,544	8,147	7,154
Days cash on hand		256	222	228

The following table presents the days unrestricted cash on hand for OHSU as of fiscal year ended June 30, 2021, 2020, and 2019, calculated with the removal of pension adjustments due to the adoption of GASB 68.

Days Unrestricted Cash and Investments on Hand Pre-GASB 68 Adjustment

(Dollars in thousands)

		2021	2020	2019
OHSU plus OHSU Foundation:				
Operating cash and investments	$	2,187,132	1,809,568	1,631,324
Net unrestricted operating expenses	$	3,118,650	2,973,653	2,611,279
Pension adjustment GASB 68		(67,092)	(58,521)	(34,336)
Adjusted net unrestricted operating expenses	$	3,051,558	2,915,132	2,576,943
Daily expense	$	8,360	7,987	7,060
Days cash on hand (pre-GASB 68)		262	227	231

Capital Assets. Capital investments in patient care, research, education, and outreach are scaled and paced to available funding from operating earnings and philanthropy. Capital assets, net of accumulated depreciation, decreased by $48 million and increased by $31 million, respectively, during fiscal years 2021 and 2020. In 2021 and 2020, capital expenditures included the continued construction of the Elks Children's Eye Clinic/Casey Eye Institute expansion, the design of OHSU Hospital Expansion Project (OHEP), and the purchase of the Physician's Pavilion building (PPV) along with annual capital for replacement, infrastructure, and new capacities. In response to the COVID-19 pandemic and financial challenges, the start of construction for the OHEP was deferred and overall capital spending was curtailed resulting in a decrease in capital assets net of accumulated depreciation.

Liabilities

Total liabilities increased by $129 million, or 5.8%, in fiscal year 2021 and $242 million, or 12.3% in fiscal year 2020. In fiscal year 2021, the increases were primarily related to accounts payable and accrued expenses, accrued salaries, wages, and benefits, and PERS pension liability. In fiscal year 2020, the increases were related to several activities including the current portion of CARES Act Medicare Advance Payment, CARES Act deferral of OHSU's share of Social Security payroll taxes, PERS pension liability, long-term debt and other noncurrent liabilities.

Current liabilities consist of the current portion of long-term debt, capital leases, and self-funded insurance, accounts payable and accrued expenses, salaries, wages, and benefits payable and unearned revenue. In fiscal year 2021 and 2020, current liabilities also reflect the CARES Act Medicare Advance Payment of $118 million and $146 million, respectively, and OHSU's share of deferred Social Security payroll taxes of $62 million and $24 million, respectively.

Noncurrent liabilities increased $106 million or 6.7% in fiscal year 2021 due to an increase in the pension liability and the long-term portion of CARES Act Medicare Advance Payment in other noncurrent liabilities.

Debt Management. At the close of fiscal years 2021 and 2020, OHSU had a total of approximately $970 million and $997 million in long-term debt and capital leases outstanding, respectively. Of the total $970 million in long-term debt and capital leases outstanding at the end of 2021, $946 million is considered noncurrent and $24 million is considered current and due within one year. OHSU continues to maintain its Standard & Poor's and Fitch ratings of AA-, and Moody's rating of Aa3.

One measure of the degree of leverage on the University's statements of net position is the ratio of total long-term debt to net position, shown below. Leverage, according to this metric, decreased from 0.28 in 2020 to 0.24 in 2021. In prior fiscal year 2020, this metric was slightly higher as OHSU issued long-term debt for the refunding of previous debt and the acquisition of Physicians Pavilion.

		2021	2020	2019
			(Dollars in millions)	
Total debt and capital leases	$	970	997	979
Net position		4,098	3,605	3,619
Total debt and capital leases to net position	$	0.24	0.28	0.27

Maximum Annual Debt Service Coverage. The maximum annual debt service coverage ratio for an entity represents the amount of cash flow available to meet the maximum annual interest and principal payment on debt. Per bond covenants, OHSU's credit group must maintain a debt coverage ratio of 1.10 times or greater. The University continues to exceed this minimum requirement with ratios of 6.92 in fiscal year 2021, 2.93 in 2020, and 6.65 in 2019.

Calculation of Maximum Annual Debt Service Coverage Ratio – Unrestricted

(Dollars in thousands)

		2021	2020	2019
Total excess of revenues over expenses	$	480,594	(38,650)	219,827
Add/subtract restricted net loss/gain		(132,947)	21,581	51,905
Unrestricted excess of revenues over expenses	$	347,647	(17,069)	271,732
Adjustments:				
Net unrealized (gain) loss in fair value of investments	$	(129,506)	(14,276)	(58,639)
Loss on disposal of assets		193	419	411
Interest expense[1]		32,990	36,331	30,965
Depreciation and amortization		178,972	176,700	186,720
	$	82,649	199,174	159,457
Income available for debt service	$	430,296	182,105	431,189
Maximum annual debt service		62,147	62,180	64,879
Maximum annual debt service coverage		6.92	2.93	6.65

[1] Interest expense is decreased by investment income on trust accounts.

The following table presents the maximum annual debt service coverage ratio for the last three fiscal years, calculated with the removal of pension adjustments due to the adoption of GASB 68.

Calculation of Maximum Annual Debt Service Coverage Ratio – Unrestricted Pre-GASB 68 Adjustment

(Dollars in thousands)

		2021	2020	2019
Income available for debt service	$	430,296	182,105	431,189
Pension adjustment GASB 68		67,092	58,521	34,336
Adjusted income available for debt service	$	497,388	240,626	465,525
Maximum annual debt service	$	62,147	62,180	64,879
Maximum annual debt service coverage (pre-GASB 68)		8.00	3.87	7.18

Deferred Inflows and Outflows

Under GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, certain deferred outflows are presented below assets and certain deferred inflows are presented below liabilities.

In fiscal year 2021, the deferred outflows increased by $27 million and deferred inflows increased by $12 million due to several items, including deferred amortization of derivative instruments, losses and gains on refunding of debt, pension activities, life income agreements and pending funds. In fiscal year 2020, the deferred outflows increased by $1 million and the deferred inflows decreased by $52 million due to several items of significance, including deferred amortization of derivative instruments, losses on refunding debt, pension amounts and pending funds.

Within the deferred outflows section of the statements of net position is the deferred amortization of derivative instruments. OHSU currently holds one interest rate swap agreement. The balance of the deferred outflow for amortization of derivative instruments was $6.1 million in 2021 and $7.3 million in 2020.

Losses and gains on refunding of debt are amortized over the shorter of the life of the new debt or the remaining life of the old debt. Absent any refunding activity, these numbers will slowly decline. OHSU has both deferred gains and losses. The deferred loss on refunding of debt of $27.8 million in 2021 and $30.2 million in 2020 is reported in the deferred outflows section below assets. The deferred gain on refunding of debt of $1.3 million in 2021 and $1.5 million in 2020 is reported in the deferred inflows section below liabilities.

In fiscal year 2021 and 2020, the deferred outflows related to the Oregon PERS pension obligation were $190 million and $160 million, respectively, primarily representing assumption changes. Contributions made post measurement date are also reflected in deferred outflows. In fiscal year 2021, OHSU's contributions were $58 million, which included an additional $10 million in excess contribution above the contractually required $48 million. In fiscal year 2020, OHSU's contributions made post measurement date were $61 million, which included an additional $10 million in excess contribution above the contractually required $51 million. Deferred inflows related to pension activities for fiscal years 2021 and 2020 were $46 million and $56 million, respectively, representing a decrease in proportionate share.

Finally, deferred inflows included an increase in life income agreements of $6 million and an increase of $17 million in pending funds.

Net Position

As noted earlier, total net position increased $493 million in fiscal year 2021, as compared to a decrease of $14 million in fiscal year 2020. In fiscal year 2021, the increase in net position occurred within unrestricted and restricted, offset by net investment in capital assets, which decreased by $21 million. Unrestricted net position, which is 42.9% of OHSU's total net position, increased by $387 million in 2021 as compared to a decrease of $16 million in 2020 which was primarily due to the losses associated with the COVID-19 pandemic. Restricted net position, which is 27.0% of OHSU's total net position, increased by $128 million in 2021 primarily driven by programmatic spending on research and academic programs.

When evaluating OHSU's net position, it is important to note that OHSU's Marquam Hill property is leased from the State for renewable 99-year periods, at a lease payment equal to the debt service on bonds outstanding at the time of OHSU's separation from the Oregon University System. As that debt service is relatively low, the capitalized net present value of those lease payments is significantly less than the fair value of the included land and buildings.

OHSU Missions

OHSU's strategic plan, called OHSU 2025, is built around the OHSU's vision: "OHSU will partner to make Oregon a national leader in health and science innovation for the purpose of improving the health and well-being of all Oregonians and beyond."

Six goals – timeless aspirations – form the basis of the plan:

1. Building a diverse, equitable environment where all can thrive and excel.
2. Being the destination for transformational learning.
3. Enhancing health and healthcare in every community.
4. Discovering and innovating to advance science and optimize health worldwide.
5. Partnering with communities for a better world.
6. Ensuring a sustainable foundational infrastructure.

The plan was developed through a crowdsourcing process to tap into OHSU member aspirations and develop a shared future vision.

These goals span OHSU's missions, supported by objectives that are focused on identifying new ways to understand disease, treat illness and train the next generation of scientists and health professionals. They begin with our commitment to listen to what communities — across Oregon and around the world — need from OHSU, and end with our commitment to the people who will respond to those needs and make this work a reality.

With 42 objectives and hundreds of tactics, OHSU 2025 reflects not only the breadth and complexity of the state's only academic health center, but also the challenges in health and science that OHSU must address. OHSU's scale and scope, our profound connection to Oregonians, and our decades of experience at the leading edge of innovation have already laid the foundation for this plan's success.

The following sections highlight achievements for each of our missions.

OHSU Education

A foundation of OHSU's mission is the education and training of dentists, nurses, physicians, physician assistants, other health professionals, biomedical scientists, and engineers, through a broad range of undergraduate and graduate programs that provide healthcare and biomedical workforce for Oregon and beyond. Educational programs are conducted on the OHSU campus in Portland, online, and at various locations throughout the State. Collaborative programs enable OHSU to offer a joint Doctor of Pharmacy degree through an affiliation with Oregon State University (OSU) as well as a joint Ph.D. degree and a joint Master of Science degree in Medical Physics. In partnership with Oregon Institute of Technology (OIT), OHSU offers a joint B.S. degree in Medical Laboratory Science, a joint B.S. degree in Emergency Medical Services Management and a joint Associate of Applied Science degree in Emergency Medical Technology–Paramedic. OHSU also offers a joint Master of Business Administration in Health Care Management with Portland State University (PSU) and has also established a joint School of Public Health with PSU comprising several undergraduate and graduate programs including Bachelor degrees, Graduate Certificates, Master of Science, Master of Public Health, and Ph.D. programs.

(Dollars in thousands)

As of the fall 2020 term, OHSU had 3,035 students enrolled in its various programs (excluding students enrolled in the joint Pharm.D. degree program with OSU, the joint undergraduate programs with OIT and the School of Public Health joint degree students registered by PSU). The following table sets forth the number of students enrolled in OHSU's programs for each of the past three academic years.

Fall Headcount Enrollment [(a)]
For Programs in the Years Indicated

		2020/2021	2019/2020	2018/2019
School of Dentistry:				
Graduate	$	27	26	27
Professional		291	297	296
Subtotal		318	323	323
School of Medicine:				
Undergraduate		17	17	18
Graduate		753	780	812
Professional		617	630	603
Subtotal		1,387	1,427	1,433
School of Nursing:				
Undergraduate		792	759	764
Graduate		87	177	222
Professional		189	100	44
Subtotal		1,068	1,036	1,030
School of Public Health:				
Graduate		262	231	213
Total	$	3,035	3,017	2,999

(a) This table excludes interns, residents, and trainees. This table also excludes students enrolled in the joint Pharm.D. degree program with OSU, the joint undergraduate programs with OIT and the School of Public Health joint degree students registered by PSU.

OHSU Research

OHSU is a national leader in neuroscience; cancer research; hearing; microbiology; ophthalmology; infectious disease and immunology in many fields of research, including: reproductive biology; atomic, molecular, cellular, and tissue imaging; and evidence-based medicine. OHSU research projects received 72% of the grants made by the National Institutes of Health (NIH) in the state of Oregon, with the next largest recipient receiving 11%. OHSU was ranked 29th out of the 2,416 entities that received funding from the NIH. Faculty members include five members of the National Academy of Sciences and nine members of the National Academy of Medicine. Researchers at OHSU have developed many of the leading advances in medicine, including the first artificial heart valve, pioneering use of optical coherence tomography, the first percutaneous angioplasty procedure, and the first molecularly targeted cancer therapy (Gleevec®).

OHSU's many institutes are nationally and internationally recognized, including the Knight Cancer Institute, the only National Cancer Institute designated Comprehensive Cancer Center in Oregon; the Vollum Institute, privately endowed and dedicated to basic science research that has led to new treatments for neurological and psychiatric diseases; and the Casey Eye Institute, a world-recognized academic regional eye center that attracts top specialists from around the globe. OHSU's West Campus is home to the Vaccine and Gene Therapy Institute, which-focuses on serious viral disease threats and programs intended to span the continuum between basic and clinical science, where discoveries are rapidly advanced from the level of molecular and cellular biology through animal models and ultimately into clinical testing, and the Oregon National Primate Research Center, one of the seven National Primate Research Centers supported by the National Institutes of Health. Their world-class translational research programs focus on current, developing, and projected high-priority human medical needs that are projected to increase in importance over the coming decades.

OHSU actively pursues private and public partnerships on important and innovative research projects to supplement federal funding, with corporate partners such as Thermo Fisher Scientific's Analytical Instrumentals Segment, a leading electronic microscopy company, and other major information technology and life sciences companies, and with academic partners such as PSU, OSU, University of Oregon, Pacific Northwest National Laboratory, and Lawrence Berkeley National Laboratory.

Although the COVID-19 pandemic disrupted science at OHSU, the institution continued to strive in many areas and accomplished many extraordinary things. Despite the many challenges, OHSU had another record year; receiving nearly $586 million in externally sponsored awards for fiscal year 2021.

In June 2021, OHSU was the first institution in the Pacific Northwest to install a new type of scanner that will advance both patient care and clinical research. The 3-Tesla magnet for the GE Signa Positron Emission Tomography/Magnetic Resonance Imaging scanner will be delivered and installed in the Lamfrom Biomedical Research Building on OHSU's Marquam Hill campus. The $11.7 million project includes the cost of the scanner and renovations needed to accommodate it in the building. The device will be especially useful for organs and diseases that are better imaged with MRI rather than a different type of scanner called PET CT, for computed tomography. These include neurological conditions such as epilepsy and brain tumors, head and neck cancers, heart conditions such as cardiac sarcoidosis and myocarditis, in addition to different types of cancer such as prostate cancer, rectal cancer and cervical cancer.

In May 2021, Scientists have for the first time revealed the structure surrounding important receptors in the brain's hippocampus, the seat of memory and learning. The study, carried out at OHSU, published in the journal *Nature*. Working with a mouse model, the OHSU researchers made the breakthrough by developing monoclonal antibodies to isolate the receptor and the complex of subunits surrounding it. They then imaged the entire collection using state-of-the-art cryo-electron microscopy at the Pacific Northwest Cryo-EM Center, housed in OHSU's South Waterfront campus in Portland. The findings may be immediately useful in drug development for conditions such as epilepsy.

About two decades after first devising a new kind of vaccine, OHSU researchers are unlocking why it stops and ultimately clears the monkey form of HIV, called SIV, in about half of nonhuman primates – and why it's a promising candidate to stop HIV in people. In scientific papers that were simultaneously published in the journals *Science and Science Immunology* during 2021, creators of the cytomegalovirus, or CMV, vaccine platform describe the unusual biological mechanisms through which it works. The findings also helped fine-tune VIR-1111, the CMV-based experimental vaccine against HIV that was developed at OHSU and is now being evaluated in a Phase 1 clinical trial. The trial is being conducted by Vir Biotechnology, which licensed the CMV vaccine platform technology from OHSU.

(Dollars in thousands)

OHSU Healthcare

OHSU is home to Oregon's only major academic health center, which serves a multistate area with tertiary and quaternary healthcare services from its campus in Portland, Oregon, where it operates two hospitals, OHSU Hospital and OHSU Doernbecher Children's Hospital (OHSU Hospital or the Hospital), with 576 licensed beds. During 2021, the OHSU Hospital represented 8.2% of the available beds and 11.1% of the filled beds for the entire State. The OHSU Hospital had an 80% occupancy rate for available beds in 2021, compared to the Oregon statewide average of 59% according to the Oregon Association of Hospitals and Health Systems' Oregon DataBank. As an academic health center, OHSU's professional staff is composed primarily of the faculty of OHSU's School of Medicine. The OHSU Practice Plan (OPP) is the largest organized clinical practice in Oregon. As of June 30, 2021, there were over 1,713 active faculty practice plan members, including physicians, nurse practitioners, physician assistants, and other licensed independent practitioners from across all medical specialties.

	Fiscal year ending June 30			Variance	
OHSU Patient Activity	**2021**	**2020**	**2019**	**2021 v 2020**	**2020 v 2019**
Inpatient admissions	25,612	27,055	29,174	(5.3)%	(7.3)%
Average length of stay	6.66	6.32	6.12	5.4	3.3
Average daily census	448	453	476	(1.1)	(4.8)
Day/observation patients	41,327	38,643	42,320	6.9 %	(8.7)%
Emergency visits	41,997	44,965	47,856	(6.6)	(6.0)
Ambulatory visits	1,103,642	978,492	987,024	12.8	(0.9)
Surgical cases	33,124	32,672	37,080	1.4	(11.9)
Casemix index	2.49	2.43	2.26	2.5 %	7.5 %
Outpatient share of activity	55.4 %	53.6 %	52.3 %	3.4	2.5
CMI/OP adjusted admissions	142,945	141,644	137,995	0.9	2.6

In addition to its tertiary care focus in Portland, OHSU is working with other healthcare providers noted below to leverage expertise and resources throughout Oregon.

Adventist Health. Adventist Health Portland and OHSU finalized an agreement to integrate their clinical activities and services in the Portland metropolitan area through an affiliation effective January 1, 2018. This agreement makes OHSU and Adventist Health Portland part of the same Portland metropolitan health system, bringing together Adventist's healthcare enterprise that includes a 302-licensed bed medical center, 25 medical clinics and home care and hospice services in the Portland-Vancouver metro area. Under this affiliation, OHSU and Adventist Health will share a bottom line and operate as a unified system. The agreement does not include OHSU's research and education missions. The other twenty Adventist Health hospitals in the western United States are also excluded from the agreement. Each organization will retain its existing hospital licenses, capital assets, and employees. Each entity will continue to maintain its own mission and culture but together will seek to transform access and the delivery of health to Oregonians through a unified clinical enterprise and shared brand experience.

Tuality Healthcare. On February 1, 2016, OHSU affiliated with Tuality through the execution of a management agreement (the Tuality Agreement) between the organizations. Tuality owns and operates Tuality Community Hospital, a 215-licensed-bed acute care hospital located in Hillsboro, Oregon. Under the Tuality Agreement, OHSU agrees to oversee the unified and integrated clinical enterprises of OHSU and Tuality as a single, integrated economic unit. OHSU and Tuality remain as separate entities, own their own assets and continue to be the licensed operators of their own facilities. Under the Tuality Agreement, OHSU agrees to be responsible for Tuality's operating income and loss, including making cash payments to Tuality in an amount equal to any Tuality operating loss, in the manner specified in the Tuality Agreement. Tuality is a component unit of OHSU as OHSU approves Tuality's annual operating budget. Since Tuality has a separate board of directors and they do not provide services exclusively to OHSU, they are presented as a discretely presented component unit of OHSU. In November 2019, Tuality adopted a new public-facing name, Hillsboro Medical Center.

Columbia Memorial Hospital. OHSU and Columbia Memorial Hospital (CMH) in Astoria, Oregon, have collaborated on programs, including cardiology and cancer, offering chemotherapy, imaging, pharmacy, and other services for individuals on the North Oregon Coast. OHSU and CMH jointly organize and operate an Oncology Collaboration, including a 18,000-square-foot comprehensive cancer treatment center and specialty clinic, with radiation therapy. CMH owns and operates the cancer treatment center, opened in October 2017, under its license while OHSU has provided the professional services and medical direction through OHSU-employed physicians.

OHSU Foundation

OHSU has one designated independent nonprofit foundation – the Oregon Health and Science University Foundation (OHSU Foundation, the Foundation). The Foundation exists to secure private philanthropic support to advance OHSU's vital missions and to invest and manage gifts responsibly to honor donors' wishes.

The Foundation is an Oregon nonprofit corporation promoting the charitable, scientific, and educational purposes of OHSU. The Foundation is a component unit of OHSU for financial reporting purposes, but is not part of the OHSU Obligated Group established pursuant to the Master Indenture, which currently consists solely of OHSU. The Foundation has a self-perpetuating board trustees, on which the OHSU president sits as an ex officio voting member.

Doernbecher Children's Hospital Foundation, an Oregon nonprofit corporation originally established in 1944 promoting an interest in and support for Doernbecher Children's Hospital, a functional unit of OHSU specializing in healthcare services to children, merged on January 1, 2021 with OHSU Foundation. OHSU Foundation continued as the surviving corporation following the merger. OHSU Foundation is tax-exempt under Section 501(c)(3) of the Internal Revenue Code.

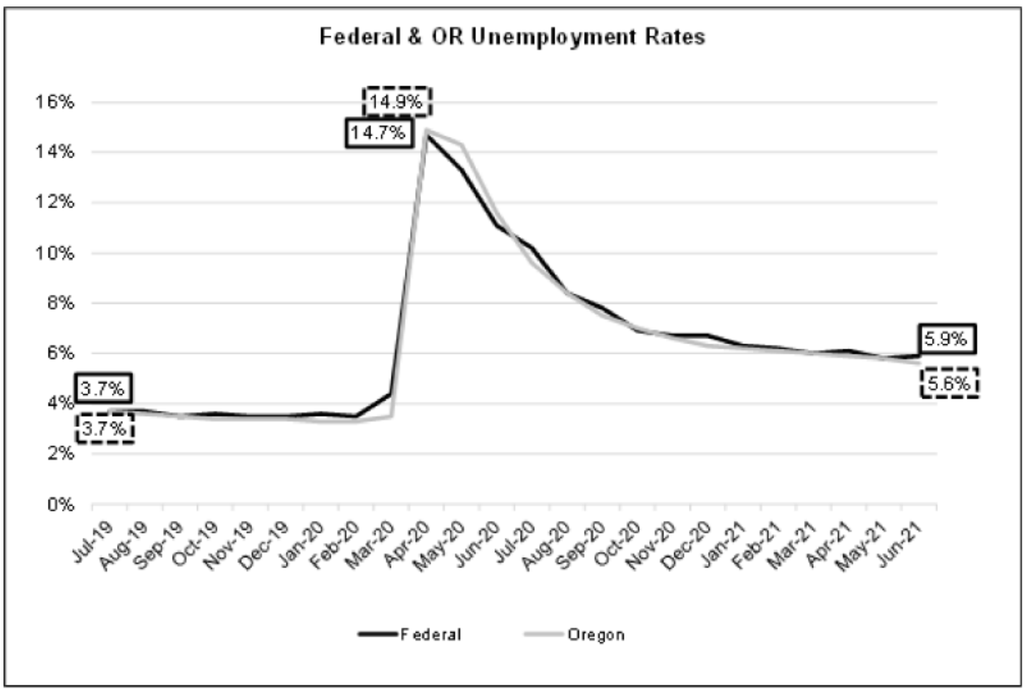
(Dollars in thousands)

As OHSU's designated foundation, all development activities conducted by the Foundation must be coordinated with OHSU. In accepting gifts, the Foundation must obtain OHSU approval for all endowments and any gifts that result in new programs. In addition, if the Foundation was dissolved or if the OHSU president were to revoke recognition of the Foundation as an OHSU-designated foundation, the assets of such foundation would, within the limits of legal and fiduciary rights, be distributed to OHSU, its successor in interest, or to another entity recognized by OHSU as an institution foundation. These interrelated functions and requirements have been further confirmed and implemented in the articles and bylaws of the Foundation. The table below identifies major gifts, which are reported as required under the Council for Advancement and Support of Education (CASE) Reporting Standards and Management Guidelines, which may differ from recognition rules under governmental accounting standards.

Amount	OHSU major gifts description	Fiscal year
$14.2 million	HIV and TB vaccine using CMV platform grant	2020–21
$10 million	OHSU-UO Center for Biomedical Data Science gift	2019–20
$25 million	OHSU and Doernbecher Children's Hospital gift	2017–18
$14.7 million	SMMART Trials grant	2017–18
$15 million	Center for Pancreatic Health gift	2016–17
$15 million	Casey Eye Institute gift	2015–16
$12 million	Gary and Christine Rood Family Pavilion gift	2015–16
$500 million	Knight Cancer Institute gift	2014–15
$100 million	Knight Cancer Institute gift	2014–15
$38.8 million	Vaccine and Gene Therapy Institute, Oregon National Primate Research Center, and Behavioral Neuroscience grant	2014–15
$28.9 million	Knight Cancer Institute and OHSU Parkinson Center gift	2013–14
$25 million	Center for Pancreatic Health gift	2013–14
$10 million	Knight Cancer Institute gift	2013–14
$125 million	Gift to create a Cardiovascular Institute at OHSU	2012–13
$25 million	Bob and Charlee Moore Institute for Nutrition gift	2011–12
$10 million	New School of Dentistry gift	2010–11
$100 million	Knight Cancer Institute gift	2008–09

Economic Outlook

Fiscal year 2021 saw continued capital market and economic volatility as the global economy continued to be impacted by COVID-19. During fiscal year 2021, the U.S. economy began exhibiting signs of more substantive recovery as reflected in the improving labor market, as well as most recent strong year over year real gross domestic product (GDP) growth rate of 12.2% according to the U.S. Bureau of Economic Analysis. The below chart illustrates the federal and Oregon state unemployment levels over the previous two fiscal years for fuller context.



Source: Bureau of Labor Statistics

Post fiscal year-end 2021, the federal and Oregon employment picture continued to be strong with Oregon posting a preliminary unempoloyment rate figure of 5.6%, while the federal level stood at 5.9%. There is still substantial uncertainty of the impact the Delta variant will have on the Oregon, U.S. and world economies moving into fall and winter.

In financial markets, fiscal year 2021 saw the continued rally from the March 2020 lows in risk assets as COVID-19 concerns gave way to more optimistic economic and corporate profitability outlooks. On the fixed income side, coincident with more optimistic growth projections, the markets saw rates increase during the fiscal year on higher expectations related to both growth and inflation. Towards the end of fiscal year 2021 and into the beginning of fiscal year 2022, market focus has shifted to the timing and pace of modifications to the Federal Reserve's asset purchase program and expected Fed Funds Rate path. Additionally, with respect to fiscal policy, markets are awaiting the outcome of the Biden administration's proposed $1 billion and $3.5 billion infrastructure bills, as well as the fiscal year 2022 budget resolution. The healthcare regulatory environment also continues to exhibit substantial policy uncertainty as federal and state regulators attempt to mitigate COVID-19 impacts. The passage of the CARES Act in March 2020 provided major financial support to the healthcare industry and OHSU. The prospect of further federal aid is uncertain. As a consequence, the University is preparing for a range of possible outcomes.

Although many specific investments in the OHSU 2025 strategic plan have been paused due to the pandemic, the University continues to be guided by its "people first" approach to deliver breakthroughs for better health. This includes responding to COVID-19 by tightening first to loosen later, reducing salaries to avoid widespread layoffs where possible, and acting as one University even though different missions and units are impacted to different extents and at different times.

Results over the past several fiscal years show that OHSU's financial position remains strong, with net position increasing 32% from $3.1 billion at July 1, 2017 to $4.1 billion for the year ending June 30, 2021. OHSU's financial strength is further recognized by its credit ratings, Aa3 / AA- / AA- confirmed by Moody's, S&P, in early 2021, and by Fitch, in late 2020, respectively. The University's financial planning and budget process is designed to support ongoing investment in faculty and staff, programs, technology and facilities consistent with a nationally ranked health sciences university. On this path, OHSU has received unwavering public and philanthropic support.

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OREGON HEALTH & SCIENCE UNIVERSITY
(A Component Unit of the State of Oregon)

Statements of Net Position

As of June 30, 2021 and 2020

(Dollars in thousands)

		2021	2020
Assets:			
Current assets:			
Cash and cash equivalents	$	435,574	422,742
Short-term investments		104,421	253,989
Current portion of funds held by trustee		36,759	38,062
Patients accounts receivable, net of bad debt allowances of $2,518 and $1,528 – in 2021 and 2020		459,884	390,926
Student receivables		27,025	28,644
Grant and contract receivable		62,900	61,970
Current portion of pledges and estates receivable, net		121,502	85,605
Other receivables, net		54,235	46,087
Inventories, at cost		58,290	49,223
Prepaid expenses		40,769	32,767
Total current assets		1,401,359	1,410,015
Noncurrent assets:			
Capital assets, net of accumulated depreciation		2,055,987	2,103,591
Funds held by trustee – less current portion		10,182	13,252
Other long-term receivables, net of reserves		33,500	33,500
Long-term investments:			
Long-term investments, restricted		846,679	652,633
Long-term investments, unrestricted		1,746,773	1,214,736
Total long-term investments		2,593,452	1,867,369
Prepaid financing costs, net		1,484	1,705
Pledges and Estates Receivable, net – Less Current Portion		248,218	306,862
Restricted postemployment benefit asset		4,328	6,200
Other noncurrent assets		3,460	2,577
Interest in the foundations		—	—
Total noncurrent assets		4,950,611	4,335,056
Total assets		6,351,970	5,745,071
Deferred outflows:			
Deferred amortization of derivative instruments		6,091	7,342
Loss on refunding of debt		27,794	30,197
Pension obligation		189,745	160,050
Goodwill		348	435
Other Postemployment Benefits (OPEB) obligation		10,035	8,961
Total deferred outflows		234,013	206,985
Total assets and deferred outflows	$	6,585,983	5,952,056

OREGON HEALTH & SCIENCE UNIVERSITY
(A Component Unit of the State of Oregon)

Statements of Net Position

As of June 30, 2021 and 2020

(Dollars in thousands)

		2021	2020
Liabilities:			
Current liabilities:			
Current portion of long-term debt	$	22,848	22,476
Current portion of long-term capital leases		1,234	943
Current portion of self-funded insurance programs liability		40,868	33,935
Accounts payable and accrued expenses		171,743	154,540
Accrued salaries, wages, and benefits		119,248	106,188
Compensated absences payable		76,432	68,996
Unearned revenue		81,831	74,543
Unearned/Medicare Advance Payment		118,420	145,975
Other current liabilities		2,274	4,460
Total current liabilities		634,898	612,056
Noncurrent liabilities:			
Long-term debt – less current portion		944,908	972,932
Long-term capital leases – less current portion		968	1,044
Liability for self-funded insurance programs – less current portion		46,639	39,861
Liability for life income agreements		23,492	20,741
Net pension liability		595,311	503,720
Other noncurrent liabilities		88,133	55,098
Total noncurrent liabilities		1,699,451	1,593,396
Total liabilities		2,334,349	2,205,452
Deferred inflows:			
Deferred amortization of derivative instruments		—	—
Gain on refunding of debt		1,291	1,546
Life income agreements		39,087	33,269
Pending Funds		65,455	48,135
Pension obligation		46,214	56,018
Other Postemployment Benefits (OPEB) amounts		1,519	2,294
Total deferred inflows		153,566	141,262
Net position:			
Investments in capital assets		1,232,802	1,254,205
Restricted, expendable		801,921	683,114
Restricted, nonexpendable		304,696	295,926
Unrestricted		1,758,649	1,372,097
Total net position		4,098,068	3,605,342
Total liabilities, deferred inflows, and net position	$	6,585,983	5,952,056

See accompanying notes to financial statements.

OREGON HEALTH & SCIENCE UNIVERSITY
(A Component Unit of the State of Oregon)

Statements of Revenues, Expenses, and Changes in Net Position

Years ended June 30, 2021 and 2020

(Dollars in thousands)

		2021	2020
Operating revenues:			
Patient service revenue, net of bad debt adjustments of $6,310 and $12,112 – in 2021 and 2020, respectively	$	2,595,048	2,375,275
Student tuition and fees, net		82,770	77,305
Gifts, grants, and contracts		703,065	664,646
Other		225,391	195,895
Total operating revenues		3,606,274	3,313,121
Operating expenses:			
Salaries, wages, and benefits		2,166,014	2,041,677
Defined benefit pension		113,695	109,907
Services, supplies, and other		1,194,777	1,134,614
Depreciation and amortization		178,972	176,700
Interest		32,990	36,656
Total operating expenses		3,686,448	3,499,554
Operating (loss)		(80,174)	(186,433)
Nonoperating revenues, incl. state appropriations:			
Investment income and gain on fair value of investments		439,799	82,878
State appropriations		44,243	39,581
CARES Act grants		72,593	37,859
Other		4,133	(12,535)
Total nonoperating revenues (expenses), net		560,768	147,783
Net income (loss) before contributions for capital and other		480,594	(38,650)
Other changes in net position:			
Contributions for capital and other		783	3,361
Nonexpendable donations		11,349	21,432
Total other changes in net position		12,132	24,793
Total increase (decrease) in net position		492,726	(13,857)
Net position – beginning of year		3,605,342	3,619,199
Net position – end of year	$	4,098,068	3,605,342

See accompanying notes to financial statements.

OREGON HEALTH & SCIENCE UNIVERSITY

(A Component Unit of the State of Oregon)

Statements of Cash Flows

Years ended June 30, 2021 and 2020

(Dollars in thousands)

		2021	2020
Cash flows from operating activities:			
Receipts for patient services	$	2,523,904	2,373,521
Receipts from students		84,389	74,845
Receipts of gifts, grants, and contracts		780,530	671,361
Other receipts		193,344	331,142
Payments to employees for services		(2,193,410)	(2,091,099)
Payments to suppliers		(1,194,643)	(1,156,398)
Net cash provided by operating activities		194,114	203,372
Cash flows from noncapital financing activities:			
Federal direct loan proceeds		75,344	72,396
Federal direct loan disbursements		(75,724)	(61,081)
State appropriations		44,243	39,581
CARES Act grants		72,593	37,859
Nonexpendable donations and life income agreements		(2,627)	(5,732)
Net cash provided by noncapital financing activities		113,829	83,023
Cash flows from capital and related financing activities:			
Scheduled principal payments on long-term debt		(12,536)	(14,836)
Interest payments on long-term debt		(49,061)	(50,057)
Proceeds from issuance of long-term debt		928	355,558
Repayment on debt		(7)	(305,480)
Acquisition of capital assets		(131,368)	(207,295)
Proceeds from sale of capital assets		(193)	(419)
Net capital lease activity		215	(3,838)
Contributions for capital and other		783	3,361
Net cash used in capital and related financing activities		(191,239)	(223,006)
Cash flows from investing activities:			
Purchases of investments		(1,215,753)	(3,355,739)
Proceeds from sales and maturities of investments		1,079,180	3,573,115
Interest on investments and cash balances		32,701	54,962
Net cash provided (used) by investing activities		(103,872)	272,338
Net increase in cash and cash equivalents		12,832	335,727
Cash and cash equivalents, beginning of year		422,742	87,015
Cash and cash equivalents, end of year	$	435,574	422,742

OREGON HEALTH & SCIENCE UNIVERSITY
(A Component Unit of the State of Oregon)

Statements of Cash Flows

Years ended June 30, 2021 and 2020

(Dollars in thousands)

		2021	2020
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating (loss)	$	(80,174)	(186,433)
Adjustments to reconcile operating (loss) net cash provided by operating activities:			
Depreciation and amortization		178,972	176,700
Provision for bad debts		6,310	12,112
Interest expense reported as operating expense		32,990	36,656
Noncash contribution		(10,169)	(9,363)
Defined-benefit pension		52,092	48,521
Net changes in assets and liabilities:			
Patient accounts receivable		(75,268)	(12,789)
Student receivables		1,619	(2,460)
Grant and contracts receivable		(550)	(10,735)
Pledges and estates receivable		22,747	33,025
Other receivables, assets, and deferred outflows		(4,492)	(10,728)
Inventories		(9,067)	(4,802)
Prepaid expenses		(8,002)	(2,829)
Accounts payable and accrued expenses		17,203	(14,153)
Accrued salaries, wages, and benefits		13,060	4,413
Compensated absences payable		7,436	6,658
Other current liabilities		(2,186)	(1,077)
Liability for life income agreements		2,751	(2,494)
Unearned revenue		7,288	13,978
Medicare Advance Payment		(27,555)	145,975
Liability for self-funded insurance programs		13,711	893
Other noncurrent liabilities and deferred inflows		55,398	(17,696)
Net cash provided by operating activities	$	194,114	203,372
Supplemental schedule of noncash capital and related financing and investing activities:			
Unrealized change in fair value of investments	$	38,537	9,529
Loss on disposal capital assets		(193)	(419)

See accompanying notes to financial statements

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OREGON HEALTH & SCIENCE UNIVERSITY

Nongovernmental Discretely Presented Component Units

Combined Balance Sheets

As of June 30, 2021 and 2020

(Dollars in thousands)

Assets		2021	2020
Current assets:			
Cash and cash equivalents	$	38,819	6,148
Short-term investments		3,734	911
Patient accounts receivable, net of allowance for uncollectible accounts of $1,405,178 as of June 30, 2020		38,936	29,341
Due from related party		—	20,950
Other receivables		18,158	3,484
Supplies inventory		4,903	3,842
Prepaid expenses and other		2,442	2,153
Current portion of assets whose use is limited		1,010	992
Total current assets		108,002	67,821
Assets whose use is limited:			
Board-designated funds		41,246	34,706
Under bond indenture agreement – held by Trustee		1	1
Donor-restricted – specific purpose		6,888	4,049
Donor-restricted – endowment		2,761	2,812
Required for current liabilities		(1,010)	(991)
Total assets whose use is limited		49,886	40,577
Property and equipment:			
Property and equipment, net of accumulated depreciation and amortization		62,752	62,332
Other assets:			
Other receivables – noncurrent		1,307	1,379
Investments in unconsolidated affiliates		1,104	1,521
Deferred compensation plan		2,814	2,358
Cash value of life insurance		727	565
Deferred costs and other		230	230
Intangible assets		1,550	1,610
Goodwill		319	319
Total other assets		8,051	7,982
Total assets	$	228,691	178,712

(Continued)

OREGON HEALTH & SCIENCE UNIVERSITY

Nongovernmental Discretely Presented Component Units

Combined Balance Sheets

As of June 30, 2021 and 2020

(Dollars in thousands)

Liabilities and Net Assets		2021	2020
Current liabilities:			
Accounts payable	$	44,532	14,762
Accrued payroll and employee benefits		13,476	12,864
Due to related party		2,316	—
Deferred revenue		13,107	16,590
Estimated liabilities for Medicare and Medicaid settlements		423	450
Long-term debt due within one year		1,052	1,021
Accrued bond interest payable		86	92
Total current liabilities		74,992	45,779
Long-term liabilities:			
Long-term debt, net of amount due within one year		11,034	12,073
Liability for pension benefits		42,224	66,444
Other long-term liabilities		26,093	23,885
Total long-term liabilities		79,351	102,402
Total liabilities		154,343	148,181
Net assets:			
Net assets without donor restrictions		64,594	23,265
Net assets with donor restrictions		9,754	7,266
Total net assets		74,348	30,531
Total liabilities and net assets	$	228,691	178,712

See accompanying notes to financial statements.

OREGON HEALTH & SCIENCE UNIVERSITY

Nongovernmental Discretely Presented Component Units

Combined Statements of Operations

For the years ended June 30, 2021 and 2020

(Dollars in thousands)

		2021		2020
Net patient service revenue:				
Patient service revenue (net of contractual allowances and discounts)[1]			$	199,410
Provision for bad debts				(5,266)
Total net patient service revenue	$	226,775		194,144
Other revenue:				
OHSU support		746		25,321
Other revenue		202,931		11,793
Total other revenue		203,677		37,114
Total revenue		430,452		231,258
Operating expenses:				
Salaries and wages		91,704		88,626
Employee benefits		23,271		25,264
Supplies and other expenses		262,590		81,625
Professional fees		31,947		26,803
Depreciation and amortization		8,291		8,498
Interest		718		782
Total operating expenses		418,521		231,598
Income (loss) from operations		11,931		(340)
Other non-operating income:				
Realized income on investments whose use is limited by board designation		222		1,060
Gain on investments in affiliated companies		2,303		3,242
Gain/(loss) on disposal of property and equipment		18		(35)
Change in net unrealized gains (losses) on investments		6,133		(317)
Other operating revenue		(600)		302
Total other income		8,076		4,252
Excess of revenue over expenses		20,007		3,912
Contributions for property and equipment acquisition		506		909
Pension-related changes		20,815		(20,099)
Increase (decrease) in net assets without donor restrictions	$	41,328		(15,278)

[1] 2021 presentation reflect adoption of ASC 606, Revenue from Contracts with Customers

See accompanying notes to combined financial statements.

OREGON HEALTH & SCIENCE UNIVERSITY

Nongovernmental Discretely Presented Component Units

Combined Statements of Changes in Net Assets

For the years ended June 30, 2021 and 2020

(Dollars in thousands)

		2021	2020
Net assets without donor restrictions:			
Excess of revenue over expenses	$	20,007	3,912
Contributions for property and equipment acquisition		506	909
Pension-related changes		20,815	(20,099)
Increase (decrease) in net assets without donor restrictions		41,328	(15,278)
Net assets with donor restrictions:			
Gifts, grants, and bequests		2,233	1,809
Investment (loss) income		1,793	(190)
Net assets released from restrictions		(1,539)	(2,112)
Contributions for endowment funds		2	2
Increase (decrease) in net assets with donor restrictions		2,489	(491)
Change in net assets		43,817	(15,769)
Net assets, beginning of year		30,531	46,300
Net assets, end of year	$	74,348	30,531

See accompanying notes to combined financial statements.

(1) Organization and Summary of Significant Accounting Policies

(a) Organization

As the only health sciences university and major academic health center in the state of Oregon (the State), Oregon Health & Science University (OHSU or the University) is dedicated to the education and training of healthcare professionals, research, patient care, outreach, and public service. In addition to the School of Medicine, School of Nursing, School of Dentistry, the joint College of Pharmacy with Oregon State University, and the joint School of Public Health with Portland State University, OHSU comprises several other academic and research units, including the Vollum Institute, the Vaccine and Gene Therapy Institute, Oregon National Primate Research Center, OHSU Brain Institute, Oregon Institute of Occupational Health Science, Oregon Clinical and Translational Research Institute, and the Pacific Northwest Center for Cryo-EM. OHSU also comprises several clinical units, including OHSU Hospital (the Hospital), the OHSU Practice Plan (OPP), and the Institute on Development and Disability (IDD). Doernbecher Children’s Hospital is a unit of the Hospital serving pediatric patients. The Knight Cancer Institute is the only National Cancer Institute designated cancer center in the State, and the Knight Cardiovascular Institute provides the State’s most comprehensive clinical and research heart program. In addition, OHSU operates a captive insurance company domiciled in Arizona for self-insurance purposes, OHSU Insurance Company (INSCO), which is blended in the accompanying financial statements.

Pursuant to an act of the Oregon Legislature (the Act), on July 1, 1995, OHSU was restructured from one of seven component units of the Oregon University System (OUS) to an independent public corporation. OHSU remains a component unit of the State.

The majority of the real property that constitutes OHSU’s main campus on Marquam Hill (and certain off-campus properties) in Portland is owned by the State. Pursuant to the Act, the State retained title of such real property and OHSU was granted exclusive care, custody, and control of such real property. To evidence this condition, the State and OHSU entered into a 99-year lease, dated July 1, 1995 (the State Lease), under which the State leased to OHSU all of the State’s leasable interest in such real property. Under the terms of the State Lease, the State may terminate the State Lease if, prior to such termination, the State causes the defeasance or discharge of all then-outstanding obligations of OHSU that were issued to finance improvements on the property subject to the State Lease or to refinance obligations of OHSU to the State. Under the State Lease, improvements include completed and partially completed buildings, fixtures, structures, and other improvements constructed on the property subject to the State Lease. In addition, OHSU was granted ownership of all personal property of the University, as it existed prior to the enactment of the Act.

Oregon Health & Science University Foundation is a separately incorporated nonprofit Foundation affiliated with OHSU. The primary purpose of the Foundation is to raise money for OHSU research, scientific, charitable, and educational purposes and to promote support for Doernbecher Children’s Hospital. Doernbecher Children’s Hospital Foundation, an Oregon nonprofit corporation, merged on January 1, 2021 with OHSU Foundation. Consequently, the financial position and the changes in financial position of the Foundation is blended in the accompanying financial statements.

On June 30, 2021, the University Medical Group (UMG), which was previously included as a blended component unit of OHSU, was dissolved.

On February 1, 2016, OHSU affiliated with Tuality Healthcare and subsidiaries (Tuality), doing business as Hillsboro Medical Center, through the execution of a management agreement (the Tuality Agreement) between the organizations. Tuality owns and operates Tuality Community Hospital, a 215-licensed-bed acute care hospital located in Hillsboro, Oregon. Under the Tuality Agreement, OHSU agrees to oversee the unified and integrated clinical enterprises of OHSU and Tuality as a single, integrated economic unit. OHSU and Tuality remain as separate legal entities, own their own assets, and continue to be the licensed operators of their respective facilities. Tuality is a component unit of OHSU as OHSU approves Tuality's annual operating budget. Since Tuality has a separate board of directors and they do not provide services exclusively to OHSU, they are presented as a discretely presented component unit of OHSU.

On January 1, 2020, OHSU partnered with ODS Community Health, Inc. to form OHSU Health IDS, LLC (OHI). OHI is owned 60% by OHSU and 40% by ODS Community Health, Inc. OHI operates as an Integrated Delivery System (IDS) under Health Share of Oregon, a Coordinated Care Organization (CCO) certified by the Oregon Health Authority (OHA) to serve OHP (Medicaid) enrollees in the Portland-metro area. OHI remains a separate legal entity, own their own assets, and maintains its own direct contract with Health Share of Oregon. OHI is a component unit of OHSU as OHSU approves OHI's annual operating budget. Since OHI has a separate board of directors and they do not provide services exclusively to OHSU, they are presented as a discretely presented component unit of OHSU.

(b) Accounting Standards

The accompanying financial statements are prepared in accordance with accounting principles generally accepted in the United States of America using the accrual basis of accounting. OHSU's financial statements and note disclosures are based on all applicable Governmental Accounting Standards Board (GASB) pronouncements and interpretations. OHSU uses proprietary fund accounting.

OHSU prepares and presents its financial information in accordance with GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* (GASB 34), known as the "Reporting Model" statement. GASB 34 established the requirements and reporting model for annual financial statements. GASB 34 requires that financial statements be accompanied by a narrative introduction and analytical overview of the reporting entity in the form of "management's discussion and analysis." This reporting model also requires the use of a direct-method cash flow statement.

OHSU has also adopted GASB Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities – an amendment of GASB Statement No. 34*. This statement establishes accounting and financial reporting standards for public colleges and universities within the financial reporting guidelines of GASB 34.

(c) Accounting Standards Impacting the Future

On April 15, 2020, the GASB proposed to postpone the effective dates of provisions in almost all Statements and Implementation Guides due to be implemented by state and local governments for fiscal years 2019 and later. In light of the COVID-19 pandemic, *the Exposure Draft, Postponement of the Effective Dates of Certain Authoritative Guidance*, would postpone by one year the effective dates of provisions in the pronouncements noted below. OHSU has elected to postpone the adoption of the noted pronouncements accordingly, and, the date of adoption noted includes the one-year deferral period.

In June 2017, GASB issued Statement No. 87, *Leases* (GASB 87), which is effective for reporting periods beginning after December 15, 2020. The objective of GASB 87 is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. GASB 87 increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as deferred inflows of resources or deferred outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the principle that leases are financings of the right to use an underlying asset. Under GASB 87, a lessee is required to recognize a lease liability and an intangible right to use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The University is currently analyzing the impact of this statement.

In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period* (GASB 89), which is effective for reporting periods beginning after December 15, 2020. The objectives of GASB 89 are to (1) enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reported period and (2) simplify accounting for interest cost incurred before the end of a construction period. GASB 89 requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. GASB 89 also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. The University is currently analyzing the impact of this statement.

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In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*, which will be effective for the fiscal year ending June 30, 2023. This statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs). This Statement defines an SBITA, establishes that an SBITA results in a right-to-use subscription asset (an intangible asset) and a corresponding subscription liability, provides the capitalization criteria for outlays other than subscription payments (including implementation costs of an SBITA), and requires note disclosures regarding an SBITA. The University is currently analyzing the impact of this statement.

In June 2020, the GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32. Some requirements of the statement related to defined contribution post employment benefit plans and fiduciary defined benefit post-employment benefit plans are effective immediately. Management has concluded that these requirements have no material impact on OHSU. The remaining requirements are effective for the fiscal year ending June 30, 2022. This statement provides guidance intended to increase consistency and comparability related to reporting of fiduciary component units in situations where a potential component unit does not have a governing board and the primary government performs the duties that a governing board would typically perform. The Statement also intends to mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other post-employment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements. Lastly, the Statement seeks to enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code Section 457 deferred compensation plans that meet the definition of a pension plan, and for benefits provided through those plans. While management continues to assess the impact of implementation of this Statement, it is not currently expected the implementation to have a material impact on the financial statements.

(d) Financial Reporting Entity

As defined by generally accepted accounting principles, the financial reporting entity consists of OHSU as the primary government and its component units, which are legally separate organizations for which the primary government is financially accountable. Financial accountability is defined as a) appointment of the voting majority of the component units' board, and either (1) the ability to impose will by the primary government or (2) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government, or (b) the component unit is financially dependent on and there is potential for the component unit to provide specific financial benefits to, or impose specific burdens on, the primary government.

Component units are reported as part of the reporting entity under the blended or discrete method of presentation. Blending involves merging the component unit data with the primary government. There are three situations when blending is allowed: (1) when the board of the component unit is substantially the same as that of the primary government and there is a financial benefit or burden relationship between the primary government and the component unit or management of the primary government has operational responsibility for the component unit, (2) when the component unit provides services entirely, or almost entirely, to the primary government or otherwise exclusively, or almost exclusively, benefits the primary government even though it does not provide services directly to it, or (3) the component unit's total debt outstanding, including leases, is expected to be repaid entirely or almost entirely with resources of the primary government. OHSU Foundation and INSCO are considered to be blended component units as they serve the primary government exclusively. All transactions between OHSU and its blended component units are eliminated upon consolidation. Tuality and OHI are presented discretely since they have a separate board of directors and they do not provide services exclusively to OHSU. They are both considered a nonmajor component unit as there are no significant transactions with OHSU and there is not a significant financial benefit/burden relationship with OHSU.

Financial reports for INSCO and OHSU Foundation that include financial statements and required supplementary information are publicly available. These reports, and those of Tuality and OHI are, may be obtained by contacting the management of OHSU.

(e) Basis of Accounting

Basis of accounting refers to the timing of when revenues and expenses are recognized in the accounts and reported in the financial statements. OHSU reports as a proprietary fund within the governmental model. OHSU's financial statements have been prepared using the accrual basis of accounting with the economic resources measurement focus. Under this method of accounting, revenue is recognized when earned and expenses are recorded when liabilities are incurred without regard to receipt or disbursement of cash.

(f) Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates in OHSU's financial statements include patient accounts receivable allowances, liabilities related to self-insurance programs, the fair value of interest rate swap agreements, and valuation of pension liabilities.

(g) Cash and Cash Equivalents

OHSU held no cash equivalents within cash and cash equivalents at June 30, 2021 or 2020.

(h) Investments

Investments are carried at fair value. Fair values are determined based on quoted market prices, where available. Investments in joint ventures are recorded using the equity method of accounting. Alternative investments, which are not readily marketable, are carried at estimated fair values as provided by investment managers. OHSU reviews and evaluates the values provided by the investment managers and agrees with the valuation methods and assumptions used in determining the fair value of the alternative investments. These estimated fair values may differ from the values that would have been used had a ready market for those securities existed.

Net unrealized gains and losses are included in the net unrealized gain (loss) in fair value of investments in nonoperating revenues in the statements of revenues, expenses, and changes in net position. Interest, dividends, and realized gains and losses on investments are included in nonoperating revenues as investment income when earned.

(i) Inventories

Inventories consist primarily of supplies and pharmaceutical supplies in organized stores at various locations across the campus and in the Hospital. Inventories are recorded using several different methodologies dependent upon the operational use of the supplies and system capabilities. OHSU utilizes standard-cost and average-cost methodologies to record and report inventory value.

(j) Capital Assets

Capital asset acquisitions are stated at cost. Donated items are recorded on the basis of fair market value at the date of donation. OHSU capitalizes equipment additions greater than $5 and capital projects greater than $25. Maintenance, repairs, and minor replacements are expensed as incurred. When properties are retired or otherwise disposed of, the related cost and accumulated depreciation are removed from the respective accounts and any gain or loss on disposition is recorded as other in nonoperating revenue.

Interest on borrowed amounts during major construction is capitalized and amortized over the depreciable life of the related asset. During fiscal years 2021 and 2020, OHSU capitalized interest expense of approximately $2,375 and $2,377, respectively.

The provision for depreciation is determined by the straight-line method at rates calculated to amortize the cost of assets over the shorter of their estimated useful lives or the related lease term as follows: buildings and other improvements, 10 to 40 years; and equipment, 3 to 20 years.

(k) Net Position Classifications

Net position is classified into four net asset categories, in accordance with donor-imposed restrictions:

- Net investment in capital assets represents the depreciated value of capital purchases, net of related debt.
- Net position restricted, expendable, carries externally imposed time or purpose restrictions that expire in the future.
- Net position restricted, nonexpendable, carries externally imposed restrictions that never expire.
- Net position unrestricted carries no externally imposed restrictions.

Investment income earned on donor-restricted endowment funds in excess of the annual spending distribution is accounted for in the expendable restricted net position category.

The Foundation first apply restricted resources to an expense where an expense is incurred for a purpose for which both restricted and unrestricted funds are available.

(Dollars in thousands)

A summary of restricted funds by restriction category for fiscal years ended June 30, 2021 and 2020 is as follows:

		2021	2020
Restricted expendable:			
Research	$	488,399	481,238
Academic support		87,327	47,757
Instruction		69,368	37,666
Capital projects and planning		20,360	24,296
Student aid		70,631	51,193
Clinical support		19,877	10,193
Institutional support		5,875	3,537
Defined-benefit OPEB		4,328	6,200
Other		35,756	21,034
	$	801,921	683,114
Restricted nonexpendable:			
Research	$	42,307	40,865
Instruction		82,527	77,077
Clinical support		—	1,469
Public service		—	4,800
Academic support		101,133	102,700
Student aid		48,485	46,430
Other		30,244	22,585
	$	304,696	295,926

(l) Endowments

The endowment corpus is accounted for in the restricted, nonexpendable net position category and reported on the statements of net position as restricted long-term investments. The Foundation's spending policy for endowment funds is determined by the Executive Committee of the Board of Trustees (Executive Committee) and is calculated using a weighted average methodology comprised of an eight quarter moving average of the fair value of the endowment fund adjusted for inflation, and of the previous year's actual spending distribution adjusted for inflation. The resulting effective spending rate payout is then banded to be between 4.0% and 5.5% each year. The Executive Committee authorized a 4.5% distribution rate to calculate the effective spending rate for the years ended June 30, 2021 and 2020.

The Foundation's management and investment of donor-restricted endowment funds are subject to the provisions of the Uniform Prudent Management of Institutional Funds Act enacted by the State in January 2008.

The endowment fund investment pool (endowment fund) held by the Foundation is the repository for funds from restricted, nonexpendable contributions where the principal amount cannot be used, but a spending distribution, described below, can be used for the designated purpose. The endowment fund also holds quasi-endowment funds, which have been designated as endowment by the Foundation's board of trustees. All interest, dividends, and changes in fair value on the endowment fund are allocated to the appropriate unrestricted or restricted net position classification as specified by the donor at the time of receipt. Endowment accounts receive spending distributions subject to the Foundation's board of trustees approved spending policy, which provides a predetermined amount of total return that can be spent for purposes designated by the donor. All expendable income restricted by the donor is carried as restricted, expendable net position until such time as the restriction has been met. At June 30, 2021 and 2020, the fair value of investments in the endowment fund was $884,500 and $735,500, respectively. The fair value of the unspent portion of endowments in excess of corpus at June 30, 2021 and 2020 was $148,600 and $48,900, respectively.

There were no endowment accounts with market value below corpus at June 30, 2021. At June 30, 2020, accumulated loss of $229 related to endowment accounts with market value below corpus was reflected in nonexpendable restricted net position.

(m) Federal Income Taxes

OHSU, as a division of the State, is not subject to federal income taxes of the Internal Revenue Code, except for unrelated business income.

(n) State Appropriations

The Oregon State Legislature makes an appropriation to OHSU on a biennial basis. The appropriation is recognized as nonoperating revenues over the related appropriation period as applicable eligibility requirements are met.

(o) Research Activity

Restricted grants receivable represent receivables for grant activities on which OHSU has met all applicable eligibility requirements and on which the funds are available from the granting agency. As of June 30, 2021 and 2020, the grants receivable balance was $27,086 and $27,323, respectively, and was included in grant and contract receivables in the accompanying statements of net position. The balance in unearned revenue as of year-end represents amounts advanced for which OHSU has not met all applicable eligibility requirements. As of June 30, 2021 and 2020, the grants unearned revenue balance was $53,453 and $42,474, respectively.

(p) Operating Revenues

OHSU includes patient service revenue, student tuition and fees, gifts, grants and contracts, and other income from sales and services in operating revenues. These revenues are key components of the operations of OHSU.

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(Dollars in thousands)

(q) Net Patient Service Revenue

A summary of patient service revenues during the years ended June 30, 2021 and 2020 is as follows:

		2021	2020
Gross patient charges	$	6,249,986	5,640,374
Contractual discounts		(3,648,628)	(3,252,987)
Bad debt adjustments		(6,310)	(12,112)
Net patient service revenues	$	2,595,048	2,375,275

OHSU has agreements with third-party payors that provide for payments at amounts different from established rates. Payment arrangements include prospectively determined rates per discharge, outpatient case rates, reimbursed costs, discounted charges, and per diem payments. Net patient service revenue is reported at the estimated net realizable amounts due and determined to be collectible from patients, third-party payors, and others for services rendered and includes estimates for potential retroactive revenue adjustments under reimbursement agreements with third-party payors. Such estimates are adjusted in future periods as final settlements are determined.

A significant portion of OHSU’s services are provided to Medicare, Medicaid, and Oregon Health Plan (OHP) patients under contractual arrangements. Inpatient acute care services rendered by OHSU to Medicare, Medicaid, and OHP program beneficiaries are generally reimbursed at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors (i.e., Medicare severity diagnosis related groups or MS DRGs). Such payments include a capital cost component and may be greater or less than the actual charges for services. Most outpatient services related to Medicare beneficiaries are reimbursed prospectively under the ambulatory payment classifications methodology. Home health services related to Medicare beneficiaries are reimbursed under a prospective payment system methodology. OHSU is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after audits of OHSU’s annual cost reports by the Medicare fiscal intermediary and Medicaid.

OHSU partners with the State of Oregon (the State) in an innovative collaboration resulting in significant additional federal funding for Oregon’s Medicaid program. Through the Intergovernmental Transfer (IGT) partnership with the State this program reduces OHSU’s losses from the Medicaid program and enables support for OHSU’s research and education missions. In fiscal years 2021 and 2020, the program generated $144,250 and $129,500, respectively, for research and education.

The laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. As a result, there is at least a reasonable possibility that estimated third-party payor settlements payable, net will change by a material amount in the near term. For the years ended June 30, 2021 and 2020, OHSU received third-party settlements of $(140) and $2,598, respectively, as a result of final settlements of prior years’ cost reports and revisions of estimates for prior years cost report settlements.

(Dollars in thousands)

OHSU has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations to provide medical services to subscribing participants. The basis for payment to OHSU under these agreements includes prospectively determined rates per discharge, discounts from established charges, prospectively determined fee schedules, and certain capitated per member per month payment arrangements.

Significant concentrations of gross patient accounts receivable as of June 30, 2021 and 2020 were approximately as follows:

	2021	2020
Medicare and Medicare managed care contracts	22 %	23 %
Medicaid and OHP	20	19
Commercial and managed care insurance	55	56
Nonsponsored	3	2
	100 %	100 %

(r) Student Tuition and Fees Revenues

A summary of student tuition and fees revenues during the years ended June 30, 2021 and 2020 is as follows. In fiscal year 2020, in response to the COVID-19 pandemic, spring term academic programs were offered remotely using digital delivery methods. During this time student rotations and similar experiences were suspended, resulting in student tuition refunds of $2,424 for affected programs.

	2021	2020
Gross student tuition	$ 97,569	92,129
Tuition discounts	(14,799)	(14,824)
Student tuition and fees revenues, net	$ 82,770	77,305

(s) Charity Care

OHSU provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its published rates. Because OHSU does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue.

OHSU maintains records to identify and monitor the level of charity care it provides. These records include the amount of charges forgone for services and supplies furnished under its charity care policy. Charity care provided measured as charges forgone and based on established rates was $83,729 and $78,097 in 2021 and 2020, respectively.

(t) Pledges and Estates Receivable

Pledges and estates receivable are recorded as receivables and revenues when all eligibility criteria are met in the appropriate net asset category based upon donor-imposed restrictions and are reported at fair value at the date the promise is received. Pledges are generally received within 5 to 10 years of the date of original commitment. The majority of estates are received within one year. Pledges and estates receivable, less reserves for estimated uncollectible amounts, are discounted to their present value using rates that range from 0.30% to 4.88%.

(u) Life Income Agreements

The Foundation has been named as remainder beneficiaries for various life income agreements. Life income agreements provide for contractual payments to designated beneficiaries for a specific period, after which the remaining principal and interest revert to the Foundation. Contributions received under life income agreements are included in long-term investments, restricted, with the corresponding commitment to the beneficiary included in liability for life income agreements in the accompanying statements of net position. The Foundation has investments with a fair value of $62,500 and $54,100 as at June 30, 2021 and 2020, respectively, related to its individually managed life income agreements.

(v) Moda Note Receivable

OHSU has contracts with, and receives patient revenues from the major health plans in Oregon. OHSU's guiding principle in developing payor provider partnerships is to ensure that Oregonians continue to have access to Oregon's public health sciences university and academic health center and its affiliates and that OHSU has access to major populations of Oregon across its missions of patient care, education, research, and outreach.

Since 2013, OHSU has partnered with Moda Health Plan, Inc. (Moda) to advance population health management. In December 2014, OHSU invested $50,000 in Moda through a 10-year surplus note to help capitalize Moda's Oregon healthcare efforts. The principal balance of this note shall become due and payable in full on December 15, 2024, and the note bears interest on its unpaid principal balance at a rate equal to 4% per annum. Payment of interest and principal is subject to approval by the Oregon insurance commissioner, which is part of the Department of Consumer and Business Services (DCBS).

Moda had a large share of Oregon's individual insurance market during the initial years of the Affordable Care Act and has significant receivables due from the federal government under the risk corridor program that was designed to encourage plans to offer individual coverage. At that time, it was uncertain if, or when, the federal government would pay these amounts. In light of uncertain payment of federal risk corridor receivables, higher risk from losses at Moda, and the likelihood that interest payments will be deferred, OHSU recorded a valuation reserve of $16,500 against the surplus note receivable as of June 30, 2015. In April 2020, the U.S. Supreme Court ruled in favor of Moda Health Plan and other insurers that had sued the federal government for backing out of support under the Affordable Care Act. The justices reversed a lower court's ruling that Congress had suspended the government's obligation to make such payments under the Affordable Care Act.

(Dollars in thousands)

In February 2016, DCBS issued a consent order requiring Moda to sell a variety of assets and take steps to improve its financial position. In June 2017, as a result of Moda completing several transactions to generate the capital needed to meet regulatory standards, together with Moda reducing its risk by withdrawing from some markets, DCBS lifted the consent order. In February 2019, Delta Dental of California and Moda announced the completion of a $152,400 investment by Delta Dental of California for a 49.5% ownership interest in Moda. The California Department of Managed Health Care (DMHC) and Oregon's DCBS have approved the investment. As a result of the improved financial position of Moda, the Oregon insurance commissioner allowed payment of accrued interest to OHSU of $2,000 in fiscal year 2021.

OHSU reviewed the valuation of the note receivable as of June 30, 2021 and 2020 and has retained the current net valuation of $33,500, which represents 0.8% and 0.9% of the University's total net position as of June 30, 2021 and June 30, 2020, respectively.

(2) Cash and Investments

OHSU holds substantially all of its cash, cash equivalents, and investment balances at financial institutions. OHSU's cash is insured by the Federal Deposit Insurance Corporation subject to standard limits. Additionally, a portion of cash and cash equivalents are collateralized deposits as required under the Oregon Revised Statutes (ORS).

OHSU's investment policies are approved by the board of directors and are accounted for as prescribed by GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Changes in the fair value of investments are included in nonoperating revenues. The composition of investments at fair value at June 30, 2021 and 2020 is as follows:

	2021	2020
Short-term investments:		
Cash & cash equivalents	$ 3	80
U.S. agency securities	4,016	3,737
Corporate obligations	82,676	133,008
Other fixed income	17,726	18,841
Equities	—	98,323
	104,421	253,989
Funds held by trustee, current portion:		
Fixed income	36,759	38,062
	36,759	38,062

(Dollars in thousands)

		2021	2020
Funds held by trustee, less current portion:			
Other fixed income	$	10,182	13,252
		10,182	13,252
Long-term investments – less current portion:			
Cash and cash equivalents		35,571	54,229
U.S. government securities		393,402	201,051
U.S. agency securities		89,353	108,325
Corporate obligations		369,112	391,381
Fixed income		139,843	126,472
Equities		616,455	283,208
Alternative investments		245,212	241,536
Joint ventures and partnerships		638,716	401,091
Real estate investments and other		65,788	60,076
		2,593,452	1,867,369
Total investments, all categories	$	2,744,814	2,172,672

The methods used to determine the fair value of financial instruments reflect market participant objectives and are based on the application of a valuation hierarchy. These methods are prescribed by GASB No. 72, *Fair Value Measurement and Application*. The hierarchy is based on the reliability of inputs as follows:

- Level 1 – Valuation is based on quoted prices for identical financial instruments in active markets. OHSU does not adjust the quoted price for Level 1 financial instruments.
- Level 2 – Valuation is based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and independent pricing models or other model-based valuation techniques using observable inputs.
- Level 3 – Certain types of financial instruments are classified as Level 3 within the valuation hierarchy because these financial instruments trade infrequently and, therefore, have little or no price transparency.

(Dollars in thousands)

The following table presents a categorization, based on the foregoing valuation hierarchy, of OHSU's financial instruments measured at fair value as of June 30, 2021:

		Level 1	Level 2	Level 3	Fair value
Cash and money market funds	$	—	52,807	—	52,807
U.S. government securities		—	393,402	—	393,402
U.S. agency securities		—	93,369	—	93,369
Domestic equity securities		304,032	—	134	304,166
International equity securities		64,140	—	—	64,140
Commercial paper		—	5,548	—	5,548
U.S. corporate securities		27,108	285,073	—	312,181
Non-U.S. corporate securities		—	139,607	—	139,607
Asset-backed securities		—	34,992	—	34,992
Venture capital and private equity		—	—	25,802	25,802
Mutual funds – fixed income only		141,967	—	—	141,967
Municipal bonds		—	3,956	—	3,956
Other fixed income		1,835	328	11,896	14,059
Alternative Investments		—	—	625	625
Real estate investments and other		1,400	1,437	3,015	5,852
	$	540,482	1,010,519	41,472	1,592,473
Investments measured using NAV per share or its equivalent					1,073,938
Equity method investments					78,403
Total assets				$	2,744,814

(Dollars in thousands)

The following table presents a categorization, based on the foregoing valuation hierarchy, of OHSU's financial instruments measured at fair value as of June 30, 2020.

	Level 1	Level 2	Level 3	Fair value
Cash and money market funds	$ —	48,853	—	48,853
U.S. government securities	—	201,130	—	201,130
U.S. agency securities	—	112,062	—	112,062
Domestic equity securities	126,902	—	134	127,036
International equity securities	43,795	—	—	43,795
Commercial paper	—	7,564	—	7,564
U.S. corporate securities	65,549	290,520	—	356,069
Non-U.S. corporate securities	—	168,322	—	168,322
Asset-backed securities	—	57,633	—	57,633
Venture capital and private equity	—	—	14,936	14,936
Mutual funds – fixed income only	131,965	10	—	131,975
Municipal bonds	—	3,931	—	3,931
Other fixed income	1,523	528	12,100	14,151
Real estate investments and other	1,235	1,510	2,068	4,813
	$ 370,969	892,063	29,238	1,292,270
Investments measured using NAV per share or its equivalent				825,084
Equity method investments				55,318
Total assets				$ 2,172,672

There were no transfers of financial instruments between Level 1 or Level 2 classifications either in 2021 or 2020. Changes in Level 3 financial instruments are as follows:

	2021	2020
Balance at beginning of year	$ 29,238	10,879
Net realized gains (losses)	23	16
Net unrealized gains (losses)	537	(21)
Purchases	26,431	14,945
Sales	(553)	(256)
Transfer from (to) NAV per share, or its equivalent, classification from sales	(14,204)	3,675
Balance at end of year	$ 41,472	29,238

Net realized and unrealized gains and losses on financial instruments classified as Level 3 are reported as nonoperating revenues as investment income when earned.

OHSU uses a practical expedient for the estimation of the fair value of investments in funds for which the investment does not have a readily determinable fair value. The practical expedient used by OHSU for certain financial instruments is the NAV per share. Valuations provided by fund administrators for these financial instruments consider variables such as the financial performance of underlying investments, recent sales prices and other pertinent information. The valuation is adjusted when changes to inputs and assumptions are corroborated by evidence, such as completed or pending third-party transactions in the underlying security and changes in financial results, data, or cash flows. Management or its discretionary investment partner reviews the valuations and assumptions provided by fund administrators for reasonableness and believes that the carrying amounts of these financial instruments are reasonable estimates of fair value.

The following table presents information for investments where either the NAV per share or its equivalent was used to value the investments as of June 30, 2021 and 2020:

	Redemption frequency	Redemption notice period
Domestic equities	Quarterly	3–90 days
Non-U.S. equities	Weekly to every four years	3–90 days
Global equities	Quarterly	3–90 days
Venture capital/private equity	Event-driven	N/A
Marketable alternative investments	Monthly to annually	15–90 days
Real estate investments and contracts	Event-driven	N/A

Domestic Equities, Non-U.S. Equities and Global Equities funds represent investments in equities, both U.S. and international, and may include investments in developed and emerging markets.

(Dollars in thousands)

(3) Investments and Related Policies

(a) Interest Rate Risk

As of June 30, 2021 and 2020, OHSU had the following investments and maturities at fair value:

	2021 Maturity				
	Less than 1 year	**1–5 Years**	**6–10 Years**	**More than 10 years or none**	**Total**
Cash and money market funds	$ 52,031	776	—	—	52,807
U.S. government securities	1,862	373,911	16,232	1,397	393,402
U.S. agency securities	4,016	76,059	5,384	7,910	93,369
Domestic equity securities	—	—	—	428,262	428,262
International equity securities	—	—	—	188,194	188,194
Commercial paper	5,548	—	—	—	5,548
U.S. corporate securities	52,064	163,397	16,977	79,743	312,181
Non-U.S. corporate securities	37,198	98,127	3,995	287	139,607
Asset-backed securities	12,004	6,328	2,725	13,935	34,992
Joint ventures and partnerships	—	—	—	638,715	638,715
Mutual funds – fixed income only	67,726	34,544	25,834	14,345	142,449
Municipal bonds	225	1,971	1,664	96	3,956
Other fixed income	—	238	90	—	328
Alternative investments	—	—	—	245,212	245,212
Real estate investments and other	—	—	—	65,792	65,792
	$ 232,674	755,351	72,901	1,683,888	2,744,814

	2020 Maturity				
	Less than 1 year	**1–5 Years**	**6–10 Years**	**More than 10 years or none**	**Total**
Cash and money market funds	$ 48,168	685	—	—	48,853
U.S. government securities	886	192,853	6,870	520	201,129
U.S. agency securities	3,737	92,928	3,671	11,726	112,062
Domestic equity securities	—	—	—	201,927	201,927
International equity securities	—	—	—	179,604	179,604
Commercial paper	7,564	—	—	—	7,564
U.S. corporate securities	46,975	225,663	15,440	67,992	356,070
Non-U.S. corporate securities	26,094	139,367	2,646	216	168,323
Asset-backed securities	15,159	22,616	4,105	15,752	57,632
Joint ventures and partnerships	—	—	—	401,091	401,091
Mutual funds – fixed income only	67,997	31,244	19,566	13,541	132,348
Municipal bonds	262	1,427	2,024	217	3,930
Other fixed income	—	405	122	—	527
Alternative investments	—	—	—	241,536	241,536
Real estate investments and other	—	—	—	60,076	60,076
	$ 216,842	707,188	54,444	1,194,198	2,172,672

OHSU held $34,992 and $57,632 of asset-backed securities collateralized primarily by auto loans, credit card receivables, and collateralized mortgage obligations as of June 30, 2021 and 2020, respectively. These securities are valued at their estimated fair values. The valuation of these securities is sensitive to principal prepayments, which may result from a decline in interest rates, and they are sensitive to an increase in average maturity, which may result from interest rate increases that lead to decreasing prepayments.

At June 30, 2021 and 2020, OHSU had certain joint ventures and partnerships, alternative investments, real estate investments, and other investments. These investments may contain elements of both credit and market risk. Such risks may include limited liquidity, absence of regulatory oversight, dependence upon key individuals, and nondisclosure of portfolio composition. Because these investments are not readily marketable, their estimated fair value is subject to uncertainty and, therefore, may differ from the value that would have been used had a ready market for such investments existed. Such differences could be material.

OHSU's investment policies vary based on the investment objectives of the portfolio. The operating and trustee-held portfolios seek to preserve principal with the intent of maximizing total return within appropriate risk parameters. Maturities of securities selected in these portfolios are driven by prevailing market conditions, while considering cash requirements of the organization.

The Foundation investment policies are established based on the investment objectives of the portfolio. The endowment portfolio, which is included in long-term investments in the accompanying statements of net position, seeks to produce a predictable and stable payout stream that increases over time, while achieving growth of corpus. The endowment fund may invest in cash and cash equivalents, fixed-income securities, U.S. and non-U.S. equity securities and other alternative investments. The objective for the current fund is to provide a reliable source of liquidity to meet short-term working capital needs. The current fund may invest in cash, cash equivalents, fixed income securities, equity mutual funds and ETFs, and quasi endowment within the endowment fund. The duration of the C/F 1-5 year portfolio shall be within a range of 75% to 125% of the Barclay's 1–5 Year Government/Credit Bond Index. The charitable gift annuity pool seeks to produce a relatively predictable and stable payout stream that will satisfy the funds distribution obligations while achieving long-term capital appreciation of the overall fund balance. The charitable gift annuity pool may invest in cash and cash equivalents, U.S. and non-U.S. equities, fixed-income, and real estate. Charitable trusts are managed to provide for the distribution of a stated income payment while attempting to achieve reasonable expected total returns. Charitable trust investment objectives and asset allocation guidelines are determined based on the individual circumstances of each trust account. Allowable investments for charitable trusts include cash and cash equivalents, U.S. and non-U.S. equities, fixed-income, real estate, and commodities.

(b) Credit Risk

The current fund investment policy requires minimum ratings or better from Standard & Poor's, Moody's, or Fitch as follows:

	Minimum Standard & Poor's rating	**Minimum Moody's rating**	**Minimum Fitch rating**
U.S. and foreign corporate indebtedness	BBB- or A-2	Baa3 or P-2	BBB- or F-2
Certificates of deposit	BBB- or A-2	Baa3 or P-2	BBB- or F-2
Foreign government, foreign agency, or supranational organization debt	A or A-1	A2 or P-1	A or F-1
Agency mortgage-backed securities	AAA	Aaa	AAA
Commercial mortgage-backed securities	AAA	Aaa	AAA
Asset-backed securities	AAA	Aaa	AAA
Municipal bonds	A	A2	A

At the time of purchase, securities must be rated by at least two of the three rating agencies. If the security is rated by all three agencies, the middle rating will apply. If only two ratings are available, then the lower rating will be used.

If the credit quality of a holding in the current fund declines so that it is below the level required as stated above, a decision will be made by the Investment Committee to hold or sell the security.

Investments in the charitable gift annuity pool shall have a minimum credit quality rating of Baa/BBB or an average credit rating of Baa/BBB for mutual funds or pooled funds and a minimum rating of A-1/P-1 for investments in commercial paper. The charitable trust investments generally have a minimum credit quality rating in investment-grade Baa/BBB bond investments and a minimum rating of A-1/P-1 for investments in commercial paper. However, an individual trust may hold up to 9% of the portfolio in below-investment-grade investments.

(Dollars in thousands)

As of June 30, 2021 and 2020, OHSU had the following investments with credit rating at fair value:

Investment type	Credit rating S&P or equivalent		Total 2021	Total 2020
Cash and money market funds	AAA	$	—	6,030
	BBB		40	—
	BB		70	—
	B		196	—
	Below B		18	—
	A-1+		40,791	41,802
	Not rated		972	1,012
	NA		10,720	9
U.S. government securities	AAA		59,049	22,576
	AA+		333,421	176,605
	AA		932	577
	A+		—	1,372
U.S. agency securities	AAA		8,949	14,831
	AA+		83,450	96,920
	AA		193	194
	A		—	118
	NA		777	—
Commercial Paper	A-1+		1,874	2,225
	A-1		3,674	5,339
U.S. corporate securities	AAA		116	46
	AA+		—	1,666
	AA		1,551	7,877
	AA-		3,188	12,724
	A+		11,734	24,881
	A		39,077	48,860
	A-		29,360	47,774
	BBB+		73,233	79,248
	BBB		50,733	49,018
	BBB-		18,533	14,628
	BB+		247	—
	BB		1,379	1,614
	B		539	603
	Below B		155	97
	Not rated		448	347
	n/a		81,888	66,683

(Dollars in thousands)

Investment type	Credit rating S&P or equivalent	Total 2021	Total 2020
Non-U.S. corporate securities			
	AA+	$ —	444
	AA-	5,923	15,953
	A+	7,295	22,291
	A	14,203	23,095
	A-	45,499	47,724
	BBB+	33,548	28,008
	BBB	20,444	24,072
	BBB-	7,606	6,316
	NA	5,089	420
Asset-backed securities	AAA	18,287	32,127
	AA+	1,540	6,397
	AA	1,634	1,221
	A	669	764
	BBB	705	252
	BBB-	227	—
	BB	167	110
	B	136	109
	Below B	1,770	1,530
	A-1+	—	4,184
	Not rated	2,645	1,886
	NA	7,212	9,052
Mutual funds – fixed income only	AAA	67,812	87,604
	AA	16,176	4,882
	A	20,705	11,631
	BBB	22,486	13,525
	BB	5,741	4,440
	B	4,278	4,940
	Below B	2,846	3,062
	Not rated	2,405	2,264
Municipal bonds	AAA	390	192
	AA	3,020	3,362
	A	351	224
	BBB	79	97
	BB	89	56
	Not rated	27	—

(Dollars in thousands)

Investment type	Credit rating S&P or equivalent		Total 2021	Total 2020
Other fixed income	BBB	$	—	85
	BB		—	194
	B		—	234
	Below B		—	15
	Not rated		328	—
Joint ventures and partnerships	NA		638,715	401,091
Alternative investments	NA		245,212	241,536
Real estate investments and other	NA		65,792	60,076
Domestic equity securities	NA		428,262	201,927
International equity securities	NA		188,194	179,604
		$	2,744,814	2,172,672

(c) Concentration of Credit Risk

The current fund's investment policy limits investments in any issuer or issuer as follows:

	Maximum concentration
U.S. and foreign corporate indebtedness	No more than 3% per issuer
Certificates of deposit	No more than 5% per issuer
Foreign government, foreign agency, or supranational organization debt	No more than 5% per issuer
Agency mortgage-backed securities	No more than 15% per cusip
Commercial mortgage-backed securities	No more than 5% per cusip
Asset-backed securities	No more than 5% per cusip
Municipal bonds	No more than 5% per cusip

The investment policy relating to the charitable gift annuity pool limit investments in any one issue to a maximum of 5%, except for issues of the U.S. government and its agencies or diversified mutual funds, which may be held without limitation. The investment policy for charitable trusts limits investments in any one issue to a maximum of 5%, except for issues of the U.S. government and its agencies or diversified mutual funds.

As of June 30, 2021 or 2020, OHSU had no investments in excess of the thresholds discussed above.

(Dollars in thousands)

(d) Foreign Currency Risk

OHSU's investment policies permit investments in international equities and other asset classes, which can include foreign currency exposure. The endowment fund allows for investments in international equities and in non-U.S. dollar-denominated bonds. The current fund allows up to 20% of the portfolio to be invested in non-U.S. sovereign or supranational issues. The charitable gift annuity pool investment policy allows up to 30% of the portfolio to be invested in international equities. The charitable trust investment policy allows up to 32% of the portfolio to be invested in international equities, based on the individual circumstances of each trust account. The following table details the fair value of foreign denominated securities by currency type:

Foreign currency		Value (U.S. dollar) 2021	Value (U.S. dollar) 2020
British sterling pound	$	13,201	11,264
Canadian dollar		1	8,671
Euro		21,432	14,257
Total	$	34,634	34,192

(4) Due from/to Contractual Agencies

Due from contractual agencies, reflected in patient accounts receivable under current assets in the statements of net position, represents amounts receivable from the State Medicaid Program (Medicaid), the Federal Medicare Program (Medicare), and other contractual agencies. Due to contractual agencies, reflected in other current liabilities in the statements of net position, represents amounts payable to Medicaid, Medicare and other contractual agencies. A summary of the balances as of June 30, 2021 and 2020 is as follows:

		Due from contractual agencies		Due to contractual agencies		Net, due from (to)	
		As of June 30, 2021	As of June 30, 2020	As of June 30, 2021	As of June 30, 2020	As of June 30, 2021	As of June 30, 2020
Medicaid	$	18,802	23,122	—	—	18,802	23,122
Intergovernmental transfer		5,357	16,176	(1,236)	(1,876)	4,121	14,300
Medicare			—	(3,910)	(2,770)	(3,910)	(2,770)
Other contractual agencies		—	8,714	(5,766)	—	(5,766)	8,714
	$	24,159	48,012	(10,912)	(4,646)	13,247	43,366

In 2017, OHSU worked with the state legislature and the Oregon Health Authority to build a program that leverages federal funds for the state's Medicaid program, maintain historical principles of support for OHSU's missions, and simplify the complexity of prior funding programs between OHSU and the State. The legislature approved the program in the Oregon Health Authority's 2017–2019 budget and Oregon's OHSU

(Dollars in thousands)

Intergovernmental Transfer (IGT) Program was approved by the U.S. Centers for Medicare and Medicaid Services (CMS) and implemented on January 1, 2018, with the corresponding funding payments between entities beginning in March 2018. Under this IGT program, OHSU no longer pays the provider tax paid by other hospitals in Oregon. Instead, because OHSU is an Oregon public corporation, it transfers funds directly to the state to be used for Oregon's Medicaid program. The federal government matches funds used in the Medicaid program on approximately a three-to-one basis.

Oregon's Medicaid coordinated care organizations (CCO's) pay OHSU an additional amount per clinical service provided to patients as Quality and Access payments. These additional payments have been approved by CMS and are funded through a combination of OHSU's IGT and federal dollars. The purpose of these funds is to maintain access to the high quality unique academic health center services OHSU provides to Medicaid patients.

During fiscal year 2021 and 2021, respectively, OHSU made intergovernmental transfers of $352,483 and $321,517 to the State of Oregon. The State of Oregon used these dollars, and the corresponding federal match, for payment of Medicaid services throughout Oregon. Oregon's Medicaid CCO's paid OHSU $469,546 and $424,642, in fiscal year 2021 and 2020, respectively, through Quality and Access payments. The Quality and Access Payments and the Intergovernmental transfers, are included as a net reduction in the contractual discounts and represents a portion of the Medicaid payment for patient care services. A net benefit of the program, including funding from other federal and state sources, allows the University to have resources available to support OHSU's missions. During the year ended June 30, 2021 and 2020, the University was able to provide support for research and education of $144,250 and $129,500, respectively.

(5) Capital Assets

Capital assets for fiscal years ended June 30, 2021 and 2020 are listed by category below:

		2021	2020
Land and land improvements	$	82,303	82,303
Buildings and other improvements		2,857,836	2,757,678
Equipment		1,134,725	1,072,012
Construction in progress		114,969	151,347
Accumulated depreciation		(2,133,846)	(1,959,749)
Total capital assets, net	$	2,055,987	2,103,591

(Dollars in thousands)

The following is a summary of capital assets for the fiscal years ended June 30, 2021 and 2020:

	June 30, 2020	Increases	Decreases	June 30, 2021
Capital assets not depreciated:				
Land and land improvements	$ 82,303	—	—	82,303
Construction in progress	151,347	23,165	(59,543)	114,969
Total capital assets not depreciated	233,650	23,165	(59,543)	197,272
Other capital assets:				
Buildings and other improvements	2,757,678	100,158	—	2,857,836
Equipment	1,072,012	68,579	(5,866)	1,134,725
Total other capital assets	3,829,690	168,737	(5,866)	3,992,561
Less accumulated depreciation:				
Buildings and other improvements	(1,132,904)	(105,359)	(1)	(1,238,264)
Equipment	(826,845)	(73,173)	4,436	(895,582)
Total accumulated depreciation	(1,959,749)	(178,532)	4,435	(2,133,846)
Other capital assets, net	1,869,941	(9,795)	(1,431)	1,858,715
Total capital assets, net	$ 2,103,591	13,370	(60,974)	2,055,987

(Dollars in thousands)

	Balance June 30, 2019	Increases	Decreases	Balance June 30, 2020
Capital assets not depreciated:				
Land and land improvements	$ 83,645	—	(1,342)	82,303
Construction in progress	102,172	163,021	(113,846)	151,347
Total capital assets not depreciated	185,817	163,021	(115,188)	233,650
Other capital assets:				
Buildings and other improvements	2,655,655	102,513	(490)	2,757,678
Equipment	1,058,487	56,949	(43,424)	1,072,012
Total other capital assets	3,714,142	159,462	(43,914)	3,829,690
Less accumulated depreciation:				
Buildings and other improvements	(1,031,448)	(101,469)	13	(1,132,904)
Equipment	(795,515)	(75,124)	43,794	(826,845)
Total accumulated depreciation	(1,826,963)	(176,593)	43,807	(1,959,749)
Other capital assets, net	1,887,179	(17,131)	(107)	1,869,941
Total capital assets, net	$ 2,072,996	145,890	(115,295)	2,103,591

(6) Compensated Absences Payable

Vacation pay for classified employees is earned at 8 to 24 hours per month, depending on the length of service and classification, with a maximum accrual of up to 364 hours per employee and a maximum payment upon separation of up to 364 hours. Due to the COVID-19 pandemic, in recognition of the fact that employees may not be able to take time off during this time and therefore they would reach their accrual cap and stop accruing time off, the maximum accrual cap has been temporarily increased or waived. A maximum of 96 to 288 hours of vacation can be earned per year, depending on the length of service and classification. The yearly maximum accrual has also been waived due to COVID-19. Vacation/PTO pay for unclassified employees is earned at 14.67 to 17.33 hours per month, with a maximum accrual of 256 hours; due to COVID-19 the maximum accruals for unclassified employees has been set to 575 hours. The maximum payment of unused vacation/PTO hours for unclassified employees at termination varies is 80 hours at a 50% payment rate. There are a few exceptions, such as: the previous Management Service employees who transitioned to Unclassified Administrative on July 8, 1996 will be paid up to 250 hours unused accrued vacation at 100% pay rate. Eligible employees may have the opportunity to cash-out unused accrued vacation hours, up to 100 hours per year based on their representational group.

Sick leave is recorded as an expense when paid. Sick leave for employees is earned at the rate of 8 hours per month and a maximum of 96 hours per year, with no restrictions on maximum hours accrued. Employees in the following groups earn sick leave at the rate of 1 hour for 30 hours worked: resource, flex, temporary, unclassified below 0.5FTE, OHSU student, non-OHSU student, graduate assistant. In response to the COVID-19 pandemic, effective March 2020 employees were granted additional 112 sick leave hours prorated by FTE. The additional hours were intended to support employees who become sick prior to December 20, 2020: 80 hours available immediately when needed and 32 hours available after exhausting the employee's sick leave bank. The additional sick leave hours have been extended beyond December 2020. At the end of March 2021 the additional number of sick leave hours has been set to 80 hours prorated by FTE. These hours can be used for COVID-19 symptoms, for COVID-19 testing as well as for vaccination side effects. No liability exists for terminated employees.

There are two representational groups setup with time off accruals based on the academic year: Graduate Researchers United (GRU) and House Officers Union (HOU). PTO for GRU represented employees is earned at the rate of 13.33 hours per month, with a maximum of 160 hours per year. These hours can be used for time off and sick leave. No cash-out of unused PTO GRU is available. GRU represented employees can carryover 10 days from one academic year to another. House Officers are granted 160 hours of vacation and 120 hours sick leave, front-loaded at the beginning of the academic year. Sick leave hours unused by the HOU represented employees during the academic year will carry over to the following appointment year. Vacation cash-out is not allowed for HOU represented employees and sick leave hours are not paid at separation.

In recognition of Juneteenth, employees have been granted 8 hours paid leave prorated by FTE.

(7) Retirement Plans

The University, excluding blended component units, offers various pension plans to all qualified employees: the State's Public Employees Retirement System (PERS), which includes a cost-sharing, defined-benefit plan and a defined-contribution plan (individual account plan – IAP), the University Pension Plan (UPP), and the Clinical Retirement Plan (CRP).

(a) Defined-Benefit Pension Plan Descriptions

PERS is a cost-sharing, multiemployer retirement system available to units of state government, political subdivisions, community colleges, and school districts, containing multiple actuarial pools. Plan assets may be used to pay the benefits of the employees of any employer that provides pensions through the plan. As of the June 30, 2020 measurement date, there were 901 participating employers.

PERS is administered in accordance with ORS Chapter 238, Chapter 238A, and Internal Revenue Code Section 401(a). The State's legislature has delegated authority to the Public Employees Retirement Board (PERS Board) to administer the system. The PERS Board is composed of five trustees who administer retirement (service and disability), death, and retiree health insurance benefits. All members of the PERS Board are appointed by the governor and confirmed by the state senate. The governor designates the chairperson. Statute specifies PERS Board membership must be three people with experience in business management, pension management, or investing who are not members of the PERS system; one person who is either an employee of the state in a management position or a person who holds an elective office in the governing body of a participating public employer other than the state; and one person representing public employees and retirees.

The State's PERS issues a publicly available financial report that includes financial statements and required supplementary information, including a 10-year historical trend information showing the accumulation of sufficient assets to pay benefits when due. Copies of the State's PERS's Annual Comprehensive Financial Report (ACFR) and Actuarial Valuations may be obtained from the PERS Web site at https://www.oregon.gov/pers/EMP/Pages/Actuarial-Financial-Information.aspx.

PERS comprises three separate defined-benefit groups: PERS Tier 1, PERS Tier 2, and Oregon Public Service Retirement Plan (OPSRP).

(i) Benefits Provided

The following describes the benefits provided through the PERS plan:

(1) PERS Tier 1/PERS Tier 2

(a) The Tier 1/Tier 2 plans are closed to new members hired on or after August 29, 2003.

(b) Members are provided retirement, disability, and death benefits.

(c) Vesting occurs if either of the following conditions are met, unless the account is withdrawn:

1. An active member in each of 5 calendar years

2. Reached at least 55 years of age while working in a qualifying position (age 50 for police and fire members).

(d) The retirement allowance is payable monthly for life. It may be selected from 13 retirement benefit options. These options include survivorship benefits and lump-sum refunds.

(e) The basic benefit is based on years of service and final average salary. A percentage (2.00% for police and fire employees, 1.67% for general employees) is multiplied by the number of years of service and the final average salary. Benefits may also be calculated under either a formula plus annuity (for members who were contributing before August 21, 1981) or a money match computation if a greater benefit results.

(f) Normal retirement age for general members is age 58 for Tier 1 and age 60 for Tier 2, or any age with 30 years or more of retirement credit. Normal retirement age for police and fire members is age 55, or age 50 with 25 years or more of retirement credit. Benefits are reduced if normal retirement age is not attained.

(g) Annual Cost of Living Adjustments (COLA) of up to 2% annually for service time accrued before October 1, 2013; COLA for service time after that date uses a lower rate. Service time accrued in both periods is "blended."

(2) PERS OPSRP

(a) The OPSRP plan is open to members hired on or after August 29, 2003.

(b) Members are provided retirement, disability, and death benefits.

(c) Vesting occurs if either of the following conditions are met, unless the account is withdrawn:

1. Completion of at least 600 hours of service in each of five calendar years

2. Reached normal retirement age as an active member on that date.

(d) The retirement allowance is payable monthly for life.

(e) The basic benefit is based on years of service and final average salary. A percentage (1.8% for police and fire employees, 1.5% for general employees) is multiplied by the number of years of service and the final average salary.

(f) Normal retirement age for general members is age 65, or age 58 with 30 years or more of retirement credit. Normal retirement age for police and fire members is age 60, or age 53 with 25 years or more of retirement credit. Benefits are reduced if normal retirement age is not attained.

(g) Annual COLA of up to 2% annually for service time accrued before October 1, 2013; COLA for service time after that date uses a lower rate. Service time accrued in both periods is "blended."

(ii) Contributions

PERS funding policy provides for monthly employer contributions at actuarially determined rates. These contributions, expressed as a percentage of covered payroll, are intended to accumulate sufficient assets to pay benefits when due. This funding policy applies to the PERS defined-benefit plan and the OPEBs.

The employer contribution rate for active employees is established by the PERS Board based upon actuarial valuations, which are performed once every two years to determine the level of employer contributions. Employer contribution rates during the period were based on the December 31, 2017 actuarial valuation. The rates were based on a percentage of payroll and first became effective July 1, 2019. The employer contribution rate for PERS Tier 1 and Tier 2 was 19.96% from July 1, 2019 to June 30, 2021. The employer contribution rate for OPSRP was 13.35% (OPSRP Police and Fire, 17.98%) from July 1, 2019 to June 30, 2021.

The State and certain schools, community colleges, and political subdivisions have made lump-sum payments to establish side accounts and their rates have been reduced. OHSU made $10,000 lump-sum payments to PERS during fiscal years 2021 and 2020, respectively. Amounts contributed postmeasurement date, including fiscal year 2021 and 2020 side account contributions of $10,000, are recorded as deferred outflows in the amount of $58,333 and $60,841 for the years ended June 30, 2021 and 2020, respectively. In fiscal year 2020, OHSU participated in the Employer Incentive Fund (EIF), a program that provided a 25% match on qualifying employer lump-sum payments made after June 2, 2018, receiving a $5,000 match payment. OHSU recognized the $5,000 match payment as state appropriations in fiscal year 2021.

The defined-benefit pension plan contributions can be found in the required supplementary information.

(iii) *Net Pension Liability*

OHSU's proportionate share of the net pension liability for PERS as of June 30, 2021 and 2020 is $595,311 and $503,720, respectively, utilizing a June 30, 2020 and 2019 measurement date, respectively. The net pension liability for the June 30, 2021 and 2020 fiscal year-end was determined based on the results of the December 31, 2018 and December 31, 2017 actuarial valuation rolled forward to the respective measurement dates using standard actuarial procedures.

The basis for OHSU's proportion is actuarially determined by comparing OHSU's projected long-term contribution effort to the PERS cost-sharing, multiple-employer defined-benefit pension plan with the total projected long-term contribution effort of all participating employers. OHSU's proportionate share was 2.73% for the June 30, 2020 measurement date and 2.91% for the June 30, 2019 measurement date.

Senate Bill 1049, signed into law in June 2019, introduced a limit on the amount of annual salary included for the calculation of benefits. Beginning in calendar year 2020, annual salary in excess of $195,000 (as indexed in future years) will be excluded when determining member benefits. As a result, future benefits for certain active members are now projected to be lower than prior to the legislation.

The benefits valued in the Net Pension Liability are required to be in accordance with the benefit terms legally in effect as of the relevant fiscal year-end for the plan. As a result, Senate Bill 1049 was reflected in the June 30, 2019 Net Pension Liability, and the salary limit provision is the only difference in the valuation basis used to determine the Net Pension Liability between the measurement dates June 30, 2018 and June 30, 2019.

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of PERS, and additions to/deductions from PERS' fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

(Dollars in thousands)

(iv) Proportionate Share of Pension Expense and Deferrals Related to Pensions

OHSU's pension expense for the years ended June 30, 2021 and 2020 was $113,695 and $109,907, respectively. The pension expense, which is considered period interest cost, service cost, amortization of deferred outflows and inflows, and changes in benefit terms, has increased since prior year and is included in salaries, wages, and benefits in the statements of revenues, expenses, and changes in net position.

In July 2017, the assumed rate of return on investments was reduced from 7.50% to 7.20%. The new assumed rate was also used in the actuarial valuation, which established the employer contribution rates for the 2019-21 biennium.

Deferred outflows of resources and deferred inflows of resources for pensions were related to the following sources as of the fiscal years ended June 30, 2021 and 2020:

	Deferred outflow of resources		Deferred inflow of resources	
	2021	2020	2021	2020
Differences between expected and actual experience	$ 26,201	27,779	—	—
Changes of assumptions	31,948	68,335	(1,119)	—
Net difference between projected and actual earnings on pension plan investments	70,001	—	—	(14,280)
Changes in proportionate share	—	—	(43,760)	(39,012)
Differences between contributions and OHSU's proportionate share of system contributions	3,262	3,095	(1,335)	(2,726)
Total (prior to post-MD contributions)	131,412	99,209	(46,214)	(56,018)
Contributions subsequent to the measurement date	58,333	60,841		
Gross deferred outflow (inflow) of resources	$ 189,745	160,050	(46,214)	(56,018)

The contributions made subsequent to the measurement date of $58,333 will be recognized as a reduction in the net pension liability during the year ending June 30, 2022.

(Dollars in thousands)

Remaining amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Fiscal year ending		Deferred outflow (inflow) of resources
2022	$	11,954
2023		27,151
2024		27,580
2025		19,395
2026		(882)
Total	$	85,198

(v) Actuarial Methods and Assumptions

The following methods and assumptions were used in developing total pension liability reported as of June 30, 2021 and 2020.

Actuarial Methods and Assumptions	2021	2020
Valuation date	December 31, 2018	December 31, 2017
Measurement date	June 30, 2020	June 30, 2019
Experience study report	2018, published July 2019 Based on data for the experience period January 1, 2015 to December 31, 2018	2016, published July 2017 Based on data for the experience period January 1, 2013 to December 31, 2016
Actuarial assumptions:		
Actuarial cost method	Entry Age Normal	Entry Age Normal
Inflation rate	2.50 %	2.50 %
Long-term expected rate of return	7.20	7.20
Discount rate	7.20	7.20
Projected salary increases	3.50	3.50
Cost of Living Adjustments (COLA)	Blend of 2% COLA and graded COLA (1.25%/0.15%) in accordance with *Moro* case decision; blend based on service	Blend of 2% COLA and graded COLA (1.25%/0.15%) in accordance with *Moro* case decision; blend based on service

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(Dollars in thousands)

Actuarial Methods and Assumptions	2021	2020
Mortality	***Healthy retirees and beneficiaries:*** Pub-2010 Healthy retiree, sex distinct, generational with Unisex, Social Security Data Scale, with job category adjustment and set-backs as described in the valuation.	***Healthy retirees and beneficiaries:*** RP-2014 Healthy annuitant, sex-distinct, generational with Unsex, Socia Security Data Scale, with colla adjustments and set-backs as described in the valuation.
	Active members: Pub-2010 Employee, sex distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation.	***Active members:*** RP-2014 Employees, sex-distinct, generational with Unisex, Social Security Data Scale, wi collar adjustments and setbac as described in the valuation.
	Disabled retirees: Pub-2010 Disabled retirees, sex-distinct, generational with Unsex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation.	***Disabled retirees:*** RP-2014 Disabled retirees, sex-distinct, generational with Unsex, Socia Security Data Scale.

Actuarial valuations of an ongoing plan involve estimates of the value of projected benefits and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Experience studies are performed as of December 31 of even numbered years. The 2018 experience study, used in developing total pension liability reported as of June 30, 2020, was based on the data for the experience period January 1, 2015 to December 31, 2018.

(vi) *Discount Rate*

The discount rate used to measure the total pension liability at June 30, 2020 and June 30, 2019 was 7.20%, respectively. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for PERS was applied to all periods of projected benefit payments to determine the total pension liability. The impact of a 1.00% decrease and increase in the discount rate on the net pension liability is as follows:

Discount Rate Sensitivity – Net Pension Liability
(Dollars in thousands)

OHSU's proportionate share		1% Decrease	Current discount rate	1% Increase
June 30, 2021		883,987	595,311	353,242
June 30, 2020	$	806,664	503,720	250,199

(vii) *Investments*

The Oregon State Treasury is the investment officer for the State. Investment standards are established in ORS 293.726 and require funds to be managed as a prudent investor would do. The Oregon Investment Council (OIC) establishes policies for the investment and reinvestment of moneys in the Oregon Public Employees Retirement Fund (OPERF).

ORS 293.701 defines the investment funds over which OIC has responsibility. Included is the OPERF, which comprises the defined-benefit pension plan, the individual account program, and the other postemployment benefit plans. OIC establishes policies for the investment and reinvestment of moneys in the investment funds as well as the acquisition, retention, management, and disposition of investments in the investment funds. OIC is also responsible for providing an examination of the effectiveness of the investment program.

(Dollars in thousands)

(1) Assumed Asset Allocation

The following table illustrates both the assumed and actual asset allocation. Deferred outflows of resources and deferred inflows of resources for pensions were related to the following sources as of the measurement date June 30, 2020:

OIC Target and Actual Investment Allocation as of June 30, 2020*

Asset class/strategy	OIC policy low range	OIC policy high range	OIC target allocation	Asset class/strategy	Actual allocation[3]
Debt securities	15.0 %	25.0 %	20.0 %	Debt securities	20.0 %
Public equity	27.5	37.5	32.5	Public equity	31.8
Real estate	9.5	15.5	12.5	Real estate	11.4
Private equity	14.0	21.0	17.5	Private equity	22.9
Alternatives portfolio	7.5	17.5	15.0	Alternatives portfolio	10.5
Opportunity portfolio[1]	—	3.0	—	Opportunity portfolio[1]	2.1
Risk Parity[2]	—	2.5	2.5	Risk Parity[2]	1.3
Total			100.0 %	Total	100.0 %

[1] Opportunity portfolio is an investment strategy, and it may be invested up to 3% of total plan net position.

[2] Risk Parity is a new investment strategy added to the asset allocation mix in 2019.

[3] Based on the actual investment value at 6/30/2020.

The following table illustrates both the assumed and actual asset allocation. Deferred outflows of resources and deferred inflows of resources for pensions were related to the following sources as of the measurement date June 30, 2019:

OIC Target and Actual Investment Allocation as of June 30, 2019*

Asset class/strategy	OIC policy low range	OIC policy high range	OIC target allocation	Asset class/strategy	Actual allocation
Debt securities	15.0	25.0	20.0 %	Debt securities	20.1 %
Public equity	32.5	42.5	37.5	Public equity	36.4
Real estate	9.5	15.5	12.5	Real estate	11.1
Private equity	14.0	21.0	17.5	Private equity	21.4
Alternative equity	—	12.5	12.5	Alternative equity	8.9
Opportunity portfolio[1]	—	3.0	—	Opportunity portfolio[1]	2.1
Total			100.0 %	Total	100.0 %

[1] Opportunity portfolio is an investment strategy, and it may be invested up to 3% of total plan net assets.

* The OIC target allocations are based on OIC asset classes as determined by each manager's primary investment type, not the financial statement classification of individual holdings. The target allocation amounts do not include deferred compensation plan investments. The actual investment allocation is based on the financial statement

(Dollars in thousands)

investment classifications, including deferred compensation plan investments. Risk parity is included with the alternatives portfolio.

(2) Long-Term Expected Rate of Return

To develop an analytical basis for the selection of the long-term expected rate of return assumption the PERS Board reviews long-term assumptions developed by the consulting actuary's capital market assumptions team and the OIC investment advisers. The table below shows the actuary's assumptions for each of the asset classes in which the plan was invested at that time based on the OIC long-term target asset allocation. The OIC's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions and includes adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

Asset class	2021 Target allocation*	2021 Compound annual return (Geometric)	2020 Target allocation*	2020 Compound annual return (Geometric)
Core fixed income	9.60 %	4.07 %	8.00 %	3.49 %
Short-term bonds	9.60	3.68	8.00	3.38
Bank/leveraged loans	3.60	5.19	3.00	5.09
High-yield bonds	1.20	5.74	1.00	6.45
Large/mid cap U.S. equities	16.17	6.30	15.75	6.30
Small cap U.S. equities	1.34	6.68	1.30	6.69
Micro cap U.S. equities	1.34	6.79	1.30	6.80
Developed foreign equities	13.48	6.97	13.13	6.71
Emerging market equities	4.22	7.69	4.12	7.45
Non-U.S. small cap equities	1.93	7.25	1.88	7.01
Private equity	17.50	8.33	17.50	7.82
Real estate (property)	10.00	5.55	10.00	5.51
Real estate (REITs)	2.50	6.69	2.50	6.37
Hedge fund of funds – diversified	1.50	4.06	2.50	4.09
Hedge fund – event-driven	0.38	5.59	0.63	5.86
Timber	1.13	5.61	1.88	5.62
Farmland	1.13	6.12	1.88	6.15
Infrastructure	2.25	6.67	3.75	6.60
Commodities	1.13	3.79	1.88	3.84
Assumed inflation – mean		2.50	—	2.50
	100.00 %		100.00 %	

* Based on the OIC Statement of Investment Objectives and Policy Framework for the Oregon Public Employees Retirement Fund, revised as of April 24, 2019

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(Dollars in thousands)

(b) Other Retirement Plans

In addition to the PERS defined-benefit retirement plan, OHSU has two defined-contribution plans – the UPP and the CRP.

Effective July 1, 1996, OHSU established the UPP. The UPP is a defined-contribution plan, which is available as an alternate to PERS for employees who are not eligible for the CRP. Employees become fully vested in employer contributions over a three- to four-year period (depending on collective bargaining agreements) or upon reaching age 50. Contribution levels are determined by the collective bargaining agreements for union represented employees and the board of directors of OHSU for noncollective bargaining employees. In fiscal years 2021 and 2020, all employer contributions to the plan were 6% of salary.

For Oregon Nurse Association (ONA) represented employees and noncollective bargaining employees, which includes faculty, research, and unclassified administrative participating in the UPP; OHSU offers a 6% employee contribution, which is employer paid and is fully vested at the time of the contribution.

For employees who are members of the OPP who work in a qualifying position, OHSU offers participation in the CRP. The CRP is an employer-paid, defined-contribution plan, and contributions to this plan are fully vested at the time of the contribution. A variable contribution rate is used for employees enrolled prior to January 1, 2009. After January 1, 2009, a 12% contribution rate is used.

		2021	2020
UPP:			
Employer contribution	$	50,758	46,850
Employee contribution [1]		22,809	23,519
	$	73,567	70,369

		2021	2020
CRP:			
Employer contribution	$	33,705	31,251
	$	33,705	31,251

[1] Of the employees' share, the employer paid $22,809 and $23,519 related to noncollective bargaining employees and ONA-represented employees in fiscal years 2021 and 2020, respectively.

OHSU offers all eligible employees, full and part time, an option to participate in one of two tax-deferred savings plans through the University Voluntary Savings Program. The 403(b) Plan is often referred to as a tax-deferred investment plan while the 457(b) Plan is referred to as a deferred compensation plan.

(Dollars in thousands)

Both plans offer a variety of investment options. The contribution and investment earnings under these plans are tax deferred, which may be accumulated by the employee for distribution at a future date. ONA-represented, research and unclassified administrative employees hired July 1, 2017 or later, and enrolled in the UPP, are eligible for a 403(b) match paid by the employer, otherwise, all other contributions to these plans are made by the employee and are fully vested at the time of the contribution.

The Foundation has defined-contribution plans available for substantially all employees. The plans are funded through the purchase of a group annuity contract with an insurance company at a discretionary amount equal to 12% of eligible compensation. Contributions are fully vested after five years. The Foundation contributed $1,300 and $1,000 for the purchase of retirement annuities during the fiscal years ended June 30, 2021 and 2020, respectively.

(8) Postemployment Benefits Other than Pensions (OPEB)

OHSU administers a single-employer, defined-benefit healthcare plan for qualified employees and postemployment healthcare for retiring employees eligible to receive medical coverage. Additionally, for eligible PERS members, PERS administers the Retirement Health Insurance Account (RHIA) cost-sharing, multiple-employer defined-benefit OPEB plan.

(a) Single-Employer, Defined-Benefit Plans

(i) Plan Description

OHSU provides retiree health program coverage to current and future retirees of OHSU who qualify for retirement. Members who terminate prior to retirement eligibility or are not participating in the plan at retirement are not eligible to participate in the program. The employee must be actively enrolled in an OHSU medical plan at the time of separation from OHSU.

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

(ii) Employees Covered by Benefit Terms

The plan provides access for retiring employees to OHSU's employee medical plans at the same premium rates assessed to active employees. As of the measurement date of October 1, 2020, the following employees were covered by the benefit terms.

	October 1, 2020	October 1, 2019
Active employees	14,460	14,460
Retired members and others, receiving benefits	115	115
Total participants	14,575	14,575

(Dollars in thousands)

(iii) Benefit Payments

Benefit payments made for the fiscal year-end June 30, 2021 and June 30, 2020 were $674 and $634, respectively.

(iv) Total OPEB Liability

The total OPEB liability as of the reporting date June 30, 2021 and 2020 is $23,224 and $20,955, respectively. The total OPEB liability was determined by an actuarial valuation as of October 1, 2019, calculated based on the discount rate and actuarial assumptions below, and was then projected forward to the measurement date. The liability is included in other noncurrent liabilities in the accompanying statements of net position.

(v) Actuarial Assumptions and Other Inputs

The following methods and assumptions were used in developing the total OPEB liability.

Fiscal year ending	June 30, 2021	June 30, 2020
Valuation date	October 1, 2019	October 1, 2019
Measurement date	October 1, 2020	October 1, 2019
Reporting date	June 30, 2021	June 30, 2020
Experience study report	2018 Oregon PERS Experience Study Based on January 1, 2015 to December 31, 2018	2018 Oregon PERS Experience Study Based on January 1, 2015 to December 31, 2018
Inflation	2.50 %	2.50 %
Discount rate*	2.21 %	2.66 %

* The discount rate was based on the Bond Buyer General Obligation 20-Bond Municipal Index.

(vi) Expense and Deferred (Inflows)/Outflows of Resources Related to OPEB

The OPEB expense, which is considered concurrent period interest cost, service cost, amortization of deferred outflows and inflows, and effect of plan changes, was $3,369 and $860 for the fiscal year ended June 30, 2021 and June 30, 2020, respectively.

(Dollars in thousands)

As of June 30, 2021 and 2020, the deferred inflows and outflows of resources were as follows:

	Deferred outflow of resources		Deferred inflow of resources	
	2021	**2020**	**2021**	**2020**
Differences between expected and actual experience	$ 905	1,098	—	—
Changes of assumptions	6,786	7,060	(824)	(1,037)
Total (prior to post-MD contributions)	7,691	8,158	(824)	(1,037)
Contributions subsequent to the measurement date	675	633	—	—
Gross deferred outflow (inflow) of resources	$ 8,366	8,791	(824)	(1,037)

The contributions made subsequent to the measurement date of $675 will be recognized as a reduction in the total OPEB liability during the year ending June 30, 2022.

(b) Cost-Sharing, Multiple-Employer Defined-Benefit Plans

(i) Plan Description

ORS 238.420 established the RHIA. RHIA is a cost-sharing, multiple-employer OPEB plan for 904 participating employers. The plan was closed to new entrants hired on or after August 29, 2003.

The State's PERS issues a publicly available financial report that includes financial statements and required supplementary information, including a 10-year historical trend information showing the accumulation of sufficient assets to pay benefits when due. Copies of the Oregon Public Employees Retirement System's Comprehensive Annual Financial Report and Actuarial Valuations may be obtained from the PERS Web site at: www.oregon.gov/pers/Pages/Financials/Actuarial-Financial-Information.aspx.

(ii) Benefits Provided

The plan authorizes a payment of up to sixty dollars from RHIA toward the monthly cost of health insurance for eligible PERS members.

(iii) Contributions

Contributions are advance-funded on an actuarially determined basis. The contractually required contributions for retiree healthcare liabilities for the period July 1, 2019 through June 30, 2021 are

0.06% for Tier One and Tier Two member-covered salaries to amortize the unfunded actuarial accrued liability. These rates were based on the December 31, 2017 actuarial valuation.

Contributions to the OPEB plan from OHSU were $78 and $153 for the years ended June 30, 2021 and June 30, 2020, respectively. Employees are not required to contribute to the OPEB plan.

(iv) OPEB Asset (Liability), OPEB Expense (Income), and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At fiscal year ended June 30, 2021 and 2020, OHSU reported an asset of $4,328 and $6,200 for its proportionate share of the net OPEB asset (liability), respectively. The net OPEB asset (liability) was measured as of June 30, 2019 and 2018 and the total OPEB asset (liability) used to calculate the net OPEB asset (liability) was determined by an actuarial valuation as of December 31, 2018 and December 31, 2017, respectively. OHSU's proportion of the net OPEB asset (liability) was based on a projection of OHSU's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating members, actuarially determined. At the June 30, 2020 and 2019 measurement date, OHSU's proportionate share was 2.12% and 3.21%, respectively.

(Dollars in thousands)

The OPEB expense (income), which is considered concurrent period interest cost, service cost, amortization of deferred outflows and inflows, and effect of plan changes, was $(128) and $(823), for the year ended June 30, 2021 and 2020, respectively. As of June 30, 2021 and 2020, the deferred inflows and outflows of resources were as follows:

		Deferred outflow of resources		Deferred inflow of resources	
		2021	**2020**	**2021**	**2020**
Differences between expected and actual experience	$	—	—	(442)	(818)
Changes of assumptions		—	—	(230)	(6)
Net difference between projected and actual earnings on investments		481	—	—	—
Changes in proportionate share		1,110	17	—	(383)
Differences between contributions and OHSU's proportionate share of system contributions		—	—	(23)	(50)
Total (prior to post-MD contributions)		1,591	17	(695)	(1,257)
Contributions subsequent to the measurement date		78	153	—	—
Gross deferred outflow (inflow) of resources	$	1,669	170	(695)	(1,257)

The contributions made subsequent to the measurement date of $78 will be recognized as a reduction in the total OPEB liability during the year ending June 30, 2022.

(Dollars in thousands)

(v) Actuarial Assumptions and Other Inputs

The total OPEB asset (liability) in the December 31, 2018 and 2017 actuarial valuations were determined using the following actuarial assumptions, applied to all periods included in the measurement.

Fiscal year ending	June 30, 2021	June 30, 2020
Valuation date	December 31, 2018	December 31, 2017
Measurement date	June 30, 2020	June 30, 2019
Reporting date	June 30, 2021	June 30, 2020
Experience study report	2018, published July 24, 2019 Based on data for the experience period January 1,2015 to December 31,2018	2016, published July 26,2017 Based on data for the experience period January 1,2013 to December 31,2016
Actuarial assumptions:		
Actuarial cost method	Entry age normal	Entry age normal
Inflation rate	2.50%	2.50 %
Long-term expected rate of return	7.20%	7.20 %
Discount rate	7.20%	7.20 %

(Dollars in thousands)

(9) Long-Term Debt, Bonds, and Capital Leases

Long-term debt, including related unamortized original issue discounts and premiums and capital leases at June 30, 2021 and 2020, is as follows:

		2021	2020
Revenue Bonds			
Series 1995A	$	12,550	23,027
Series 2012A		73,905	79,230
Series 2015C		100,000	100,000
Series 2016B		199,835	199,835
Series 2017A		65,460	65,460
Series 2019A, B1, B2, and C		269,260	271,125
Direct Placement and Direct Purchase Revenue Bonds			
Series 2016A		50,000	50,000
Series 2017B		50,000	50,000
Series 2019D		50,000	50,000
Other Debt			
State of Oregon DSPA and TIC Agreements		25,369	26,084
City of Portland Local Improvement District Agreements		11,396	13,251
Unamortized Bond Premiums and Discounts		59,981	67,396
Capital Leases		2,202	1,987
	$	969,958	997,395
Less: Current Portion of Long-Term Debt and Capital Leases		(24,082)	(23,419)
Noncurrent Long-Term Debt and Capital Leases	$	945,876	973,976

(a) Revenue Bonds

1995A Insured Revenue Bonds

The OHSU 1995A Insured Revenue Bonds (1995A Bonds) are tax-exempt capital appreciation bonds with interest accreted until maturity. The total amount outstanding for the 1995A Bonds is $12,550 as of June 30, 2021; including principal amount of $2,958 and an accreted interest balance of $9,592. The 1995A Bonds have one remaining outstanding maturity due July 1, 2021 OHSU is required to maintain funds held by a trustee for debt service reserve requirements for these bonds in amounts sufficient to pay specified principal and interest payments. The 1995A Bonds are limited obligations of OHSU and are secured by OHSU’s gross revenue. Pursuant to the Oregon Uniform Revenue Bond Act, the 1995A Bonds are not general obligation bonds and are payable solely from the revenue pledged.

2012A Revenue Bonds

OHSU Series 2012A Revenue Bonds (2012A Bonds) are tax-exempt fixed rate bonds with an outstanding principal amount of $73,905 as of June 30, 2021. The 2012A Bonds have remaining maturities due July 1, 2021 through July 1, 2028, and require semiannual interest payments with coupon rates ranging from 3.0% to 5.0%. The 2012A Bonds are limited obligations of OHSU and are secured by OHSU's gross revenue. Pursuant to the Oregon Uniform Revenue Bond Act, the 2012A Bonds are not general obligation bonds and are payable solely from the revenue pledged.

2012E Revenue Bonds (Refunded)

OHSU Series 2012E Revenue Bonds (2012E Bonds) were refunded on December 19, 2019. The 2012E Bonds had an outstanding principal amount of $126,365 that was refunded partially on a current refunding basis for $21,900 through a tender offer and partially on an advance refunding basis for $104,465 through the issuance of taxable debt. Bond proceeds from the issuance of the OHSU Series 2019A, Series 2019C, and Series 2019D Revenue Bonds were used in the refunding.

The 2012E Bonds are considered to be defeased in substance and the liability related to these bonds has been removed from long-term debt. The amount of in substance defeased debt outstanding as of June 30, 2021 is $104,465. At the time of the advance refunding, funds were deposited into an irrevocable escrow account to provide for all future payments of principal and interest for the Series 2012E up to the redemption date of July 1, 2022 on which the University intends to redeem the bonds. The funds held in escrow for the refunding of the Series 2012E as of June 30, 2021 is $108,998.

While the refunding resulted in an economic gain for OHSU, the event generated a deferred accounting loss, which has been reflected as a deferred outflow in the financial statements. The deferred accounting loss is being amortized using the effective-interest method over the original life of the 2012E Bonds. The balance of the deferred accounting loss from the refunding of the 2012E Bonds as of June 30, 2021 and 2020 are $8,427 and $9,361, respectively.

2015C Revenue Bonds

OHSU Series 2015C Revenue Bonds (2015C Bonds) are taxable fixed rate bonds with an outstanding principal amount of $100,000 as of June 30, 2021. The 2015C Bonds have a maturity date of July 1, 2045, and require semiannual interest payments at a coupon rate of 5.0%. Proceeds from the Series 2015C were used for general public corporation or other public purposes, including, but not limited to, financing capital expenses, noncapital expenses, and costs related to the issuance of the bonds. The 2015C Bonds are limited obligations of OHSU and are secured by OHSU's gross revenues. Pursuant to the Oregon Uniform Revenue Bond Act, the 2015C Bonds are not general obligation bonds and are payable solely from revenue pledged.

2016B Revenue Bonds

OHSU Series 2016B Revenue Bonds (2016B Bonds) are tax-exempt fixed rate bonds with an outstanding principal amount of $199,835 as of June 30, 2021. The 2016B Bonds have maturities due beginning July 1, 2028 through July 1, 2046 requiring semiannual interest payments with coupon rates ranging from 2.5% to 5.0%. The 2016B Bonds were issued to advance refund the Series 2009A Bonds and for capital improvements related to the construction of an ambulatory care tower and as a prerequisite to the receipt of state matching grant funds for the construction of a new Knight Cancer Research Building. The 2016B Bonds are limited obligations of OHSU and are secured by OHSU's gross revenues. Pursuant to the Oregon Uniform Revenue Bond Act, the 2016B Bonds are not general obligation bonds and are payable solely from revenue pledged.

2017A Revenue Bonds

OHSU Series 2017A Revenue Bonds (2017A Bonds) are tax-exempt fixed rate bonds with an outstanding principal amount of $65,460 as of June 30, 2021. The 2017A Bonds have maturities due beginning July 1, 2033 through July 1, 2046 requiring semiannual interest payments with coupon rates ranging from 3.5% to 5.0%. The Series 2017A Bonds were issued for capital improvements related to the construction of an ambulatory care tower and as a prerequisite to the receipt of State matching grant funds for the construction of a new Knight Cancer Research Building. The 2017A Bonds are limited obligations of OHSU and are secured by OHSU's gross revenues. Pursuant to the Oregon Uniform Revenue Bond Act, the 2017A Bonds are not general obligation bonds and are payable solely from revenue pledged.

2019ABC Revenue Bonds

OHSU Series 2019A Revenue Bonds (2019A Bonds) are tax-exempt fixed rate bonds with an outstanding principal amount of $129,145 as of June 30, 2021. The 2019A Bonds have remaining maturities due July 1, 2021 through July 1, 2049, requiring semiannual interest payments with coupon rates ranging from 3.0% to 5.0%.

OHSU Series 2019B1 Revenue Bonds (2019B1 Bonds) are tax-exempt put bonds with an outstanding principal amount of $25,950 as of June 30, 2021. The 2019B1 Bonds have maturities due beginning July 1, 2040 through July 1, 2042, a first optional redemption date of November 1, 2022, and a mandatory purchase date of February 1, 2023. The 2019B1 Bonds require semiannual debt service payments at a coupon rate of 5.0%.

OHSU Series 2019B2 Revenue Bonds (2019B2 Bonds) are tax-exempt put bonds with an outstanding principal amount of $49,120 as of June 30, 2021. The 2019B2 Bonds have maturities due beginning July 1, 2040 through July 1, 2042, a first optional redemption date of November 1, 2024, and a mandatory purchase date of February 1, 2025. The 2019B2 Bonds require semiannual debt service payments at a coupon rate of 5.0%.

OHSU Series 2019C Revenue Bonds (2019C Bonds) are taxable fixed rate bonds with an outstanding principal amount of $65,045 as of June 30, 2021. The 2019C Bonds have maturities due beginning July 1, 2023 through July 1, 2032, and require semiannual interest payments with coupon rates ranging from 2.2% to 3.0%.

The 2019A, 2019B1, 2019B2, and 2019C Bonds were issued to refund the OHSU Series 2012E Revenue Bonds on a current and advance refunding basis, to refund the OHSU Series 2012C and Series 2012B-3 Revenue Bonds on a current refunding basis, to refund the OHSU Series 2015A and 2015B Revenue Bonds on a current refunding basis, to pay for capital improvements for the University, and to pay for costs of issuance for the bonds. The 2019A, 2019B1, 2019B2, and 2019C Bonds are limited obligations of OHSU and are secured by OHSU's gross revenues. Pursuant to the Oregon Uniform Revenue Bond Act, the 2019A, 2019B1, 2019B2, and 2019C Bonds are not general obligation bonds and are payable solely from revenue pledged.

(b) Direct Placement and Direct Purchase Bonds

2016A Revenue Bonds

OHSU Series 2016A Revenue Bonds (2016A Bonds) are tax-exempt fixed rate direct placement bonds with an outstanding principal amount of $50,000 as of June 30, 2021. The 2016A Bonds were issued for capital improvements related to the construction of an ambulatory care tower and as a prerequisite to the receipt of state matching grant funds for the construction of a new Knight Cancer Research Building. The 2016A Bonds are subject to event of default provisions that may cause the full outstanding amount to become immediately due and payable at the discretion of the bondholder representative. Event of default provisions are extensive with certain provisions subjective in nature based on materiality. Some notably event of default provisions included, but not limited to, are if the University fails to pay principal or interest on any bond when due, if the University makes any material misrepresentation in connection to the agreement and if the University fails to meet the debt covenants requiring financial disclosures. The 2016A Bonds are limited obligations of OHSU and are secured by OHSU's gross revenues. Pursuant to the Oregon Uniform Revenue Bond Act, the 2016A Bonds are not general obligation bonds and are payable solely from revenue pledged.

2017B Revenue Bonds

OHSU Series 2017B Revenue Bonds (2017B Bonds) are tax-exempt fixed rate direct placement bonds with an outstanding principal amount of $50,000 as of June 30, 2021. The 2017B Bonds were issued for capital improvements related to the construction of an ambulatory care tower and as a prerequisite to the receipt of state matching grant funds for the construction of a new Knight Cancer Research Building. The 2017B Bonds are subject to event of default provisions that may cause the full outstanding amount to become immediately due and payable at the discretion of the bondholder representative. Event of default provisions are extensive with certain provisions subjective in nature based on materiality. Some notably event of default provisions included, but not limited to, are if the University fails to pay principal or interest on any bond when due, if the University makes any material misrepresentation in connection to the agreement, and if the University fails to meet the debt covenants requiring financial disclosures. The 2017B Bonds are limited obligations of OHSU and are secured by OHSU's gross revenues. Pursuant to the Oregon Uniform Revenue Bond Act, the 2017B Bonds are not general obligation bonds and are payable solely from revenue pledged.

2019D Revenue Refunding Bonds

OHSU Series 2019D Revenue Bonds (2019D Bonds) are taxable fixed rate direct purchase rate bonds with an outstanding principal amount of $50,000 as of June 30, 2021. The 2019D Bonds were issued to refund a portion of the OHSU Series 2012E Revenue Bonds on an advance refunding basis. The 2019D Bonds are subject to event of default provisions that may cause the full outstanding amount to become immediately due and payable at the discretion of the bondholder representative. Event of default provisions are extensive with certain provisions subjective in nature based on materiality. Some notably event of default provisions included, but not limited to, are if the University fails to pay principal or interest on any bond when due, if the University makes any material misrepresentation in connection to the agreement, and if the University fails to meet the debt covenants requiring financial disclosures. The 2019D Bonds are limited obligations of OHSU and are secured by OHSU's gross revenues. Pursuant to the Oregon Uniform Revenue Bond Act, the 2019D Bonds are not general obligation bonds and are payable solely from revenue pledged.

(c) Other Debt

State of Oregon DSPA and TIC Agreements

OHSU has agreements with the Oregon State Board of Higher Education (on behalf of the State of Oregon) pursuant to which OHSU makes semiannual payments to the State in amounts sufficient to pay when due principal, interest and other charges with respect to debt incurred by the State for the benefit of OHSU. These agreements between OHSU and the State are commonly referred to as the Debt Service Payment Agreement (DSPA) and the Tenancy in Common Agreement (TIC).

In 1995, OHSU became an independent public corporation pursuant to an act of the Oregon Legislative Assembly (the Act). Pursuant to the Act, OHSU assumed liability for outstanding indebtedness of the State previously incurred for the benefit of OHSU. To evidence this obligation, OHSU and the Oregon State Board of Higher Education (on behalf of the State of Oregon) entered into the DSPA.

In 2011, OHSU entered into a joint construction project with the Oregon State Board of Higher Education to build the Robertson Life Sciences Building (previously referred to as the Collaborative Life Sciences Building) on OHSU's Schnitzer Campus located in Portland's South Waterfront to be jointly owned, developed, and operated collaboratively with Portland State University and Oregon State University. As partial consideration for OHSU's receipt of 50% undivided percentage interest in the tenancy in common of the Robertson Life Sciences Building, OHSU entered into the TIC in which OHSU agreed to pay to the State for a portion of the debt issued by the State to fund the construction of the project.

Pursuant to the DSPA and TIC, OHSU has an obligation to the State, and the State is the bond issuer. From time to time, the State has refinanced its bonds, some of which has affected the underlying bonds that were assigned to the DSPA and TIC. In fiscal year 2021, the State refunded several bonds that affected OHSU's debt service due under the DSPA and TIC.

On July 16, 2020, the State of Oregon refunded OHSU assigned debt principal of $11,988 from State bonds including the 2010 Series A, 2011 Series E, 2011 Series G, and a portion of the 2012 Series A. To refund this debt, the State issued the 2020 Series O Bonds of which OHSU is assigned $12,895 in principal to be repaid with maturities out to fiscal year 2042. The State's refunding increased the amount of debt principal due for OHSU, but resulted in interest savings over the life of the bonds. OHSU debt service payments, including principal and interest, was $22,056 under the old refunded bonds and is $17,747 under the new bonds issued, a decrease of $4,309. The economic gain or net present value savings for OHSU, as calculated by the State, was $3,850.

Additionally, on May 12, 2021, the State of Oregon refunded debt that minimally impacted OHSU. The State refunded OHSU assigned debt of $1.8 thousand from the State bonds including the 2013 Series A, and 2013 Series B. To refund this debt, the State issued the 2021 Series H and 2021 Series I Bonds of which OHSU is assigned $15.0 thousand in principal to be repaid with maturities out to fiscal year 2024. The State's refunding increased the amount of debt principal due for OHSU, but resulted in interest savings over the life of the bonds. OHSU debt service payments, including principal and interest, was $19.2 thousand under the old refunded bonds and is $15.2 thousand under the new bonds issued, a decrease of $4.0 thousand. The economic gain or net present value savings for OHSU, as calculated by the State, was one hundred sixty nine dollars. This refunding was part of a larger transaction that benefited other State universities, but only minimally impacted OHSU.

The total amount outstanding for debt assigned to OHSU under the DSPA and TIC as of June 30, 2021 and 2020 are $25,369 and $26,084. These balances are included in long-term debt in the statements of net position. Payments under the terms of the DSPA and TIC by OHSU represents full satisfaction of any legal obligation related to such outstanding indebtedness.

City of Portland Local Improvement District Agreements

OHSU initially entered into various local improvement district agreements (LIDs) with the City of Portland, Oregon during fiscal years 2007 and 2008 for real improvements to Portland's South Waterfront District. During fiscal year 2012, OHSU entered into additional LIDs with the City of Portland for real improvements to the same Portland South Waterfront District. All outstanding LIDs debt is scheduled to be repaid in semiannual installments, with maturities through fiscal year 2029 and interest rates ranging between 4.19% and 4.71%. The total outstanding amount of principal as of June 30, 2021 and 2020 are $11,396 and $13,251, respectively, and have been included in long-term debt in the statements of net position.

(d) Lines of Credit

Pursuant to the First Amendment to Credit Agreement dated April 13, 2021 between OHSU and U.S. Bank National Association, OHSU entered into a revolving line of credit with U.S. Bank National Association in an aggregate principal not to exceed $100,000. The credit agreement has a maturity date within one year ending on April 12, 2022. Interest is payable on a monthly basis and interest rates are variable based on the one-month LIBOR rate and an applicable spread. The line of credit is subject to event of default provisions that would cause the full outstanding amount to become immediately due and payable. Event of default provisions are extensive with certain provisions subjective in nature based on materiality. Some notably event of default provisions included, but not limited to, are if the University fails to pay principal or interest on the loan when due, if the University makes any material misrepresentation in connection to the agreement, and if the University fails to meet the debt covenants requiring financial disclosures.

Previously, OHSU obtained two revolving lines of credit on April 14, 2020 in the amounts of $100,000 and $50,000, respectively, with both credit agreements having a maturity date within one year ending on April 13, 2021. These lines of credit were established to provide short-term operational flexibility in connection with OHSU's ongoing efforts to respond to the COVID-19 pandemic. Upon the execution of the First Amendment to Credit Agreement on April 13, 2021, OHSU now only has a single line of credit available with U.S. Bank National Association in the amount of $100,000. As of June 30, 2021, OHSU has not drawn its line of credit.

(Dollars in thousands)

(e) Unamortized Bond Premiums and Discounts

OHSU has issued bonds at a premium and bonds at a discount. The premium and discount are amortized over the life of the bond and the unamortized balances are included in long-term debt in the statements of net position. The unamortized net premium balances as of June 30, 2021 and June 30, 2020 are $59,981 and $67,396.

(f) Interest Rate Swap Agreement

As of June 30, 2021 and 2020, OHSU held one interest rate swap agreement with Wells Fargo Bank, NA. The balances of OHSU’s swap as of June 30, 2021 and 2020 are as follows:

		Notional		Fair value	
		2021	**2020**	**2021**	**2020**
Wells Fargo swap	$	70,200	70,200	(17,315)	(26,699)
	$	70,200	70,200	(17,315)	(26,699)

The notional amount of the outstanding swap with Wells Fargo Bank, NA declines over time and terminates on July 1, 2042. OHSU’s interest rate swap agreement with Wells Fargo Bank, NA was established when OHSU entered into an International Swaps and Derivatives Association swap novation in fiscal year 2016.

Under the swap agreement with Wells Fargo Bank, NA, OHSU makes fixed rate interest payments of 2.506% and receives a variable rate payment computed as 70.00% of the London Interbank Offered Rate. The fair value represents the estimated amount that OHSU would pay or receive if the swap agreement was terminated at year-end, taking into account current interest rates and the creditworthiness of the underlying counterparty. Total net cash payments made to the swap counterparty were $1,694 and $1,030 during the years ended June 30, 2021 and 2020, respectively.

On December 19, 2019, OHSU refunded the Series 2012B-3 and Series 2015A Bonds, which were the assigned hedges under the interest rate swap. As of June 30, 2021, the outstanding interest rate swap has no assigned hedges and is not associated with any variable rate debt.

The companion debt instrument for the interest rate swap and deferred amortization of debt instruments were adjusted based on the market value of the swap on the date of the termination of the related hedge assignments. The value of the companion debt instrument is $13,763 and $14,815 as of June 30, 2021 and 2020, respectively. The deferred amortization of debt instruments is $6,091 and $7,342 as of June 30, 2021 and 2020, respectively. OHSU continues to amortize both the companion debt instrument and the deferred amortization of debt instruments. In addition, without the hedged debt associated with the swap, the change in market value of the interest rate swap, as determined after the date of debt refinancing, is now recorded to an unrealized gain or loss. In fiscal year 2021, OHSU recorded an unrealized gain of $9,384 for the swap. In the previous fiscal year 2020, OHSU recorded an unrealized loss of $11,884 for the swap.

(Dollars in thousands)

OHSU is exposed to swap credit risk, which is the risk that the counterparty will not fulfill its obligation. As of June 30, 2021 and 2020, the counterparties' long-term credit ratings were A+ from Standard & Poor's, Aa2 from Moody's, and AA- from Fitch. Additionally, the swap exposes OHSU to basis risk, which is the risk that arises when the relationship between the rates on the variable rate bonds and the swap formulas noted above vary from historical norms. If this occurs, swap payments received by OHSU may not fully offset its bond interest payments.

OHSU may be additionally responsible for posting collateral based on its credit ratings and if the total swap liability exceeds a predetermined value on its reporting date. Based on current credit ratings for OHSU and the current market value of the swap, OHSU is not required to post any collateral at this time.

OHSU or the counterparty may terminate the swap if the other party fails to perform under the terms of the contracts. The swap has the option of early termination with a cash settlement.

(g) Capital Leases

OHSU has entered into agreements for the lease of certain equipment and vehicles. Amortization of the capitalized value of these assets is included in depreciation and amortization expense on the statements of revenues, expenses, and changes in net position. Future minimum lease payments under these agreements are as follows:

Year ending June 30:	
2022	1,284
2023	348
2024	302
2025	269
2026	135
2027 - 2031	—
	2,338
Less amount representing interest	(136)
	2,202
Less current portion	(1,234)
	$ 968

(Dollars in thousands)

(h) Summary of Long-Term Debt, Bonds, and Capital Leases

Long-term debt and capital lease balances as of June 30, 2021 and 2020 are $969,958 and $997,395, respectively. As of June 30, 2021, the total long-term debt balance of $969,958 includes the current portion of $24,082 and the noncurrent portion of $945,876. These balances comprises revenue bonds, direct placement and purchase rate bonds, other debt related to the DSPA, TIC and LID agreements, unamortized balances for bond premiums and discounts, and capital leases.

Principal and interest payments under the long-term debt obligations and capital leases are as follows:

	Principal	Interest	Total
Year(s) ending June 30:			
2022	14,490	46,143	60,633
2023	23,389	35,710	59,099
2024	23,815	34,637	58,452
2025	24,623	33,681	58,304
2026	25,438	32,630	58,068
2032–2036	143,501	145,760	289,261
2037–2041	142,995	117,645	260,640
2042–2046	150,315	85,823	236,138
2047–2051	242,840	47,963	290,803
2051–2055	108,995	2,645	111,640
	$ 900,401	582,637	1,483,038

(i) Changes in Long-Term Liabilities

Changes in OHSU's total long-term liabilities during the fiscal years ended June 30, 2021 and 2020 is summarized below:

	June 30, 2020 Balance	Increases	Decreases	June 30, 2021 Current Portion	June 30, 2021 Noncurrent Portion
Liability for self-funded insurance programs	$ 73,796	36,093	(22,382)	40,868	46,639
Liability for life income agreements	20,741	5,254	(2,503)	—	23,492
Long-term debt	995,408	1,620	(29,272)	22,848	944,908
Long-term capital leases	1,987	1,303	(1,088)	1,234	968
Other noncurrent liabilities	55,098	65,916	(32,881)	—	88,133
Pension liability	503,720	302,855	(211,264)	—	595,311
	$ 1,650,750	413,041	(299,390)	64,950	1,699,451

(Dollars in thousands)

	June 30, 2019 Balance	Increases	Decreases	June 30, 2020 Current Portion	Noncurrent Portion
Liability for self-funded insurance programs	$ 72,903	27,006	(26,113)	33,935	39,861
Liability for life income agreements	23,235	947	(3,441)	—	20,741
Long-term debt	973,506	356,904	(335,002)	22,476	972,932
Long-term capital leases	5,825	104	(3,942)	943	1,044
Other noncurrent liabilities	33,483	21,615	—	—	55,098
Pension liability	456,006	277,791	(230,077)	—	503,720
	$ 1,564,958	684,367	(598,575)	57,354	1,593,396

(10) Life Income Fund – Annuities

Assets contributed as life income agreements are recorded at their fair value. The present value of estimated future payments to beneficiaries of annuity agreements is recorded as a liability. The present values of these estimated payments were determined on the basis of published actuarial factors for the ages of the respective annuity beneficiaries. Differences between the assets contributed and the expected payments to be made to beneficiaries have been recorded as donations in the year established.

Life income contributions, including gifts, grants, and contracts in the accompanying statements of revenues, expenses, and changes in net position, are as follows for the fiscal years ended June 30, 2021 and 2020:

	2021		
	Agreements	Asset	Liability
Charitable remainder unitrusts	3	$ 781	2
Charitable lead unitrusts	7	1,805	1,045
Life estate agreements	1	535	55
Total	11	$ 3,121	1,102

	2020		
	Agreements	Asset	Liability
Charitable remainder unitrusts	3	$ 2,297	1,250
Charitable lead unitrusts	—	—	—
Charitable gift annuities	7	310	148
Total	10	$ 2,607	1,398

(Dollars in thousands)

The assets and corresponding liabilities related to life income agreements are included in long-term investments, restricted, and the liability for life income agreements in the accompanying statements of net position.

Total life income instruments held at June 30, 2021 and 2020 are as follows:

	2021			
	Agreements		Asset	Liability
Charitable remainder unitrusts	47	$	22,405	6,958
Charitable lead unitrusts	3		26,143	9,116
Charitable remainder trust annuities	1		79	59
Charitable gift annuities	168		12,021	6,586
Life estate agreements	4		2,031	773
Total	223	$	62,679	23,492

	2020			
	Agreements		Asset	Liability
Charitable remainder unitrusts	55	$	21,649	6,335
Charitable lead unitrusts	3		21,188	7,857
Charitable remainder trust annuities	1		93	67
Charitable gift annuities	178		10,170	5,906
Life estate agreements	3		977	576
Total	240	$	54,077	20,741

Thirteen charitable gift annuities, included above, have been reinsured with insurance carriers in order to reduce liability exposure. Under the reinsurance contracts, the future beneficiary payments are paid by the insurance carrier. To the extent the insurance carriers are unable to perform under the contract, OHSU would be responsible for payment.

(11) Funds Held in Trust by Others

The Foundation is the named beneficiaries of 39 and 40 trusts held by outside trustees as of June 30, 2021 and 2020, respectively. The reported fair market value of trust assets held by others was $59,500 and $47,100 of the years ended June 30, 2021 and 2020, respectively. The Foundation record contributions as trust distributions occur. Trust distributions of $1,800 and $1,900 were recorded as contributions during the fiscal years ended June 30, 2021 and 2020, respectively.

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(Dollars in thousands)

(12) Pledges and Estates Receivables

The Foundation had the following pledges and estates receivable as of June 30, 2021 and 2020:

		2021	2020
Pledges maturing within 1 year	$	121,862	86,308
Pledges maturing within 2–10 years		252,048	323,229
		373,910	409,537
Less allowance for uncollectible pledges		(920)	(2,373)
		372,990	407,164
Less discount for net present value		(9,542)	(14,711)
Total net pledges receivable		363,448	392,453
Estates receivable		6,512	15
Less allowance for uncollectible estates		(1)	(1)
Less discount for net present value (rates of 0.22% to 0.98%)		(239)	—
Total net estates receivable		6,272	14
Total pledges and estates receivable	$	369,720	392,467

(13) Commitments and Contingencies

(a) Liability for Self-Funded Insurance Programs

Coverage for professional liability, patient general liability, and automobile liability is provided through OHSU's solely owned captive insurance company, OHSU Insurance Company. Current coverage limits are $4,650 per claim with an annual aggregate of $17,500 for professional liability and $3,000 per claim for general liabilities.

Coverage for the directors' and officers' liability and employment practices liability deductible is also provided through OHSU Insurance Company. Current coverage limits for claims made on or after July 1, 2014 are $1,000 for each and every claim.

Coverage for the cyber liability deductible is also provided through OHSU Insurance Company. The coverage limit for cyber liability is $250 for each and every claim.

Excess coverage and reinsurance is provided by a variety of insurers for claims that may exceed these limits. Coverage is written on a claims-made basis.

(Dollars in thousands)

OHSU has contracted with independent actuaries to estimate the ultimate costs of settlement related to the coverage provided by OHSU Insurance Company. The liabilities are discounted at 1.5% in 2021 and 1.5% in 2020 and, in management's opinion, provide an adequate reserve for loss contingencies.

In December 2007, the Oregon Supreme Court found unconstitutional certain provisions of the Oregon Tort Claims Act (OTCA) that limited OHSU's liability for the acts of its employees and agents in large damages cases.

Effective July 1, 2009, the OTCA was amended by Senate Bill 311 for events occurring on or after December 28, 2007. The new OTCA limits are as follows:

Date of event	New OTCA limit (per claim)	Occurrence aggregate
07/01/2010–06/30/2011	$ 1,600	3,200
07/01/2011–06/30/2012	1,700	3,400
07/01/2012–06/30/2013	1,800	3,600
07/01/2013–06/30/2014	1,900	3,800
07/01/2014–06/30/2015	2,000	4,000
07/01/2015–06/30/2016	2,048	4,096
07/01/2016–06/30/2017	2,074	4,147
07/01/2017–06/30/2018	2,118	4,236
07/01/2018–06/30/2019	2,182	4,363
07/01/2019–06/30/2020	2,247	4,494
07/01/2020–06/30/2021	2,308	4,615

The impact of this decision has been included in the liability for self-funded insurance programs in the accompanying financial statements.

In September 2013, a judgment was awarded against OHSU in a professional liability case that was in excess of the OTCA, which limits OHSU's and other Oregon public body's liability for the acts of its employees and agents. OHSU disbursed the sum of $3,000, the amount of the tort cap in place at the date of the event. In May 2016, the Oregon Supreme Court affirmed the OTCA in this case.

Effective January 1, 2017, OHSU Insurance Company affiliated with a newly formed Oregon limited liability company called OHSU Project Co., LLC (a controlled affiliate of OHSU), which comprises OHSU and other nonaffiliated healthcare providers and systems, referred to as members. The operating agreement of OHSU Project Co., LLC asserts that OHSU's membership interest or voting power with respect to OHSU Project Co., LLC may not constitute less than ten percent (10%) of the outstanding membership interests. OHSU's membership interest was 36.5% and 31.4% as of June 30, 2021 and 2020, respectively.

The OHSU Project Co., LLC's sole purpose is to purchase casualty stop-loss insurance from OHSU Insurance Company for the benefit of its members. Each provider is entitled to coverage equal to its percentage membership interest in the limited liability company. The contracted payor effectuated the health insurance products entering into a provider-networking contract with OHSU Project Co., LLC.

Insco provides to OHSU Project Co., LLC medical aggregate excess of loss coverage for its share of the medical loss ratio (MLR) risk and cedes a portion of the risk to Swiss Re. Should MLR deteriorate sufficiently so as to trigger the risk ceded to Swiss Re, then Swiss Re will be liable for 90% of OHSU Project Co., LLC's risk share, subject to a maximum liability of $1,500 with the 10% retention staying with OHSU Insurance Company.

On January 1, 2006, workers compensation coverage for all employees was placed with the SAIF Corporation in accordance with statutory requirements. The State Accident Insurance Fund also provides Employers Liability coverage in the amount of $500, without retention. The State Accident Insurance Fund policy was written as a paid loss retrospective plan until July 1, 2017 at which time it converted its coverage to a guaranteed cost plan. This paid premium is an estimate and varies with audited payroll. In addition, the State Accident Insurance Fund bills monthly for the prior year's claims paid losses. (2006 to June 2017), adding a 16.5% loss conversion factor to the paid loss costs.
Six months after the policy term, and every 12 months thereafter, a retrospective evaluation is completed (for years 2006 to June 2017) to determine any additional amounts to be paid, including outstanding reserves, for claims relating to the policy year.

(b) Unemployment Compensation

Unemployment compensation claims are administered by the Oregon Employment Division pursuant to Oregon Revised Statutes. The estimated amount of future benefits payments to claimants and the resulting liability to OHSU have been reflected as accrued salaries, wages, and benefits in the accompanying statements of net position.

(c) Employee Health Programs

OHSU is self-insured for its risk of loss related to costs to insure its employees for medical, dental, and vision coverage. OHSU has utilized a third-party actuary to assist in the estimation of its liability for the employee health programs related to claims payable and those claims incurred but not yet paid or reported of approximately $23,756 and $19,240 as of June 30, 2021 and 2020, respectively. These amounts are included in current portion of self-funded insurance program liabilities in the accompanying statements of net position.

(d) Labor Organizations

As of fiscal year-end June 30, 2021, approximately 53.9% of OHSU's employees are represented by labor organizations: 15.0% of OHSU's employees are nurses represented by the ONA, 38.8% of OHSU's employees are represented by the AFSCME, and less than 1% of OHSU's employees are represented by the OHSU Police Association. The current contract with ONA expires on June 30, 2023. The current contract with AFSCME will be in effect until June 30, 2022. The current contract with the OHSU Police Association expires on June 30, 2024.

(e) Construction Contracts

OHSU had outstanding commitments on unexpended construction contracts totaling approximately $35,129 and $34,136 at June 30, 2021 and 2020, respectively. These commitments will be primarily funded from gifts, grants, funds held by trustee, and other investment accounts.

(f) Legal Proceedings

The healthcare industry and academic medical centers are subject to numerous laws and regulations of federal, state, and local governments. These laws and regulations include, but are not limited to, laws and regulations related to licensure, accreditation, government health program participation, reimbursement for patient services, Medicare and Medicaid fraud and abuse, and laws and regulations governing the conduct of federally funded research, research involving human and animal subjects, and other facets of research. Government monitoring and enforcement activity continues with respect to possible violations of fraud and abuse laws and regulations and other laws and regulations applicable to healthcare providers and healthcare institutions, including academic medical centers. Violations of these laws and regulations could result in expulsion from government healthcare programs, together with the imposition of significant fines and penalties and repayments for patient services previously billed. Management believes OHSU is in compliance with applicable fraud and abuse laws and regulations, as well as other applicable government laws and regulations.

OHSU's compliance with the referenced laws and regulations may be subject to current or future government review and interpretation, as well as regulatory actions unknown or unasserted at this time.

OHSU is involved in litigation and is periodically the subject of regulatory inquiries in the normal course of its business. In past years, OHSU was subject to several federal healthcare audits as a part of national initiatives targeting large numbers of hospitals and academic medical centers and was the subject of government-issued subpoenas and postpayment reviews concerning specific OHSU billing practices. OHSU responded to these audits, subpoenas, and reviews, and these matters were resolved or are expected to be resolved without material adverse effect on OHSU's financial position, changes in financial position, or liquidity.

(g) Operating Leases

Leases that do not meet the criteria for capitalization are classified as operating leases, with the related rentals charged to operations as incurred.

(Dollars in thousands)

Rental expenses under operating leases were approximately $19,107 and $21,582 in 2021 and 2020, respectively. The following is a schedule of future minimum rental commitments under operating leases as of June 30, 2021 and 2020 that have initial or remaining lease terms in excess of one year:

Year ending June 30:		
2022		15,446
2023		13,386
2024		10,527
2025		9,860
2026		9,523
Thereafter		18,702
	$	77,444

(h) Tuality Health Affiliation

On February 1, 2016, OHSU affiliated with Tuality Healthcare (Tuality) through the execution of a management agreement (the Tuality Agreement) between the organizations. Under the Tuality Agreement, OHSU agrees to oversee the unified and integrated clinical enterprises of OHSU and Tuality as a single, integrated economic unit. OHSU and Tuality remain as separate entities, own their own assets, and continue to be the licensed operators of their own facilities. Per the agreement, OHSU has guaranteed Tuality’s operating income and will provide operating cash flow support. The initial term of the Tuality Agreement is 20 years and it may be renewed or extended by written agreement of the parties. The Tuality Agreement is subject to termination in the event of material breaches of the agreement or for certain other reasons specified in the Tuality Agreement.

After February 1, 2016, OHSU guarantees operating income support in the following manner: to the extent Tuality incurs an operating loss for any fiscal year, OHSU will provide operating support in the form of a cash payment to Tuality in an amount equal to the operating loss, which will result in Tuality’s operating income being equal to zero. OHSU may recoup prior payments for operating support from Tuality’s positive operating cash flow generated in future fiscal years as specified in the Tuality Agreement.

If in any fiscal year, Tuality’s operating cash flow, defined in the Tuality Agreement as operating income plus depreciation less regular principal payments on long-term debt and less capital spending, is negative, OHSU will provide Tuality a capital advance in the form of a cash payment to bring Tuality’s operating cash flow to a balance of zero. The capital advance will be recorded on Tuality’s financial statements as a payable to OHSU, and on OHSU’s financial statements as a receivable from Tuality, subject to any required reserves for estimates of collectibility. Such capital advances will not bear interest and will be repayable by Tuality to OHSU from positive operating cash flow generated in future fiscal years under general guidelines specified in the Tuality Agreement.

For fiscal years 2021 and 2020, operating income support amounted to $746 and $25,321, respectively. The operating cash flow capital advance, recorded as a note receivable, in other noncurrent assets on the statements of net position, was $0 and $4,036 for the years ended June 30, 2021 and 2020, respectively. In light of uncertain operating income in the near term and the likelihood that cash flow available for repayment will be deferred into future years, OHSU recorded a valuation reserve of $19,591 against the note receivable under other noncurrent assets as of June 30, 2021. The total note receivable as of June 30, 2021 was $19,591.

(i) Adventist Health

On January 1, 2018, OHSU and Adventist Health entered into a Health System agreement, an operating agreement and an academic affiliation agreement. Under this affiliation, OHSU and Adventist Health will operate as a unified clinical system with a shared bottom line. The affiliation applies to OHSU's Portland-area clinical services and activities and Adventist Health Portland, which includes the 302-bed Adventist Health Portland Medical Center and its 34 affiliated clinics and home care and hospice services in the Portland-Vancouver metro area. The other 19 Adventist Health hospitals in the western United States are excluded from the agreements. Each organization will retain its existing hospital licenses, capital assets, and employees and will not join each other's master trust indenture obligated group or otherwise guarantee each other's outstanding debt.

Each entity will continue to maintain its individual mission and culture but will together strive to transform access and the delivery of healthcare to Oregonians through a unified clinical enterprise and shared brand experience. A board of managers comprising representatives from each organization has been created to oversee the system.

The initial term of the Adventist agreement is 20 years and it may be renewed or extended by written agreement of the parties, and the agreement is subject to termination in the event of material breaches or for certain other reasons specified in the agreement.

OHSU and Adventist Health's allocation amount is determined by multiplying the consolidated Metro Health System net operating results by such party's proportional allocation percentage, including the amount of such party's total capital charges (for the same period for which such allocation amount is determined). The result shall equal the party's net share of the Metro Health System earnings before interest, depreciation, and amortization (EBIDA).

OHSU and Adventist's net share for each period shall be compared to each party's actual metro clinical enterprise adjusted EBIDA for the same period. OHSU and Adventist Health agree that if a party's net share for a period is less than such party's metro clinical enterprise adjusted EBIDA for such period, such party shall pay to the other party the amount of the difference (net share payment). OHSU and Adventist agree that if a party's net share for a period is more than such party's metro clinical enterprise adjusted EBIDA for the same period, such party shall receive from the other party a payment in the amount of the difference (net share receivable).

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(Dollars in thousands)

For fiscal years 2021 and 2020, support payments to/(from) Adventist amounted to ($4,180) and $10,000 per year. For FY20, the net share payment cap was met. In order to optimize healthcare provider coverage and accessibility within the Portland metropolitan area, OHSU also paid $1,408 and $992 for physician recruitments in fiscal year 2021 and 2020, respectively.

(14) Blended Component Units

Condensed combining statements for OHSU and its blended component units are shown below:

	2021				
	University	INSCO	OHSU Foundation	Eliminations/ reclassifications	Total combined
Assets:					
Current assets	$ 1,284,286	7,056	170,524	(60,507)	1,401,359
Noncurrent assets:					
Capital assets, net of accumulated depreciation	2,055,819	—	168	—	2,055,987
Other noncurrent assets	1,170,196	87,474	1,636,954	—	2,894,624
Total noncurrent assets	3,226,015	87,474	1,637,122	—	4,950,611
Total assets	4,510,301	94,530	1,807,646	(60,507)	6,351,970
Deferred outflows	234,013	—	—	—	234,013
Total assets and deferred outflows	$ 4,744,314	94,530	1,807,646	(60,507)	6,585,983
Liabilities:					
Current liabilities	$ 620,834	599	73,972	(60,507)	634,898
Noncurrent liabilities	1,626,822	45,816	26,813	—	1,699,451
Total liabilities	2,247,656	46,415	100,785	(60,507)	2,334,349
Deferred inflows	49,024	—	104,542	—	153,566
Net position:					
Net investment in capital assets	1,232,634	—	168	—	1,232,802
Restricted, expendable	98,358	—	703,563	—	801,921
Restricted, nonexpendable	—	—	304,696	—	304,696
Unrestricted	1,116,642	48,115	593,892	—	1,758,649
Total net position	2,447,634	48,115	1,602,319	—	4,098,068
Total liabilities, deferred inflows, and net position	$ 4,744,314	94,530	1,807,646	(60,507)	6,585,983

(Dollars in thousands)

	2020						
	University	INSCO	UMG	OHSUF Foundation	DCH Foundation	Eliminations/ reclassifications	Total combined
Assets:							
Current assets	$ 1,337,730	9,685	12,014	106,396	5,354	(61,164)	1,410,015
Noncurrent assets:							
Capital assets, net of accumulated depreciation	2,102,981	—	506	104	—	—	2,103,591
Other noncurrent assets	757,729	73,288	—	1,313,065	87,383	—	2,231,465
Total noncurrent assets	2,860,710	73,288	506	1,313,169	87,383	—	4,335,056
Total assets	4,198,440	82,973	12,520	1,419,565	92,737	(61,164)	5,745,071
Deferred outflows	206,985	—	—	—	—	—	206,985
Total assets and deferred outflows	$ 4,405,425	82,973	12,520	1,419,565	92,737	(61,164)	5,952,056
Liabilities:							
Current liabilities	$ 602,148	964	4,193	65,207	708	(61,164)	612,056
Noncurrent liabilities	1,532,974	36,900	49	21,874	1,599	—	1,593,396
Total liabilities	2,135,122	37,864	4,242	87,081	2,307	(61,164)	2,205,452
Deferred inflows	59,858	—	—	79,481	1,923	—	141,262
Net position:							
Net investment in capital assets	1,254,101	—	—	104	—	—	1,254,205
Restricted, expendable	91,070	—	—	570,307	21,737	—	683,114
Restricted, nonexpendable	—	—	—	264,179	31,747	—	295,926
Unrestricted	865,274	45,109	8,278	418,413	35,023	—	1,372,097
Total net position	2,210,445	45,109	8,278	1,253,003	88,507	—	3,605,342
Total liabilities, deferred inflows, and net position	$ 4,405,425	82,973	12,520	1,419,565	92,737	(61,164)	5,952,056

(Dollars in thousands)

Condensed combining information related to revenues, expenses, and changes in net position for the years ended June 30, 2021 and 2020 is as follows:

			2021		
	University	INSCO	OHSU Foundation	Eliminations/ reclassifications	Total combined
Operating revenues:					
Patient service revenue	$ 2,595,048	—	—	—	2,595,048
Student tuition and fees, net	82,770	—	—	—	82,770
Gifts, grants, and contracts	715,430	—	72,576	(84,941)	703,065
Other revenue	225,407	21,279	1,322	(22,617)	225,391
Total operating revenues	3,618,655	21,279	73,898	(107,558)	3,606,274
Operating expenses:					
Salaries, wages, and benefits	2,150,917	—	15,097	—	2,166,014
Defined-benefit pension	113,695	—	—	—	113,695
Services, supplies, and other	1,183,211	19,109	105,196	(112,739)	1,194,777
Depreciation and amortization	178,888	—	84	—	178,972
Interest	32,990	—	—	—	32,990
Total operating expenses	3,659,701	19,109	120,377	(112,739)	3,686,448
Operating income (loss)	(41,046)	2,170	(46,479)	5,181	(80,174)
Nonoperating revenues (expenses):					
Investment income and change in fair value of investments	147,231	835	291,733	—	439,799
State appropriations	44,243	—	—	—	44,243
CARES Act grant	72,593	—	—	—	72,593
Other	(72)	—	4,205	—	4,133
Total nonoperating revenues (expenses), net	263,995	835	295,938	—	560,768
Net income (loss) before other changes in net position	222,949	3,005	249,459	5,181	480,594
Other changes in net position:					
Contributions for capital and other	5,964	—	—	(5,181)	783
Nonexpendable donations	—	—	11,349	—	11,349
Total other changes in net position	5,964	—	11,349	(5,181)	12,132
Total increase (decrease) in net position	228,913	3,005	260,808	—	492,726
Net position – beginning of year	2,218,721	45,110	1,341,511	—	3,605,342
Net position – end of year	$ 2,447,634	48,115	1,602,319	—	4,098,068

OREGON HEALTH & SCIENCE UNIVERSITY
(A Component Unit of the State of Oregon)
Notes to Financial Statements
June 30, 2021 and 2020
(Dollars in thousands)

	2020						
	University	INSCO	UMG	OHSUF Foundations	DCH Foundations	Eliminations/ reclassifications	Total combined
Operating revenues:							
Patient service revenue	$ 2,375,275	—	—	—	—	—	2,375,275
Student tuition and fees, net	77,305	—	—	—	—	—	77,305
Gifts, grants, and contracts	698,157	—	—	71,318	13,936	(118,765)	664,646
Other revenue	197,448	22,576	18,622	1,976	115	(44,842)	195,895
Total operating revenues	3,348,185	22,576	18,622	73,294	14,051	(163,607)	3,313,121
Operating expenses:							
Salaries, wages, and benefits	2,013,525	—	13,574	14,578	—	—	2,041,677
Defined-benefit pension	109,907	—	—	—	—	—	109,907
Services, supplies, and other	1,145,469	14,443	5,612	122,420	14,004	(167,334)	1,134,614
Depreciation and amortization	176,524	—	93	83	—	—	176,700
Interest	36,656	—	—	—	—	—	36,656
Total operating expenses	3,482,081	14,443	19,279	137,081	14,004	(167,334)	3,499,554
Operating income (loss)	(133,896)	8,133	(657)	(63,787)	47	3,727	(186,433)
Nonoperating revenues (expenses):							
Investment income and change in fair value of investments	56,148	5,784	1	19,823	1,122	—	82,878
State appropriations	39,581	—	—	—	—	—	39,581
CARES Act grants	37,859	—	—	—	—	—	37,859
Other	(12,088)	—	—	623	(1,070)	—	(12,535)
Total nonoperating revenues (expenses), net	121,500	5,784	1	20,446	52	—	147,783
Net income (loss) before other changes in net position	(12,396)	13,917	(656)	(43,341)	99	3,727	(38,650)
Other changes in net position:							
Contributions for capital and other	7,088	—	—	—	—	(3,727)	3,361
Nonexpendable donations	—	—	—	19,794	1,638	—	21,432
Total other changes in net position	7,088	—	—	19,794	1,638	(3,727)	24,793
Total increase (decrease) in net position	(5,308)	13,917	(656)	(23,547)	1,737	—	(13,857)
Net position – beginning of year	2,215,752	31,192	8,934	1,276,551	86,770	—	3,619,199
Net position – end of year	$ 2,210,444	45,109	8,278	1,253,004	88,507	—	3,605,342

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(Dollars in thousands)

Condensed combining information related to cash flows for the years ended June 30, 2021 and 2020 is as follows:

	2021				
	University	INSCO	OHSU Foundation	Eliminations/ reclassifications	Total combined
Net cash provided by (used in) operating activities	$ 218,031	12,240	(36,157)	—	194,114
Net cash provided by noncapital financing activities	94,365	—	19,464	—	113,829
Net cash provided by (used in) capital and related financing activities	(191,191)	—	(48)	—	(191,239)
Net cash provided by (used in) investing activities	(126,707)	(14,005)	36,840	—	(103,872)
Net change in cash and cash equivalents	(5,502)	(1,765)	20,099	—	12,832
Cash and cash equivalents, beginning of year	394,366	5,115	23,261	—	422,742
Cash and cash equivalents, end of year	$ 388,864	3,350	43,360	—	435,574

	2020						
	University	INSCO	UMG	OHSUF Foundations	DCH Foundations	Eliminations/ reclassifications	Total combined
Net cash provided by (used in) operating activities	$ 269,656	11,278	307	(79,467)	1,598	—	203,372
Net cash provided by noncapital financing activities	81,039	—	—	1,893	91	—	83,023
Net cash provided by (used in) capital and related financing activities	(222,863)	—	(123)	(20)	—	—	(223,006)
Net cash provided by (used in) investing activities	206,778	(10,248)	—	76,168	(360)	—	272,338
Net change in cash and cash equivalents	334,610	1,030	184	(1,426)	1,329	—	335,727
Cash and cash equivalents, beginning of year	49,809	4,085	9,763	20,611	2,747	—	87,015
Cash and cash equivalents, end of year	$ 384,419	5,115	9,947	19,185	4,076	—	422,742

(15) Coronavirus Impacts

On March 11, 2020, the World Health Organization declared the Novel Coronavirus Disease Outbreak a global pandemic and shortly following a national emergency declaration concerning the COVID-19 outbreak was enacted. In response to COVID-19, and guidance from state and local public health authorities, OHSU began modified operations in mid-March 2020 and continues to operate under some level of modified operations through the fiscal year ending June 30, 2021.

The impacts of the current COVID-19 pandemic continue to present risks and uncertainties in all missions across OHSU. Depending on the magnitude of such effects, OHSU may be affected by changes in patient payor mix, reduced volume in patient activities and additional costs to operate in a COVID-19 environment.

In fiscal year 2021, the CARES Act grant funding and loan programs, such as Medicare Advance Payment Program and FICA deferrals, continue to provide relief to addressing the losses incurred as a result of the pandemic, however, OHSU cannot reasonably estimate the length or severity of this pandemic, or to the extent it may materially impact OHSU’s financial position, results of operations and cash flows in the future.

OHSU continues to build strategies and policies and take actions to proactively manage evolving developments, and to aggressively pursue additional relief measures and funding provided through federal and state programs.

Required Supplementary Information – Unaudited
OHSU's Proportionate Share of the Net Pension (Asset) Liability and Related Ratios

(Dollar amounts in thousands)

Defined-benefit pension plan[1]		2021	2020	2019	2018	2017	2016
OHSU's proportion of the net pension (asset) liability (rounded)		2.73 %	2.91 %	3.01 %	3.51 %	3.51 %	3.98 %
OHSU's proportionate share of the net pension (asset) liability	$	595,311	503,720	456,006	424,000	526,200	228,337
Covered payroll		340,369	330,868	323,343	337,473	326,959	345,363
OHSU's proportionate share of the net pension (asset) liability as a percentage of covered payroll		174.90 %	152.24 %	141.03 %	125.64 %	160.94 %	66.12 %
Plan fiduciary net position as a percentage of the total pension liability		75.80 %	80.20 %	82.10 %	83.10 %	80.50 %	91.90 %

[1] Ten-year trend information will be presented prospectively.

Required Supplementary Information – Unaudited
Schedule of Defined-Benefit Pension Plan Contributions

(Dollars in thousands)

Year ended June 30[1]		2021	2020	2019	2018	2017	2016
Contractually required contributions	$	48,333	50,841	37,919	37,087	30,809	31,353
Contributions in relation to the contractually required contributions		58,333	60,841	47,919	47,087	30,809	31,353
Contribution excess	$	(10,000)	(10,000)	(10,000)	(10,000)	—	—
OHSU's covered payroll	$	330,673	340,369	330,868	323,343	337,473	326,959
Contributions as a percentage of covered payroll		17.64 %	17.88 %	14.48 %	14.56 %	9.13 %	9.59 %

[1] Ten-year trend information will be presented prospectively.

See accompanying independent auditors' report.

Schedule 1

OREGON HEALTH & SCIENCE UNIVERSITY

Combining Schedules of Net Position

As of June 30, 2021 with comparative totals for June 30, 2020

(Dollars in thousands)

Assets	Hospital	Other University	Total University	Foundation	Eliminations/ Reclassifications	2021	2020
Current assets:							
Cash and cash equivalents	$ 335,373	56,841	392,214	43,360	—	435,574	422,742
Short-term Investments	83,773	20,645	104,418	3	—	104,421	253,989
Current portion of funds held by trustee	25,218	11,541	36,759	—	—	36,759	38,062
Patients accounts receivable, net of bad debt allowances of $2,518 and $1,528 – in 2021 and 2020	459,013	871	459,884	—	—	459,884	390,926
Student receivables	—	27,025	27,025	—	—	27,025	28,644
Grant and contract receivable	—	62,900	62,900	—	—	62,900	61,970
Current portion of pledges and estates receivable	—	—	—	121,502	—	121,502	85,605
Other receivables, net	43,875	65,665	109,540	5,048	(60,353)	54,235	46,087
Inventories, at cost	54,428	3,862	58,290	—	—	58,290	49,223
Prepaid expenses	13,915	26,243	40,158	611	—	40,769	32,767
Total current assets	1,015,595	275,593	1,291,188	170,524	(60,353)	1,401,359	1,410,015
Noncurrent assets:							
Capital assets, net of accumulated depreciation	1,056,665	999,154	2,055,819	168	—	2,055,987	2,103,591
Funds held by trustee – less current portion	8,461	1,721	10,182	—	—	10,182	13,252
Other long-term receivables, net of reserves	—	33,500	33,500	—	—	33,500	33,500
Long-term investments:							
Long-term investments, restricted	—	68,638	68,638	778,041	—	846,679	652,633
Long-term investments, unrestricted	889,736	249,802	1,139,538	607,235	—	1,746,773	1,214,736
Total long-term investments	889,736	318,440	1,208,176	1,385,276	—	2,593,452	1,867,369
Prepaid financing costs, net	1,079	405	1,484	—	—	1,484	1,705
Pledges and estates receivable – less current portion	—	—	—	248,218	—	248,218	306,862
Restricted postemployment benefit asset	—	4,328	4,328	—	—	4,328	6,200
Other noncurrent assets	—	—	—	3,460	—	3,460	2,577
Interest in the Foundations	—	1,602,319	1,602,319	—	(1,602,319)	—	—
Total noncurrent assets	1,955,941	2,959,867	4,915,808	1,637,122	(1,602,319)	4,950,611	4,335,056
Total assets	2,971,536	3,235,460	6,206,996	1,807,646	(1,662,672)	6,351,970	5,745,071
Deferred outflows:							
Deferred amortization of derivative instruments	3,399	2,692	6,091	—	—	6,091	7,342
Loss on refunding of debt	24,357	3,437	27,794	—	—	27,794	30,197
Pension obligation	—	189,745	189,745	—	—	189,745	160,050
Goodwill	348	—	348	—	—	348	435
Other postemployment benefits (OPEB) obligation	—	10,035	10,035	—	—	10,035	8,961
Total deferred outflows	28,104	205,909	234,013	—	—	234,013	206,985
Total assets and deferred outflows	$ 2,999,640	3,441,369	6,441,009	1,807,646	(1,662,672)	6,585,983	5,952,056

(Continued)

OREGON HEALTH & SCIENCE UNIVERSITY

Combining Schedules of Net Position

As of June 30, 2021 with comparative totals for June 30, 2020

(Dollars in thousands)

Liabilities	Hospital	Other University	Total University	Foundation	Eliminations/ Reclassifications	2021	2020
Current liabilities:							
Current portion of long-term debt	$ 15,648	7,200	22,848	—	—	22,848	22,476
Current portion of long-term capital leases	1,132	102	1,234	—	—	1,234	943
Current portion of self-funded insurance programs liability	—	40,868	40,868	—	—	40,868	33,935
Accounts payable and accrued expenses	94,680	62,978	157,658	14,085	—	171,743	154,540
Accrued salaries, wages, and benefits	29,577	89,671	119,248	—	—	119,248	106,188
Compensated absences payable	47,706	28,726	76,432	—	—	76,432	68,996
Unearned revenue	5,543	76,288	81,831	—	—	81,831	74,543
Unearned/Medicare Advance Payment	111,948	6,472	118,420	—	—	118,420	145,975
Other Current Liabilities	2,412	328	2,740	59,887	(60,353)	2,274	4,460
Total current liabilities	308,646	312,633	621,279	73,972	(60,353)	634,898	612,056
Noncurrent liabilities:							
Long-term debt – less current portion	623,658	321,250	944,908	—	—	944,908	972,932
Long-term capital leases – less current portion	876	92	968	—	—	968	1,044
Liability for self-funded insurance programs – less current portion	—	46,639	46,639	—	—	46,639	39,861
Liability for life income agreements	—	—	—	23,492	—	23,492	20,741
Pension Liability	—	595,311	595,311	—	—	595,311	503,720
Other noncurrent liabilities	20,932	63,880	84,812	3,321	—	88,133	55,098
Total noncurrent liabilities	645,466	1,027,172	1,672,638	26,813	—	1,699,451	1,593,396
Total liabilities	954,112	1,339,805	2,293,917	100,785	(60,353)	2,334,349	2,205,452
Deferred inflows:							
Deferred amortization of derivative instruments	—	—	—	—	—	—	—
Gain on refunding of debt	681	610	1,291	—	—	1,291	1,546
Life income agreements	—	—	—	39,087	—	39,087	33,269
Pending Funds	—	—	—	65,455	—	65,455	48,135
Pension obligation	—	46,214	46,214	—	—	46,214	56,018
Other Postemployment Benefits (OPEB) obligation	—	1,519	1,519	—	—	1,519	2,294
Total Deferred Inflows	681	48,343	49,024	104,542	—	153,566	141,262
Net position:							
Investments in capital assets	463,997	768,805	1,232,802	—	—	1,232,802	1,254,205
Restricted, expendable	—	801,921	801,921	703,563	(703,563)	801,921	683,114
Restricted, nonexpendable	—	304,696	304,696	304,696	(304,696)	304,696	295,926
Unrestricted	1,580,850	177,799	1,758,649	594,060	(594,060)	1,758,649	1,372,097
Total net position	2,044,847	2,053,221	4,098,068	1,602,319	(1,602,319)	4,098,068	3,605,342
Total liabilities, deferred inflows, and net position	$ 2,999,640	3,441,369	6,441,009	1,807,646	(1,662,672)	6,585,983	5,952,056

See accompanying independent auditors' report.

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OHSU_Notice_01161

Schedule 2

OREGON HEALTH & SCIENCE UNIVERSITY

Consolidated Statements of Revenues, Expenses, and Changes in Net Position

Years ended June 30, 2021 and 2020

(Dollars in thousands)

	Hospital	Other University	Total University	Foundation	Eliminations/ Reclassifications	2021	2020
Operating revenues:							
Patient service revenue, net of bad debt adjustments of $6,310 and $12,112 – in 2021 and 2020, respectively	$ 2,130,207	464,841	2,595,048	—	—	2,595,048	2,375,275
Student tuition and fees, net	—	82,770	82,770	—	—	82,770	77,305
State appropriations	1,382	42,861	44,243	—	(44,243)	—	—
Gifts, grants, and contracts	35,184	680,246	715,430	72,576	(84,941)	703,065	664,646
Other	183,488	42,888	226,376	1,322	(2,307)	225,391	195,895
Research and education support	(144,250)	144,250	—	—	—	—	—
Total operating revenues	2,206,011	1,457,856	3,663,867	73,898	(131,491)	3,606,274	3,313,121
Operating expenses:							
Salaries, wages, and benefits	992,747	1,158,170	2,150,917	15,097	—	2,166,014	2,041,677
Defined-benefit pension	—	113,695	113,695	—	—	113,695	109,907
Services, supplies, and other	929,687	252,323	1,182,010	105,196	(92,429)	1,194,777	1,134,614
Depreciation and amortization	96,106	82,782	178,888	84	—	178,972	176,700
Interest	20,157	12,833	32,990	—	—	32,990	36,656
Total operating expenses	2,038,697	1,619,803	3,658,500	120,377	(92,429)	3,686,448	3,499,554
Operating income (loss)	167,314	(161,947)	5,367	(46,479)	(39,062)	(80,174)	(186,433)
Nonoperating revenues, incl. state appropriations:							
Investment income and gain (loss) in fair value of investments	101,291	46,775	148,066	291,733	—	439,799	82,878
State appropriations	—	—	—	—	44,243	44,243	39,581
CARES Act grants	71,501	1,092	72,593	—	—	72,593	37,859
Other	(465)	393	(72)	4,205	—	4,133	(12,535)
Total nonoperating revenues (expenses), net	172,327	48,260	220,587	295,938	44,243	560,768	147,783
Net income (loss) before contributions for capital and other	339,641	(113,687)	225,954	249,459	5,181	480,594	(38,650)
Other changes in net position:							
Contributions for capital and other	10,555	(4,590)	5,965	—	(5,182)	783	3,361
Change in interest in the Foundation	—	260,807	260,807	—	(260,807)	—	—
Nonexpendable donations	—	—	—	11,349	—	11,349	21,432
Total other changes in net position	10,555	256,217	266,772	11,349	(265,989)	12,132	24,793
Total increase (decrease) in net position	350,196	142,530	492,726	260,808	(260,808)	492,726	(13,857)
Net position – beginning of year	1,694,651	1,910,691	3,605,342	1,341,511	(1,341,511)	3,605,342	3,619,199
Net position – end of year	$ 2,044,847	2,053,221	4,098,068	1,602,319	(1,602,319)	4,098,068	3,605,342

See accompanying independent auditors' report.

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OHSU_Notice_01162

Schedule 3

OREGON HEALTH & SCIENCE UNIVERSITY

Nongovernmental Discretely Presented Component Units

Combined Balance Sheet

As of June 30, 2021

(Dollars in thousands)

Assets		Tuality Healthcare and Subsidiaries	OHSU Health IDS	Combined
Current assets:				
Cash and cash equivalents	$	15,812	23,007	38,819
Short-term investments		624	3,110	3,734
Patient accounts receivable, net of allowance for uncollectible		—	—	—
accounts of $1,405,178 as of June 30, 2020		38,936	—	38,936
Due from related party		—	—	—
Other receivables		6,549	11,609	18,158
Supplies inventory		4,903	—	4,903
Prepaid expenses and other		2,442	—	2,442
Current portion of assets whose use is limited		1,010	—	1,010
Total current assets		70,276	37,726	108,002
Assets whose use is limited:				
Board-designated funds		41,246	—	41,246
Under bond indenture agreement – held by Trustee		1	—	1
Donor-restricted – specific purpose		6,888	—	6,888
Donor-restricted – endowment		2,761	—	2,761
Required for current liabilities		(1,010)	—	(1,010)
Total assets whose use is limited		49,886	—	49,886
Property and equipment:				
Property and equipment, net of accumulated depreciation and amortization		62,752	—	62,752
Other assets:				
Other receivables – noncurrent		1,307	—	1,307
Investments in unconsolidated affiliates		1,104	—	1,104
Deferred compensation plan		2,814	—	2,814
Cash value of life insurance		727	—	727
Deferred costs and other		230	—	230
Intangible assets		1,550	—	1,550
Goodwill		319	—	319
Total other assets		8,051	—	8,051
Total assets	$	190,965	37,726	228,691

Schedule 3

OREGON HEALTH & SCIENCE UNIVERSITY

Nongovernmental Discretely Presented Component Units

Combined Balance Sheet

As of June 30, 2021

(Dollars in thousands)

Liabilities and Net Assets		Tuality Healthcare and Subsidiaries	OHSU Health IDS	Combined
Current liabilities:				
Accounts payable	$	15,133	29,399	44,532
Accrued payroll and employee benefits		13,476	—	13,476
Due to related party		2,007	309	2,316
Deferred revenue		13,107	—	13,107
Estimated liabilities for Medicare and Medicaid settlements		423	—	423
Long-term debt due within one year		1,052	—	1,052
Accrued bond interest payable		86	—	86
Total current liabilities		45,284	29,708	74,992
Long-term liabilities:				
Long-term debt, net of amount due within one year		11,034	—	11,034
Liability for pension benefits		42,224	—	42,224
Other long-term liabilities		26,093	—	26,093
Total long-term liabilities		79,351	—	79,351
Total liabilities		124,635	29,708	154,343
Net assets:				
Net assets without donor restrictions		56,576	8,018	64,594
Net assets with donor restrictions		9,754	—	9,754
Total net assets		66,330	8,018	74,348
Total liabilities and net assets	$	190,965	37,726	228,691

See accompanying notes to independent auditors' report.

Schedule 4

OREGON HEALTH & SCIENCE UNIVERSITY

Nongovernmental Discretely Presented Component Units

Combined Statements of Operations

For the year ended June 30, 2021

(Dollars in thousands)

	Tuality Healthcare and Subsidiaries	OHSU Health IDS	Combined
Net patient service revenue	$ 226,775	—	226,775
Other revenue:			
OHSU support	746	—	746
Other revenue	24,739	178,192	202,931
Total other revenue	25,485	178,192	203,677
Total revenue	252,260	178,192	430,452
Operating expenses:			
Salaries and wages	91,704	—	91,704
Employee benefits	23,271	—	23,271
Supplies and other expenses	93,015	169,575	262,590
Professional fees	31,947	—	31,947
Depreciation and amortization	8,291	—	8,291
Interest	718	—	718
Total operating expenses	248,946	169,575	418,521
Income (loss) from operations	3,314	8,617	11,931
Other non-operating income:			
Realized income on investments whose use is limited by board designation	222	—	222
Gain on investments in affiliated companies	2,303	—	2,303
Gain/(loss) on disposal of property and equipment	18	—	18
Change in net unrealized gains (losses) on investments	6,133	—	6,133
Other operating revenue	—	(600)	(600)
Total other income	8,676	(600)	8,076
Excess of revenue over expenses	11,990	8,017	20,007
Contributions for property and equipment acquisition	506	—	506
Pension-related changes	20,815	—	20,815
Increase (decrease) in net assets without donor restrictions	$ 33,311	8,017	41,328

See accompanying independent auditors' report.

Schedule 5

OREGON HEALTH & SCIENCE UNIVERSITY

Nongovernmental Discretely Presented Component Units

Combined Statements of Changes in Net Assets

For the year ended June 30, 2021

(Dollars in thousands)

		Tuality Healthcare and Subsidiaries	OHSU Health IDS	Combined
Net assets without donor restrictions:				
Excess of revenue over expenses	$	11,990	8,017	20,007
Contributions for property and equipment acquisition		506	—	506
Pension-related changes		20,815	—	20,815
Increase (decrease) in net assets without donor restrictions		33,311	8,017	41,328
Net assets with donor restrictions:				
Gifts, grants, and bequests		2,233	—	2,233
Investment (loss) income		1,793	—	1,793
Net assets released from restrictions		(1,539)	—	(1,539)
Contributions for endowment funds		2	—	2
Increase (decrease) in net assets with donor restrictions		2,489	—	2,489
Change in net assets		35,800	8,017	43,817
Net assets, beginning of year		30,531	—	30,531
Net assets, end of year	$	66,331	8,017	74,348

See accompanying independent auditors' report.

KPMG

OREGON HEALTH & SCIENCE UNIVERSITY

(A Component Unit of the State of Oregon)

Financial Statements
and Supplementary Information

June 30, 2022 and 2021

(Dollars in thousands)

(With Independent Auditors' Report Thereon)

OREGON HEALTH & SCIENCE UNIVERSITY
(A Component Unit of the State of Oregon)

Table of Contents

KPMG LLP
Suite 3800
1300 South West Fifth Avenue
Portland, OR 97201

Independent Auditors' Report

The Board of Directors
Oregon Health & Science University:

Opinions

We have audited the financial statements of the business-type activities and the aggregate discretely presented component units of Oregon Health & Science University (OHSU), as of and for the years ended June 30, 2022 and 2021, and the related notes to the financial statements, which collectively comprise OHSU's basic financial statements for the years then ended as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component units of OHSU, as of June 30, 2022 and 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of OHSU and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As discussed in Note 1(c) to the basic financial statements, in fiscal year 2022, OHSU adopted Governmental Accounting Standards Board (GASB) Statement No. 87, Leases, and GASB Statement No. 96, Subscription-Based Information Technology Arrangements. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. generally accepted accounting principles, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about OHSU's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

KPMG LLP, a Delaware limited liability partnership and a member firm of
the KPMG global organization of independent member firms affiliated with
KPMG International Limited, a private English company limited by guarantee.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of OHSU's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about OHSU's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis, schedule of OHSU's proportionate share of the net pension (asset) liability and related ratios, and schedule of defined-benefit pension plan contributions be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise OHSU's basic financial statements. The supplemental information included in schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

KPMG LLP

Portland, Oregon
October 28, 2022

Introduction

Oregon Health & Science University (OHSU or the University) is Oregon's only public academic health center and one of the only universities in the U.S. devoted exclusively to educating doctors, dentists, nurses, pharmacists and public health professionals. It is a national leader in education of health professionals and scientists, advanced biomedical and healthcare research, leading edge patient care, and outreach. As part of its multifaceted public mission, OHSU strives for excellence in education, research and scholarship, clinical practice, and community service. Through its dynamic interdisciplinary environment, OHSU stimulates the spirit of inquiry, initiative, and cooperation among students, faculty, and staff.

The following discussion and analysis provides an overview of the financial activities of OHSU for the year ended June 30, 2022 and should be read in conjunction with the financial statements and related note disclosures. This discussion was prepared by management and is designed to focus on current activities, resulting changes, and current known facts with selective comparative information for the years ended June 30, 2021 and June 30, 2020.

Financial Highlights

The cumulative financial impact from the global outbreak of the Coronavirus disease (COVID-19), an infectious disease caused by the SARS-CoV-2 virus, as well as general labor shortages, inflationary pressures and financial market changes that are affecting all healthcare organizations, are reflected in net position, the broadest measure of OHSU's financial strength. In fiscal year 2022, net position decreased by $150 million to $3.9 billion. This follows an increase of $493 million in fiscal year 2021, compared to a small decrease in net position of $14 million in fiscal year 2020. Thus between June 30, 2019 and June 30, 2022, three fiscal years that encompass the pandemic so far, OHSU's net position has increased by $329 million, from $3.6 billion as of June 30, 2019 to $3.9 billion as of June 30, 2022, largely due to cumulative federal relief for COVID-19 and strong investment returns last year.

OHSU measures its performance as a whole and for the University. When measuring operating results for the University, OHSU uses a single line "equity method" for the OHSU Foundation. The "equity method" follows the "Total University" column on the combining financial statements included at the end of these financial statements, with gifts recorded when transferred from the Foundation to the University for use and State appropriations included within operating revenues.

The receipt and then spending of large gifts, and accrued expenses for PERS pension have caused large swings in OHSU's revenues and expenses over the past several years. Management uses the analysis of adjusted operating income on the following table to track underlying performance on a consistent basis where expenses for pension benefits are recorded on a cash basis, rather than an accrual basis, as they were prior to adoption of GASB 68.

In fiscal year 2022, net pension liability and accrued pension expense, measured as OHSU's proportionate share of the collective Oregon's Public Employees Retirement System (PERS) system, decreased as the PERS system generated asset returns greater than the long-term assumption in 2021, and less than assumed in 2020, the prior fiscal year. The PERS results affect OHSU financial statements with a lag.

OHSU's adjusted operating loss is $90 million in fiscal year 2022, a decrease of $162 million from fiscal year 2021. While operating revenues remain strong, with 9% year-over-year growth, the impact of COVID variants continue to impact patient volumes, case mix acuity, service mix and revenue mix combined with an adverse effect to varying degrees on operating expenses, including the need to utilize higher-cost temporary labor, provide premium pay for essential workers, and continued increases in drug and medical supply costs.

Analysis of Total University Column of Combining Statements of Revenues, Expense, and Changes in Net Position

Years Ended June 30, 2022 and 2021

(Dollars in thousands)

		2022	2021	$ Change
Total operating revenues	$	3,986,725	3,663,818	322,907
Total operating expenses, net of pension accrual		4,076,446	3,591,408 (1)	485,038
Adjusted operating income (loss)		(89,721)	72,410	(162,131)
Cash basis pension expense		54,976	46,603	8,373
Accrual basis pension expense		(23,008)	(113,695)	90,687
Operating income (loss)		(57,753)	5,318	(63,071)
Investment income and gain(loss) in fair value of investments		(134,264)	439,848 (1)	(574,112)
State appropriations		41,240	44,243	(3,003)
CARES Act and ARP grants		33,514	72,593	(39,079)
FEMA public asssistance program		8,966	—	8,966
Other nonoperating, Foundation and eliminations/reclasses		(67,698)	(81,408)	13,710
Total net income (loss) before contributions for capital and other		(175,995)	480,594	(656,589)
Other changes in net position		25,698	12,132	13,566
Total increase (decrease) in net position	$	(150,297)	492,726	(643,023)

(1) GASB Statement No. 87 and No. 96 establish a model for lease accounting, substantially changing all prior lease accounting and financial statement footnote disclosures. Changes adopted to conform to the provisions of these Statements are applied retroactively by restating financial statements for all periods presented. Fiscal year 2021 lease expense previously reported as rent under services, supplies, and other have been restated as right of use asset depreciation under depreciation and amortization, and interest expense under interest.

As both equity and fixed income markets declined in the last two quarters of fiscal year 2022 due to concerns over inflation, Federal Reserve tightening and the war in Ukraine, investment returns were a loss of $134 million, compared to very strong investment gains of $440 million in fiscal year 2021.

Federal and state support of $42 million in fiscal year 2022 and $73 million in fiscal year 2021 through the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), American Rescue Plan Act (ARP), Federal Emergency Management Agency (FEMA) Public Assistance program and other government programs continue to support OHSU in achieving its mission.

OHSU capitalized on historic low interest rates and its access to capital markets by issuing bonds with a par amount of $498 million at a premium of $78 million in fiscal year 2022 to support the OHSU Hospital Expansion Project (OHEP), purchase leased space, refund several bonds and pay for the cost of issuance. OHEP will increase hospital bed and related inpatient capacity to provide the highest level of care for all Oregonians.

Management continues to take a proactive approach to adjust to the ever-changing healthcare and economic environment implementing plans to address the significant financial challenges from COVID and inflationary pressures.

COVID-19 Funding

Significant federal and state COVID-19 financial and liquidity support was provided to OHSU in the form of grants and loans in fiscal years 2022, 2021 and 2020. The key programs included:

Medicare Advance Payment Program. In response to the COVID-19 public health emergency, the Centers for Medicare & Medicaid Services (CMS) expanded its Medicare Accelerated and Advance Payment Program to allow Medicare providers to receive advances on future Medicare reimbursement. OHSU received $145 million in federal Medicare advances in fiscal year 2020. Medicare began recovering advance payments by offsetting claims for services starting in April 2021 and recovered $93 in fiscal year 2022 and $15 million in fiscal year 2021. OHSU estimates the recoupment period will extend into fiscal year 2023 with the remaining $37 million recorded in the accompanying Statements of Net Position as Unearned/Medicare advance payment current liability.

CARES Act FICA Deferral. The CARES Act allows employers to defer the deposit and payment of the employer's share of Social Security taxes. Under this program, OHSU deferred $62 million of applicable payroll taxes from the date the Act was signed into law. The deferred amounts are due in two equal installments on December 31, 2021 and December 31, 2022. OHSU repaid the first installment of $31 million in fiscal year 2021. The remaining $31 million due on December 31, 2022 is reflected on the Statements of Net Position as accrued salaries, wages and benefits current liability.

CARES Act Provider Relief Fund. Enacted in March 2020, the CARES Act Provider Relief Fund is intended to provide financial support to healthcare providers who diagnose, test, or care for individuals with possible or actual cases of COVID-19, and have health care related expenses and lost revenues attributable to COVID-19. OHSU received to date $133 million under the "General" and "Targeted" distributions. OHSU recognized as CARES Act grants under other nonoperating revenues $24 million and $73 million for fiscal years 2022 and 2021, respectively.

Higher Education Emergency Relief Fund (HEERF) Grants. OHSU was awarded funding from HEERF I, II and III grants for Postsecondary Education. Each grant has specific criteria defined as the use of funds and eligibility. The provided funding comes in the form of emergency financial aid grants for students (Student

Portion) and supplemental grant funds for institutional costs (Institutional Portion) to defray expenses associated with coronavirus. In fiscal year 2022, OHSU used the Institutional Portion to cover lost tuition and fees incurred in spring term 2020 and COVID-19 testing. OHSU recognized as CARES Act grants under other nonoperating revenues $1.4 million and $1.1 million for fiscal years 2022 and 2021, respectively.

American Rescue Plan Act (ARP). In fiscal year 2022, OHSU received $9 million from the ARP distribution to support OHSU's rural activities. OHSU recognized as CARES Act grants under other nonoperating revenues.

FEMA Public Assistance. The FEMA Public Assistance program provides Federal disaster grant assistance for Emergency Protective Measures activities that eliminate or lessen threats to lives, public health or safety. In partnership with the Oregon Office of Emergency management, OHSU applied for and received a $9 million grant from the Public Assistance (PA) program in fiscal year 2022 which is recognized under other nonoperating revenues.

Results of Operations

The statements of revenues, expenses, and changes in net position present OHSU's results of operations, including the Foundation. In accordance with generally accepted accounting principles for a government entity, revenues and expenses are classified as either operating or nonoperating.

The programs and operations of the University and the Foundation are funded from a broad range of sources, some of which are classified as operating and others as nonoperating. While State appropriations and CARES Act, ARP and FEMA grants are reported as nonoperating revenues, the funding supports operating expenses and lost operating revenues.

Similarly, reporting of Foundation operating expenses, including transfers to the University, as well as fundraising, and other costs that are funded in part by endowment investment income are reported as nonoperating, but support operating activities. Also, investment income and gain (loss) in fair value of instruments, used to support operations, is reported as nonoperating while the PERS defined-benefit pension expense, reported as an operating activity under GASB 68, includes prior year PERS system wide plan investment returns.

When measuring OHSU as a whole, management believes that the Net income (loss) before contributions for capital and other, which includes both operating and nonoperating revenues, provides the most useful indicator of financial performance.

Condensed Statements of Revenues, Expenses, and Changes in Net Position

(Dollars in thousands)

		2022	2021	$ Change
Patient service revenue, net	$	2,845,352	2,595,048	250,304
Gifts, grants, and contracts		782,289	703,065	79,224
All other operating revenues		314,393	308,112	6,281
Total operating revenues		3,942,034	3,606,225	335,809
Salaries, wages, and benefits		2,455,284	2,166,014	289,270
Defined-benefit pension		23,008	113,695	(90,687)
All other operating expenses		1,589,138	1,406,739	182,399
Total operating expenses		4,067,430	3,686,448	380,982
Operating income (loss)		(125,396)	(80,223)	(45,173)
Other nonoperating revenues (expenses)		(134,319)	443,981	(578,300)
State appropriations		41,240	44,243	(3,003)
CARES Act, ARP and FEMA grants		42,480	72,593	(30,113)
Net income (loss) before contributions for capital and other		(175,995)	480,594	(656,589)
Other changes in net position		25,698	12,132	13,566
Total change in net position	$	(150,297)	492,726	(643,023)

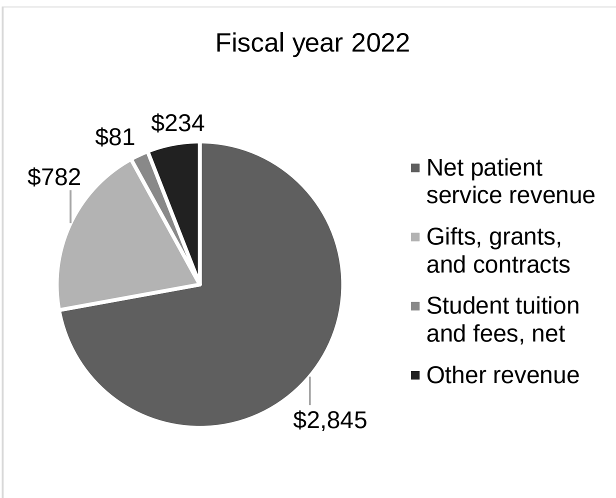
OHSU's fiscal year 2022 consolidated net loss was $176 million, before contributions for capital and other, a decrease of $657 million from the $481 million gain in fiscal year 2021. OHSU financial results were acutely impacted by Delta and Omicron surges, inflationary pressures, labor shortages, and negative investment returns. Mitigating some of the challenges were higher than expected research and education support from the State through the Medicaid IGT program and $42 million in federal economic relief funds (grants).

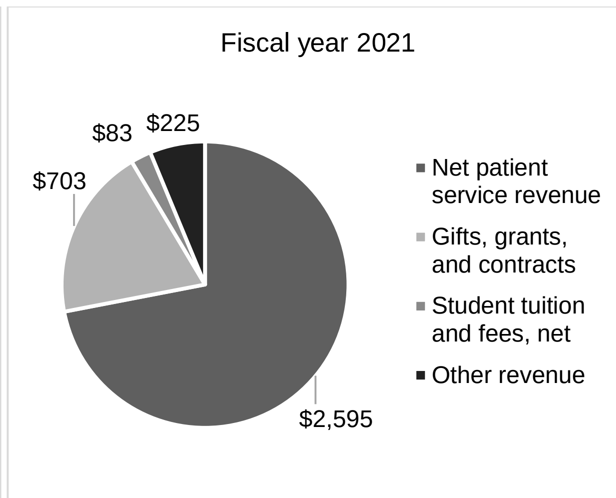
Revenues Supporting Core Activities

OHSU’s operating revenues for fiscal year 2022 total $3.9 billion, an increase of 9.3% from fiscal year 2021 at $3.6 billion. The increase was driven by patient service revenue, grants, gifts and contracts and pharmaceutical services.

Operating Revenue by Source
Fiscal years 2022 and 2021

(Dollars in millions)





(Dollars in thousands)

Increases in patient service revenue reflected a 6.6% increase in patient activity when measured by case mix index and outpatient-adjusted admissions. All-payer case mix index remains strong at 2.48; however, the recent COVID surges have limited operating room services and bed capacity during fiscal year 2022 as shown in the table below.

Delta/Omicron Impact on Census and Surgical Cases

Month	Inpatient Census Actual	Inpatient Census Budget	Percent Difference (%)	Surgical Cases Actual	Surgical Cases Budget	Percent Difference (%)
Jul-21	14,324	14,194	1%	2,840	2,681	6%
Aug-21	14,125	14,400	-2%	2,742	2,809	-2%
Sep-21	13,723	13,998	-2%	2,207	2,681	-18%
Oct-21	14,035	14,707	-5%	2,500	2,945	-15%
Nov-21	13,856	13,949	-1%	2,701	2,945	-8%
Dec-21	14,138	14,217	-1%	2,745	3,085	-11%
Jan-22	14,318	14,670	-2%	2,449	2,790	-12%
Feb-22	13,269	13,322	0%	2,424	2,790	-13%
Mar-22	14,535	14,767	-2%	3,070	3,377	-9%
Apr-22	13,926	14,404	-3%	2,874	2,983	-4%
May-22	14,609	13,603	7%	2,821	2,983	-5%
Jun-22	14,330	14,503	-1%	2,900	3,125	-7%
	169,188	170,734	-1%	32,273	35,194	-8%

Grants, gifts, and contracts remained strong in fiscal year 2022 at $782 million, compared to $703 million in 2021. The University continues to report consistent growth in federal government and industry grants, an indicator of the success of OHSU's research and other programs, along with steady increases in medical contracts over the last two fiscal years, reflecting partnerships that extend OHSU programs across the region.

Gifts are recorded at the OHSU Foundation when pledged, and at the University when transferred from the Foundation and applied to program expenditures. The receipt of large gifts pledged in one year, received in cash over time, then spent during subsequent periods, results in significant fluctuation in the gift component of OHSU revenues on a combined basis. Gifts from the Foundation continue to provide critical funding to faculty, programs, and academic initiatives.

In fiscal year 2022, the OHSU Foundation received a $10 million gift to the OHSU Brenden-Colson Center for Pancreatic Care to support therapeutic advances, increase services for high-risk patients and fuel expansion in early cancer detection. In fiscal year 2021, the Bill and Melinda Gates Foundation provided two grants totaling $14.2 million to support HIV and TB vaccine using the CMV (Cytomegalovirus) platform.

		Fiscal year ending June 30		
		2022	**2021**	**2020**
			(Dollars in thousands)	
University grants and contracts, direct portion	$	576,415	534,952	492,818
University grants and contracts, indirect cost recovery		113,001	105,887	102,882
Foundation gifts, net of eliminations, transferred to the University		92,873	62,226	68,946
Total gifts, grants, and contracts	$	782,289	703,065	664,646

Student tuition and fees were $81 million and $83 million in fiscal year 2022 and 2021, respectively, down in fiscal year 2022 due to a slight decline in enrollment, as a result of limitations on clinical placement opportunities for students in the COVID-19 environment. Fiscal year 2022 marks the ninth year of the OHSU Tuition Promise. Under this initiative, students enrolled in eligible clinical degree programs pay a tuition rate that is fixed for the remainder of their studies, as long as they complete the degree within the normal timeframe specified by the program.

Other revenue increased in fiscal year 2022 by $8 million, or 3.6%, from fiscal year 2021 in part from increases in outpatient pharmaceutical sales. OHSU provides drug treatment to patients through normal retail sales, as well as a specialty pharmacy where patients are able to obtain specialty drugs delivered to their homes for complex conditions such as autoimmune diseases and organ transplants.

Fiscal year 2022 investment income and fair value of investments is a loss of $134 million, reported in other nonoperating revenues (expenses), as the market responded to pressures of inflation, Federal Reserve tightening and the war in Ukraine. This compared to a gain of $440 million in fair value of investments in fiscal year 2021, largely reflecting the financial market response to the COVID-19 pandemic and unprecedented levels of federal fiscal and monetary support.

State appropriations, reported in other nonoperating revenues (expenses), totaled $41 million in fiscal year 2022 and $44 million in 2021. State appropriations support education in the Schools of Nursing, Dentistry and Medicine, as well as operations of the Child Development and Rehabilitation Center, the Office of Rural Health, and the Poison Center. In fiscal year 2021, state appropriations includes a $5 million match from the State of Oregon Employer Incentive Fund (EIF), a program introduced to match PERS pension employer side account deposits.

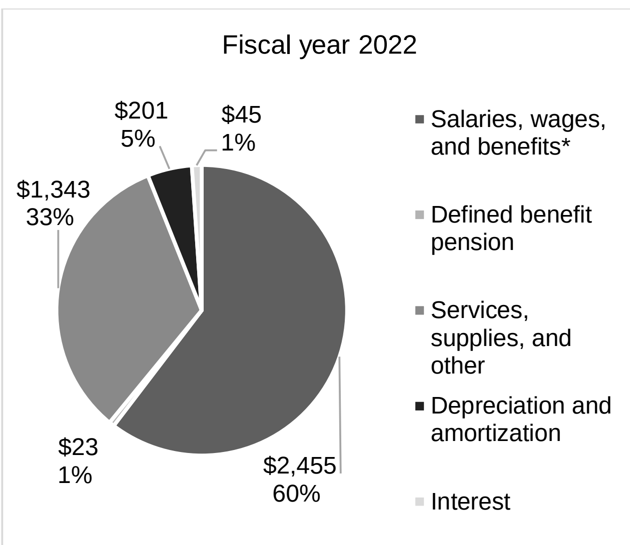
As noted previously, since the creation of the CARES Act Provider Relief in 2020 OHSU received $133 million under the “General” and “Targeted” distributions. OHSU recognized as CARES Act grants under other nonoperating revenues $34 million and $73 million for fiscal years 2022 and 2021, respectively, which also includes the institution portion of the HEERF grants for Postsecondary Education, and an additional $9 million of ARP is recognized as other under other nonoperating revenues.

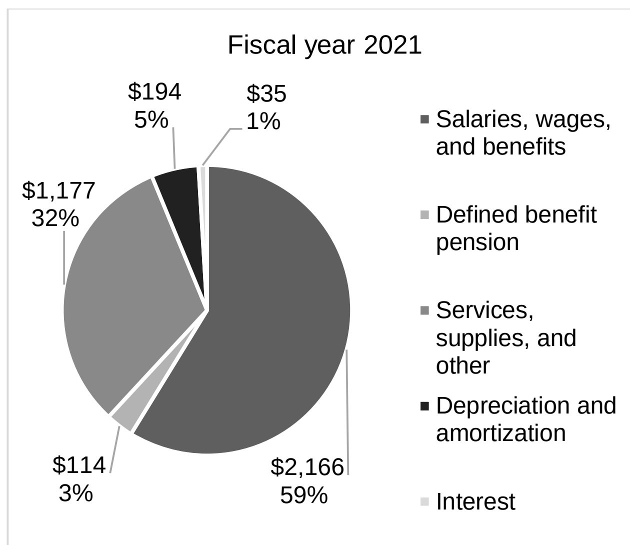
Expenses Associated with Core Activities

OHSU’s total operating expenses on a combined basis increased by $381 million, or 10.3%, in fiscal year 2022, to $4.1 billion, and $187 million, or 5.3%, in fiscal year 2021 at $3.7 million. In fiscal year 2022, expense growth is related to salaries, wages, and benefits, services, supplies and other, offset in part by PERS defined benefit pension expense.

Operating Expenses
Fiscal years 2022 and 2021

(Dollars in millions)





* Salaries, wages, and benefits figures include OHSU’s proportionate share of the Oregon PERS’s net pension liability of $23 million and $114 million expensed in fiscal years 2022 and 2021, respectively.

Salaries, wages, and benefits (excluding the impact of defined-benefit pension expense) comprised approximately 60.4% of total expenses, increasing by $290 million, or 13.4%, in 2022 and $124 million, or 6.1%, in 2021, respectively. In fiscal year 2022, expenses included various incentives and higher hospital contract labor costs.

In fiscal year 2022 the PERS defined-benefit pension expense decreased by $91 million, or 79.8%, from fiscal year 2021 due to cumulative 2021 and 2020 asset returns greater than assumed, generating actuarial investment gains. In contrast, fiscal year 2021, actuarial losses were reported, partially offset by provisions from Senate Bill 1049 that re-amortized the unfunded actuarial liability over 22 years and limited certain annual salary benefits to $195,000 (indexed) starting in fiscal year 2020.

Services, supplies, and other expenses increased $166 million or 14.1% in fiscal year 2022 and $43 million or 3.7% in fiscal year 2021, representing the non-labor costs associated with program growth, spending on pharmaceuticals and medical supplies, and general inflationary pressures impacting all healthcare environments.

Fiscal year 2022 and 2021 also included integrated clinical operations support/(benefit) for Adventist Health Portland at $7.7 million and $(4.2) million, respectively, an affiliate since January 2018, and Tuality (Hillsboro Medical Center) at $11 million and $0.7, respectively, a partner since February 2016.

Depreciation and amortization represents the reduction in value of capital assets with the passage of time. In fiscal year 2022, depreciation and amortization increased by $6 million, or 3.2%, this compared to an increase of $18 million, or 10.1%, in 2021. Fiscal year 2022 saw the adoption of GASB Statement No. 87 (GASB87) and GASB Statement No. 96 (GASB96) which resulted in depreciation, formerly recognized as space, equipment, and software expense. A retroactive adjustment to the prior fiscal year was made and the increase to depreciation in fiscal years 2022 and 2021 was $20.8 million and $14.6 million, respectively. Absent the adjustment, fiscal year 2022 depreciation and amortization decreased by $0.2 million, this compared to an increase of $2 million in 2021. While fiscal year 2021 saw a minor increase due to the opening of the Elks Children's Eye Clinic/Casey Eye Institute, fiscal year 2022 saw flat depreciation which, despite continued increase capital spending, reflects the ongoing impact of reduced capital and routine equipment as a result of COVID-19 and supply chain limitations limiting spending.

Interest expense increased by $10.1 million, or 28.9%, in fiscal year 2022. The increase in interest expense in 2022 is largely driven by the issuance of the Series 2021A, 2021B-1, 2021B-2, 2021C and 2022A Bonds. Bond proceeds were used to refund several bonds from the previous Series 2016A, 2019B-1, 2019B-2 and 2012A Bonds. In addition, the new bonds were sized to include $385 million for capital improvements for the University, including acquisition of an office building, which increased the long-term debt liability and interest expense. One-time cost of issuance incurred for the issuance of these new bonds was $3.8 million which has been recorded in the current fiscal year as interest expense.

Operating Expenses by Functional Classification

(Dollars in thousands)

		2022	2021	2020
Instruction, research, and public service	$	589,163	565,922	541,954
Clinical activity		2,710,980	2,333,445	2,251,293
Auxiliary activities		2,976	6,528	8,220
Internal service centers		15,420	15,746	16,049
Student services		26,325	18,260	16,772
Academic support		93,247	108,619	92,708
Institutional support		295,856	205,433	169,228
Operations, maintenance, and other		127,443	129,228	133,926
Direct foundation expenditures		37,377	41,695	34,183
Depreciation and amortization		200,611	194,480	176,700
Defined pension expense (benefit), net of contribution		(31,968)	67,092	58,521
Total operating expenses	$	4,067,430	3,686,448	3,499,554

Financial Position

The statements of net position present the assets and liabilities, deferred inflows of resources and deferred outflows of resources, and net position of OHSU as of a point in time. Net position, the difference between total assets and deferred outflows as compared to total liabilities and deferred inflows, presents the financial position at the end of the fiscal year and is one of the broadest measures of the financial condition of OHSU, while the change in net position is an indication of whether the overall financial condition has improved or worsened during the year.

The following table summarizes OHSU's statements of net position for the past two years by major category of assets, liabilities, deferred inflows and outflows, and net position.

Condensed Statements of Net Position

(Dollars in thousands)

	2022	2021
Assets:		
Current assets	$ 1,227,145	1,396,574
Capital assets	2,181,208	2,133,897
Other noncurrent assets	3,222,712	2,894,624
Total assets	6,631,065	6,425,095
Deferred outflows	218,704	234,013
Total assets and deferred outflows	$ 6,849,769	6,659,108
Liabilities:		
Current liabilities	$ 621,758	651,597
Noncurrent liabilities	1,800,519	1,753,675
Total liabilities	2,422,277	2,405,272
Deferred inflows	479,721	155,768
Net position:		
Net investment in capital assets	1,205,762	1,239,604
Restricted, expendable	718,821	801,921
Restricted, nonexpendable	323,982	304,696
Unrestricted	1,699,206	1,751,847
Total net position	3,947,771	4,098,068
Total liabilities, deferred outflows, and net position – end of year	$ 6,849,769	6,659,108

Assets

The largest components of OHSU's assets are cash and investments and capital assets, or physical plant.

Cash and Investments. During fiscal year 2022, OHSU's unrestricted and restricted cash and investments slightly decreased from $3.1 billion to $3.0 billion attributable to operating and investment performance and Foundation activity, as well as partial repayment of Medicare advance payments and deferred FICA taxes, which were essentially short-term interest-free loans extended by the federal government as part of its pandemic response. Policies set by OHSU and the Foundations dictate how investments are allocated and what risk profiles are assumed. Working capital is primarily invested in short duration, liquid fixed-income assets. Long-term investment strategy, including the investment of endowment funds and the associated spending distribution policy at the OHSU Foundation, is equity oriented, aiming to maximize total return, promote diversification, preserve capital, and provide for cash flow needs of the University.

Consolidated Asset Allocation of Unrestricted and Restricted Cash and Investments

(Dollars in thousands)

		2022	2021	2020
Unrestricted cash and investments:				
Cash and cash equivalents	$	268,173	433,534	427,991
Fixed income		780,465	942,161	855,547
Public Equity		447,096	366,662	191,761
Private Equity, Marketable Alt., and Other		523,927	524,907	389,588
Subtotal		2,019,661	2,267,264	1,864,887
Restricted cash and investments:				
Cash and cash equivalents		29,366	33,364	43,305
Fixed income		182,365	158,260	133,778
Public Equity		206,193	172,478	135,443
Private Equity, Marketable Alt., and Other		532,867	502,081	366,687
Subtotal		950,791	866,183	679,213
Totals	$	2,970,452	3,133,447	2,544,100

The unrestricted portion of cash and investments is represented in the calculation of days cash on hand for OHSU. Days cash on hand decreased from 257 days in 2021 to 203 days in 2022, the effect of a (12.1)% decrease in unrestricted operating cash and investments compared to a 11.5% increase in net unrestricted operating expenses.

Days Unrestricted Cash and Investments on Hand

(Dollars in thousands)

		2022	2021	
OHSU without OHSU Foundation:				
Unrestricted cash and investments	$	1,347,851	1,616,669	
Less nonoperating cash and investments		(97,165)	(80,132)	
Operating cash and investments	$	1,250,686	1,536,537	
Unrestricted operating expenses:				
Total operating expenses	$	3,638,824	3,269,674	
Less depreciation and amortization		(199,450)	(193,460)	(1)
Net unrestricted operating expenses	$	3,439,374	3,076,214	
Daily expense	$	9,423	8,428	
Days cash on hand		133	182	
OHSU plus OHSU Foundation:				
Unrestricted cash and investments	$	2,019,661	2,267,264	
Less nonoperating cash and investments		(97,165)	(80,132)	
Operating cash and investments	$	1,922,496	2,187,132	
Unrestricted operating expenses:				
Total operating expenses	$	3,661,776	3,297,622	
Less depreciation and amortization		(200,611)	(194,480)	(1)
Net unrestricted operating expenses	$	3,461,165	3,103,142	
Daily expense	$	9,483	8,502	
Days cash on hand		203	257	

(1) GASB Statement No. 87 and No. 96 establish a model for lease accounting, substantially changing all prior lease accounting and financial statement footnote disclosures. Changes adopted to conform to the provisions of these Statements are applied retroactively by restating financial statements for all periods presented. Fiscal year 2021 lease expense previously reported as rent under services, supplies, and other have been restated as right of use asset depreciation under depreciation and amortization, and interest expense under interest.

The following table presents the days unrestricted cash on hand for OHSU as of fiscal year ended June 30, 2022 and 2021, calculated with the removal of pension adjustments due to the adoption of GASB 68, and net of federal Medicare advance payments (MAP) and FICA loans.

Days Unrestricted Cash and Investments on Hand Pre-GASB 68 Adjustment

(Dollars in thousands)

		2022	2021
OHSU plus OHSU Foundation:			
Operating cash and investments	$	1,922,496	2,187,132
Net unrestricted operating expenses	$	3,461,165	3,103,142
Pension adjustment GASB 68		31,968	(67,092)
Adjusted net unrestricted operating expenses	$	3,493,133	3,036,050
Daily expense	$	9,570	8,318
Days cash on hand (pre-GASB 68)		201	263
Days cash on hand (pre-GASB 68), net of MAP and FICA loans		194	240

Capital Assets. Capital investments in patient care, research, education, and outreach are scaled and paced to available funding from operating earnings and philanthropy. Capital assets, net of accumulated depreciation, increased by $47 million and $30 million, respectively, during fiscal years 2022 and 2021. In 2022 and 2021, capital expenditures included completing construction of the Elks Children's Eye Clinic/Casey Eye Institute expansion, the design and start of construction of OHSU Hospital Expansion Project, and the purchase of the Beaverton Clinic along with annual capital for replacement, infrastructure, and new capacities. Additionally, OHSU adopted GASB87 and GASB96 which involve the capitalization of all Right of Use assets for space, equipment, and software subscriptions. Lease and subscription IT assets of $97 million and $78 million, respectively, during fiscal years 2022 and 2021, are now reported with capital assets.

Liabilities

Total liabilities increased by $17 million, or 0.7%, in fiscal year 2022 and $200 million, or 9.1%, in fiscal year 2021. In fiscal year 2022, significant liability changes included an increase of $47 million in noncurrent liabilities due to the issuance of long-term debt to support OHEP, partially offset by a reduction in pension liability, while current liabilities decreased $30 million as OHSU repaid the CARES Act Medicare Advance loan, offset by the reclassification of the CARES Act FICA deferral payment to a current liability as it is due in December 2022. In fiscal year 2021, the increases in current and noncurrent liabilities were primarily related to accounts payable and accrued expenses, accrued salaries, wages, and benefits, and PERS pension liability.

Current liabilities consist of the current portion of long-term debt, long-term leases, self-funded insurance, accounts payable and accrued expenses, salaries, wages, and benefits, and unearned revenue. In fiscal year 2022 and 2021, current liabilities also reflect the CARES Act Medicare Advance Payment of $37 million and $118 million, respectively, and OHSU's share of deferred Social Security payroll taxes of $31 million and $62 million within accrued salaries, wages and benefits, respectively.

Noncurrent liabilities increased $47 million or 2.7% in fiscal year 2022 due to an increase in long-term debt, less current portion, of $362 million, offset by a reduction in the pension liability of $289 million and reclassification of the FICA deferral of $31 million to current liability.

In fiscal year 2022, OHSU adopted GASB87 and GASB96 right of use lease standards resulting in a new liability of $88 million as of June 30, 2022. Of the $88 million, $23 million represents amounts due with one year. Changes adopted to conform to the provisions of these Statements are applied retroactively to fiscal year 2021. In fiscal year 2021, the restated total liability is $71 million, with $17 million reflecting amounts due within one year.

Debt Management. At the close of fiscal years 2022, OHSU had approximately $1,332 million in long-term debt and $88 million in long-term leases, for a total of $1,420 million outstanding. In the previous fiscal year 2021, OHSU had approximately $970 million in long-term debt and $71 million in long-term leases, for a total of $1,041 million outstanding. Of the total $1,420 million in long-term debt and long-term leases outstanding at the end of 2022, $1,374 million is considered noncurrent and $46 million is considered current and due within one year. OHSU continues to maintain its Standard & Poor's and Fitch ratings of AA- and Moody's rating of Aa3 for its rated bonds.

One measure of the degree of leverage on the University's statements of net position is the ratio of total long-term debt and leases to net position, shown below. Leverage, according to this metric, increased from 0.25 in 2021 to 0.36 in 2022. This metric increased as a result of OHSU issuing long-term debt for the refunding of previous debt and for capital improvements for the University, including acquisition of an office building.

		2022	2021
		(Dollars in millions)	
Total long-term debt and leases	$	1,420	1,041
Net position		3,948	4,098
Total long-term debt and leases to net position	$	0.36	0.25

Annual Debt Service Coverage. The annual debt service coverage ratio for an entity represents the amount of cash flow available to meet the annual principal and interest payment on debt. Per bond covenants, OHSU's credit group must maintain an annual debt service coverage ratio of 1.10 times or greater in accordance with most of its bonds, and must maintain an annual debt service coverage ratio of not less than 1.25 to 1.0 for certain direct placement bonds. The University continues to exceed these minimum requirements with ratios of 3.81 in fiscal year 2022, and 5.24 in fiscal year 2021.

Calculation of Annual Debt Service Coverage Ratio – Unrestricted

(Dollars in thousands)

		2022	2021	
Total excess of revenues over expenses, before contributions for capital and other	$	(175,995)	480,594	
Add/subtract restricted net loss/gain		61,061	(132,947)	
Unrestricted excess of revenues over expenses	$	(114,934)	347,647	
Adjustments:				
Depreciation and amortization	$	200,611	194,480	(1)
Interest expense		45,251	35,108	(1)
Net unrealized (gain) loss in fair value of investments		209,722	(129,506)	
Loss on disposal of assets		1,972	193	
	$	457,556	100,275	
Income available for debt service	$	342,622	447,922	
Annual debt service [2]	$	90,005	85,434	(1)
Annual debt service coverage		3.81	5.24	
Annual debt service (pre-GASB 87 and 96) [3]	$	63,140	61,838	
Annual debt service (pre-GASB 87 and 96) coverage		5.43	7.24	

(1) GASB Statement No. 87 and No. 96 establish a model for lease accounting, substantially changing all prior lease accounting and financial statement footnote disclosures. Changes adopted to conform to the provisions of these Statements are applied retroactively by restating financial statements for all periods presented. Fiscal year 2021 lease expense previously reported as rent under services, supplies, and other have been restated as right of use asset depreciation under depreciation and amortization, and interest expense under interest.

(2) "Annual debt service" is the aggregate amount of principal and interest payments on long-term debt and long-term leases during the fiscal year. Prior to the adoption of GASB Statement No. 87 and No. 96, only payments made on capital leases were reflected in annual debt service.

(3) "Annual debt service (pre-GASB 87 and 96)" is the aggregate amount of principal and interest payments on long-term debt, excluding long-term leases, during the fiscal year.

The following table presents the annual debt service coverage ratio for fiscal year 2022 and 2021, calculated with the removal of pension adjustments due to the adoption of GASB 68.

Calculation of Annual Debt Service Coverage Ratio – Unrestricted
Pre-GASB 68 Adjustment

(Dollars in thousands)

		2022	2021
Income available for debt service	$	342,622	447,922
Pension adjustment GASB 68		(31,968)	67,092
Adjusted income available for debt service	$	310,654	515,014
Annual debt service	$	90,005	85,434
Annual debt service coverage (pre-GASB 68)		3.45	6.03
Annual debt service (pre-GASB 87 and 96)	$	63,140	61,838
Annual debt service coverage (pre-GASB 68, GASB 87, and GASB 96)		4.92	8.33

Deferred Inflows and Outflows

Under GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, certain deferred outflows are presented below assets and certain deferred inflows are presented below liabilities.

Deferred outflow of resources on the statements of net position represent the consumption of net assets attributable to a future period and are primarily associated with OHSU's obligations for the PERS defined pension plan, other postemployment benefits and debt and derivative activity.

In fiscal year 2022, deferred outflows are $219 million, a decrease of $15 million due to PERS defined pension obligation primarily representing assumption changes. Contributions made post measurement date are also reflected in deferred outflows. In fiscal year 2022, OHSU's contributions were $64 million, which included an additional $10 million in excess contribution above the contractually required $54 million. In fiscal year 2021, OHSU's contributions were $58 million, which included an additional $10 million in excess contribution above the contractually required $48 million.

Also within the deferred outflows is the deferred amortization of derivative instruments. OHSU currently holds one interest rate swap agreement. The balance of the deferred outflow for amortization of derivative instruments was $4.8 million in 2022 and $6.1 million in 2021.

Losses and gains on refunding of debt are amortized over the shorter of the life of the new debt or the remaining life of the old debt or the mandatory tender date, when applicable. Absent any refunding activity, these numbers will slowly decline. OHSU has both deferred gains and losses. The deferred loss on refunding of debt of $29.8 million in 2022 and $27.8 million in 2021 is reported in the deferred outflows section below assets. The deferred loss on refunding of debt increase from prior year due to the refunding of several Series 2021B-1 and Series 2021B-2 Bonds.

Deferred inflow of resources on the statements of net position represent the acquisition of net assets attributable to a future period and are associated with OHSU's obligations for the PERS defined pension plan, other postemployment benefits, pending funds and life income agreements.

In fiscal year 2022, deferred inflows are $480 million, an increase of $324 million, due to PERS defined pension obligation and pending funds. Deferred inflows related to pension activities for fiscal years 2022 and 2021 were $278 million and $46 million, respectively, representing differences between projected and actual earnings on investments and changes in OHSU's proportionate share. In fiscal year 2022, the pending funds are reported as $160 million, an increase of $94 million, compared to $65 million in fiscal year 2021. Finally, the deferred gain on refunding of debt of $1.1 million in 2022 and $1.3 million in 2021 is reported in the deferred inflows section below liabilities.

Net Position

As noted earlier, total net position decreased $150 million, in fiscal year 2022, as compared to an increase of $493 million in fiscal year 2021. In fiscal year 2022, the decrease in net position occurred within net investments in capital assets, restricted and unrestricted. Unrestricted net position, which is 43% of OHSU's total net position, decreased by $53 million in 2022 as compared to an increase of $380 million in 2021 which was primarily due to the losses associated with the COVID-19 pandemic. Restricted net position, which is 26.4% of OHSU's total net position, decreased by $64 million in 2022 primarily driven by programmatic spending on research and academic programs.

When evaluating OHSU's net position, it is important to note that OHSU's Marquam Hill property is leased from the State for renewable 99-year periods, at a lease payment equal to the debt service on bonds outstanding at the time of OHSU's separation from the Oregon University System. As that debt service is relatively low, the capitalized net present value of those lease payments is significantly less than the fair value of the included land and buildings.

OHSU Missions

OHSU's strategic plan, called OHSU 2025, is built around the OHSU's vision: "OHSU will partner to make Oregon a national leader in health and science innovation for the purpose of improving the health and well-being of all Oregonians and beyond."

Six goals – timeless aspirations – form the basis of the plan:

1. Building a diverse, equitable environment where all can thrive and excel.
2. Being the destination for transformational learning.

3. Enhancing health and healthcare in every community.
4. Discovering and innovating to advance science and optimize health worldwide.
5. Partnering with communities for a better world.
6. Ensuring a sustainable foundational infrastructure.

These goals span OHSU's missions, supported by objectives that are focused on identifying new ways to understand disease, treat illness and train the next generation of scientists and health professionals. They begin with OHSU's commitment to listen to what communities — across Oregon and around the world — need from OHSU, and end with our commitment to the people who will respond to those needs and make this work a reality.

OHSU 2025 reflects not only the breadth and complexity of the state's only academic health center but also the challenges in health and science that OHSU must address. The plan was developed from the ground up with more than 5,000 OHSU members contributing, providing input on OHSU's future picture, shaping the plan's goals, and developing detail around its objectives and tactics.

In March 2020, OHSU 2025 was put on pause while OHSU responded to the pandemic. In 2021, the 2025 plan underwent review and revision resulting in the reallocation of funding and reprioritization of projects. Some objectives were streamlined or combined while several new areas of focus were added, changes that reflect both the pandemic's ongoing impact on the organization and its people and the commissioning of and response to the Covington Report.

The following sections highlight achievements for each of the missions.

OHSU Education

A foundation of OHSU's mission is the education and training of dentists, nurses, physicians, physician assistants, other health professionals, biomedical scientists, and engineers, through a broad range of undergraduate and graduate programs that provide healthcare and biomedical workforce for Oregon and beyond. Educational programs are conducted on the OHSU campus in Portland, online, and at various locations throughout the State. Collaborative programs enable OHSU to offer a joint Doctor of Pharmacy degree through an affiliation with Oregon State University (OSU) as well as a joint Ph.D. degree and a joint Master of Science degree in Medical Physics. In partnership with Oregon Institute of Technology (OIT), OHSU offers a joint B.S. degree in Medical Laboratory Science, a joint B.S. degree in Emergency Medical Services Management and a joint Associate of Applied Science degree in Emergency Medical Technology–Paramedic. OHSU also offers a joint Master of Business Administration in Health Care Management with Portland State University (PSU) and has also established a joint School of Public Health with PSU comprising several undergraduate and graduate programs including Bachelor degrees, Graduate Certificates, Master of Science, Master of Public Health, and Ph.D. programs.

(Dollars in thousands)

As of the fall 2021 term, OHSU had 2,984 students enrolled in its various programs (excluding students enrolled in the joint Pharm.D. degree program with OSU, the joint undergraduate programs with OIT and the School of Public Health joint degree students registered by PSU). The following table sets forth the number of students enrolled in OHSU's programs for each of the past three academic years.

Fall Headcount Enrollment [(a)]
For Programs in the Years Indicated

		2021/2022	2020/2021	2019/2020
School of Dentistry:				
Graduate	$	28	27	26
Professional		288	291	297
Subtotal		316	318	323
School of Medicine:				
Undergraduate		18	17	17
Graduate		706	753	780
Professional		597	617	630
Subtotal		1,321	1,387	1,427
School of Nursing:				
Undergraduate		765	792	759
Graduate		59	87	177
Professional		227	189	100
Subtotal		1,051	1,068	1,036
School of Public Health:				
Graduate		296	262	231
Total	$	2,984	3,035	3,017

(a) This table excludes interns, residents, and trainees. This table also excludes students enrolled in the joint Pharm.D. degree program with OSU, the joint undergraduate programs with OIT and the School of Public Health joint degree students registered by PSU.

OHSU Research

OHSU is a national leader in many fields of research, including neuroscience; cancer research; hearing; microbiology; ophthalmology; infectious disease and immunology; reproductive biology; atomic, molecular, cellular, and tissue imaging; and evidence-based medicine. OHSU research projects received 72% of the grants made by the National Institutes of Health (NIH) in the state of Oregon, with the next largest recipient receiving 11%. In FY2022, OHSU was ranked 30th out of the 2,242 entities that received funding from the NIH.

Faculty members include five members of the National Academy of Sciences and ten members of the National Academy of Medicine. Researchers at OHSU have developed many of the leading advances in medicine, including the first artificial heart valve, pioneering use of optical coherence tomography, the first percutaneous angioplasty procedure, and the first molecularly targeted cancer therapy (Gleevec®).

OHSU's many institutes are nationally and internationally recognized, including the Knight Cancer Institute, the only National Cancer Institute designated Comprehensive Cancer Center in Oregon; the Vollum Institute, privately endowed and dedicated to basic science research that has led to new treatments for neurological and psychiatric diseases; and the Casey Eye Institute, a world-recognized academic regional eye center that attracts top specialists from around the globe. OHSU's Pacific Northwest Cryo-EM Center is one of three NIH-designated national centers, providing technology and training for an imaging technique that is revolutionizing structural biology. OHSU's West Campus is home to the Vaccine and Gene Therapy Institute, which-focuses on serious viral disease threats and programs intended to span the continuum between basic and clinical science, where discoveries are rapidly advanced from the level of molecular and cellular biology through animal models and ultimately into clinical testing, and the Oregon National Primate Research Center, one of the seven National Primate Research Centers supported by the National Institutes of Health. Their world-class translational research programs focus on current, developing, and projected high-priority human medical needs that are projected to increase in importance over the coming decades.

OHSU actively pursues private and public partnerships on important and innovative research projects to supplement federal funding, with corporate partners such as Thermo Fisher Scientific's Analytical Instrumentals Segment, a leading electronic microscopy company, and other major information technology and life sciences companies, and with academic partners such as PSU, OSU, University of Oregon, Pacific Northwest National Laboratory, and Lawrence Berkeley National Laboratory.

Although the COVID-19 pandemic disrupted science at OHSU, the institution continued to thrive in many areas and accomplished many extraordinary things. Despite the many challenges, OHSU had another strong year; receiving nearly $554.5 million in externally sponsored awards for fiscal year 2022.

OHSU researchers made significant advances and discoveries that could have lasting impacts on the health and well-being of people across the globe. Here are a few highlights from the last fiscal year.

In January 2022, the W. M. Keck Foundation awarded $1 million over three years to develop a one-of-a-kind imaging and computational system. Their system will seek to decode molecular aggregates — collections of proteins or ribonucleic acid that frequently rearrange inside cells and are involved in cellular information processing. Researchers will use the W. M. Keck Foundation grant to develop a new type of microscope that can accurately measure the individual proteins and molecules as they assemble into groups inside a cell. Their system will also use deep learning to evaluate the resulting images and precisely track the biomolecular steps that proteins take to form aggregates and pinpoint how those steps are tied to specific cellular functions and disease.

OHSU researchers were 'instrumental' in studying newly FDA-approved treatment for a form of prostate cancer. OHSU's researchers led the VISION trial at OHSU, and co-authored the VISION study presentation at the American Society of Clinical Oncology Annual Meeting in June 2021, as well as the resulting *The New*

(Dollars in thousands)

England Journal of Medicine publication. The study, sponsored by Endocyte, Inc., a Novartis company, tested the targeted radioligand therapy in participants with advanced prostate cancer. All subjects had cancers that had spread to other organs and continued to progress after previous treatment with two kinds of drugs, androgen axis inhibitors and taxanes. The experimental treatment significantly extended survival, delayed progression and was generally tolerated by study subjects.

OHSU researchers found that children with ADHD and emotional dysregulation who were given a micronutrient-dense formula made of all known vitamins and essential minerals were three times more likely to have better concentration and improved moods. The findings, featured on the May cover of the *Journal of the American Academy of Child and Adolescent Psychiatry*, may provide another treatment option for clinicians and families. In the study, 54% of the children who were given supplemental vitamins and minerals showed improvement in their symptoms, versus 18% in the placebo group. Future studies will seek to understand how and why micronutrients improve attention and mood, examining changes in gut microbiome and other indicators.

OHSU Healthcare

OHSU is home to Oregon's only major academic health center, which serves a multistate area with tertiary and quaternary healthcare services from its campus in Portland, Oregon, where it operates two hospitals, OHSU Hospital and OHSU Doernbecher Children's Hospital (OHSU Hospital or the Hospital), with 576 licensed beds. During 2022, the OHSU Hospital represented 8.1% of the available beds and 10.4% of the filled beds for the entire State. The OHSU Hospital had an 82% occupancy rate for available beds in 2022, compared to the Oregon statewide average of 64% according to the Oregon Association of Hospitals and Health Systems' Oregon DataBank. As an academic health center, OHSU's professional staff is composed primarily of the faculty of OHSU's School of Medicine. The OHSU Practice Plan (OPP) is the largest organized clinical practice in Oregon. As of June 30, 2022, there were over 1,740 active faculty practice plan members, including physicians, nurse practitioners, physician assistants, and other licensed independent practitioners from across all medical specialties.

	Fiscal year ending June 30			Variance	
OHSU Patient Activity	**2022**	**2021**	**2020**	**2022 v 2021**	**2021 v 2020**
Inpatient admissions	26,327	25,612	27,055	2.8 %	(5.3)%
Average length of stay	6.76	6.66	6.32	1.5	5.4
Average daily census	464	448	453	3.6	(1.1)
Day/observation patients	41,595	41,327	38,643	0.6 %	6.9 %
Emergency visits	50,268	41,997	44,965	19.7	(6.6)
Ambulatory visits	1,102,857	1,103,642	978,492	(0.1)	12.8
Surgical cases	32,273	33,124	32,672	(2.6)	1.4
Casemix index	2.48	2.49	2.43	(0.4)%	2.5 %
Outpatient share of activity	57.2 %	55.4 %	53.6 %	3.2	3.4
CMI/OP adjusted admissions	152,389	142,945	141,644	6.6	0.9

In addition to its tertiary care focus in Portland, OHSU is working with other healthcare providers noted below to leverage expertise and resources throughout Oregon.

Adventist Health. Adventist Health Portland and OHSU finalized an agreement to integrate their clinical activities and services in the Portland metropolitan area through an affiliation effective January 1, 2018. This agreement makes OHSU and Adventist Health Portland part of the same Portland metropolitan health system, bringing together Adventist's healthcare enterprise that includes a 302-licensed bed medical center, 25 medical clinics and home care and hospice services in the Portland-Vancouver metro area. Under this affiliation, OHSU and Adventist Health will share a bottom line and operate as a unified system. The agreement does not include OHSU's research and education missions. The other twenty Adventist Health hospitals in the western United States are also excluded from the agreement. Each organization will retain its existing hospital licenses, capital assets, and employees. Each entity will continue to maintain its own mission and culture but together will seek to transform access and the delivery of health to Oregonians through a unified clinical enterprise and shared brand experience.

Tuality Healthcare. On February 1, 2016, OHSU affiliated with Tuality through the execution of a management agreement (the Tuality Agreement) between the organizations. Tuality owns and operates Tuality Community Hospital, a 215-licensed-bed acute care hospital located in Hillsboro, Oregon. Under the Tuality Agreement, OHSU agrees to oversee the unified and integrated clinical enterprises of OHSU and Tuality as a single, integrated economic unit. OHSU and Tuality remain as separate entities, own their own assets and continue to be the licensed operators of their own facilities. Under the Tuality Agreement, OHSU agrees to be responsible for Tuality's operating income and loss, including making cash payments to Tuality in an amount equal to any Tuality operating loss, in the manner specified in the Tuality Agreement. Tuality is a component unit of OHSU as OHSU approves Tuality's annual operating budget. Since Tuality has a separate board of directors and they do not provide services exclusively to OHSU, they are presented as a discretely presented component unit of OHSU. In November 2019, Tuality adopted a new public-facing name, Hillsboro Medical Center.

Columbia Memorial Hospital. OHSU and Columbia Memorial Hospital (CMH) in Astoria, Oregon, have collaborated on programs, including cardiology and cancer, offering chemotherapy, imaging, pharmacy, and other services for individuals on the North Oregon Coast. OHSU and CMH jointly organize and operate an Oncology Collaboration, including a 19,600-square-foot comprehensive cancer treatment center and specialty clinic, with radiation therapy. CMH owns and operates the cancer treatment center, opened in October 2017, under its license while OHSU has provided the professional services and medical direction through OHSU-employed physicians.

OHSU Foundation

OHSU has one designated independent nonprofit foundation – the Oregon Health & Science University Foundation (OHSU Foundation, the Foundation). The Foundation exists to secure private philanthropic support to advance OHSU's vital missions and to invest and manage gifts responsibly to honor donors' wishes.

The Foundation is an Oregon nonprofit corporation promoting the charitable, scientific, and educational purposes of OHSU. The Foundation is a component unit of OHSU for financial reporting purposes, but is not part of the OHSU Obligated Group established pursuant to the Master Indenture, which currently consists solely of OHSU. The Foundation has a self-perpetuating board trustees, on which the OHSU president sits as an ex officio voting member. OHSU Foundation is tax-exempt under Section 501(c)(3) of the Internal Revenue Code.

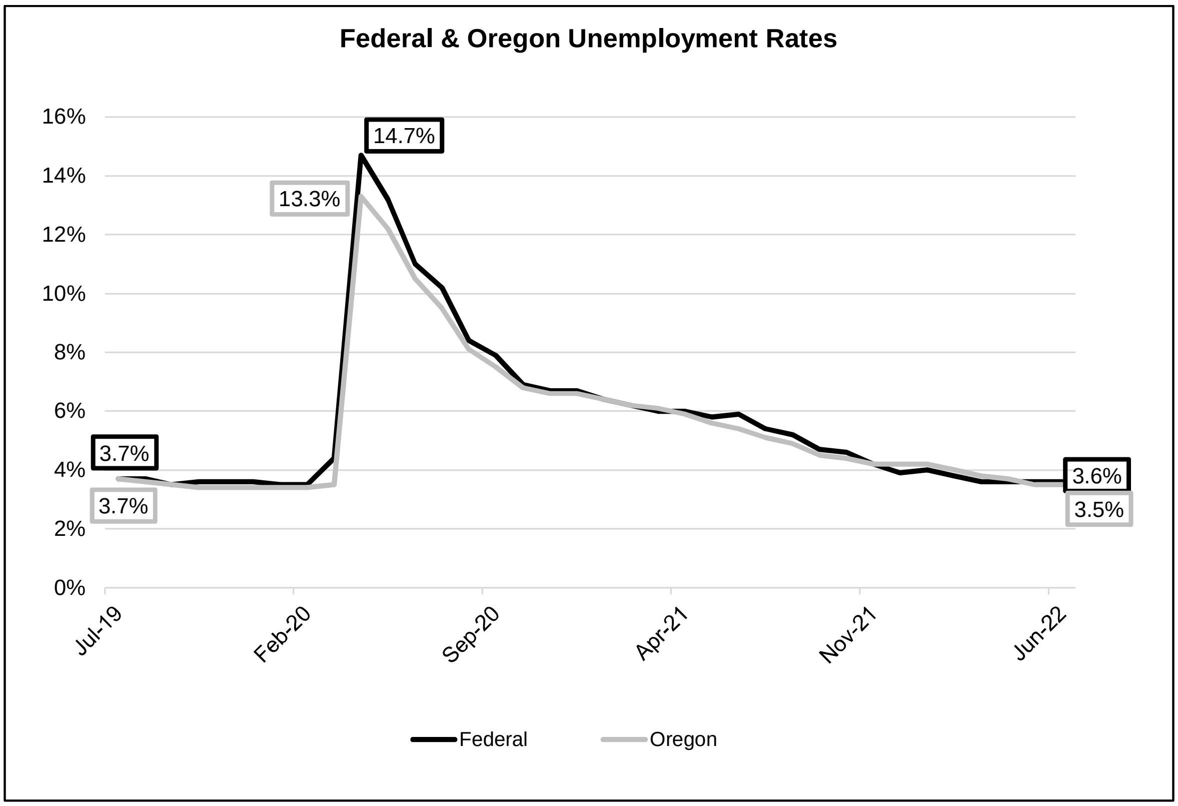
(Dollars in thousands)

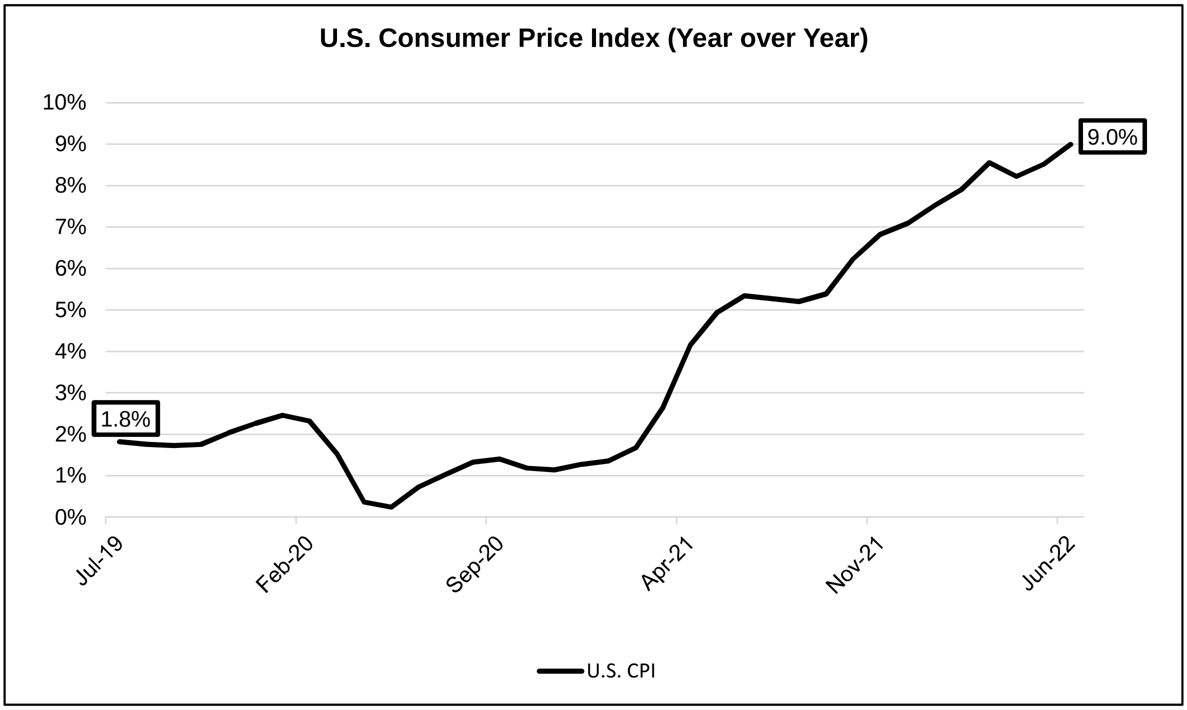
As OHSU's designated foundation, all development activities conducted by the Foundation must be coordinated with OHSU. In accepting gifts, the Foundation must obtain OHSU approval for all endowments and any gifts that result in new programs. In addition, if the Foundation was dissolved or if the OHSU president were to revoke recognition of the Foundation as an OHSU-designated foundation, the assets of such foundation would, within the limits of legal and fiduciary rights, be distributed to OHSU, its successor in interest, or to another entity recognized by OHSU as an institution foundation. These interrelated functions and requirements have been further confirmed and implemented in the articles and bylaws of the Foundation. The table below identifies major gifts, which are reported as required under the Council for Advancement and Support of Education (CASE) Reporting Standards and Management Guidelines, which may differ from recognition rules under governmental accounting standards.

Amount	OHSU major gifts description	Fiscal year
$10.3 million	Center for Pancreatic Health gift	2021-22
$14.2 million	HIV and TB vaccine using CMV platform grant	2020–21
$10 million	OHSU-UO Center for Biomedical Data Science gift	2019–20
$25 million	OHSU and Doernbecher Children's Hospital gift	2017–18
$14.7 million	SMMART Trials grant	2017–18
$15 million	Center for Pancreatic Health gift	2016–17
$15 million	Casey Eye Institute gift	2015–16
$12 million	Gary and Christine Rood Family Pavilion gift	2015–16
$500 million	Knight Cancer Institute gift	2014–15
$100 million	Knight Cancer Institute gift	2014–15
$38.8 million	Vaccine and Gene Therapy Institute, Oregon National Primate Research Center, and Behavioral Neuroscience grant	2014–15
$28.9 million	Knight Cancer Institute and OHSU Parkinson Center gift	2013–14
$25 million	Center for Pancreatic Health gift	2013–14
$10 million	Knight Cancer Institute gift	2013–14
$125 million	Gift to create a Cardiovascular Institute at OHSU	2012–13
$25 million	Bob and Charlee Moore Institute for Nutrition gift	2011–12
$10 million	New School of Dentistry gift	2010–11
$100 million	Knight Cancer Institute gift	2008–09

Economic Outlook

Fiscal year 2022 saw continued capital market and economic volatility driven by geopolitics, inflationary pressures, global central bank actions and increasing concerns over recession throughout the year. Due to the aforementioned shocks, the U.S. economy exhibited more subdued activity with a year over year real gross domestic product (GDP) growth rate of 1.7% according to the U.S. Bureau of Economic Analysis. Employment however remained robust both at the federal and state level as unemployment rates continued to decline and reach pre-COVID-19 levels as shown in the chart below:





In financial markets, both equity and fixed income markets were greatly impacted by increasing interest rates in response to persistent inflationary pressures that continued into fiscal year-end. For the FY22, global equities declined -15.8% while global fixed income decline -16.8%. Performance was only slightly better in the U.S with U.S. Equities declining -10.6% and U.S. Fixed Income declining -10.3%. During the beginning of FY23, market participants continue to be concerned by both the pace of potential central bank interest rate tightening, as well as concerns over the health of the global economy and corporate profitability moving forward.

The healthcare regulatory environment continues to exhibit substantial policy uncertainty as federal and state agencies and regulators continue to attempt to mitigate COVID-19 impacts (both short and long term). The Inflation Reduction Act, passed and signed into law in August 2022, extended premium subsidies in the Affordable Care Act (ACA) marketplaces, lowered prescription drug prices and out of pocket costs for Medicare beneficiaries. Given the upcoming federal elections in November, any additional changes will likely occur through rulemaking and executive order by federal and state agencies. Additionally, it’s expected that the Federal Trade Commission and Antitrust Division within the U.S. Department of Justice will continue to critically evaluate proposed vertical and horizontal integration between providers and payers to maintain and promote a competitive healthcare environment.

Results over the past several fiscal years show that OHSU's financial position continues to improve in spite of COVID-19 and the difficult operating environment, with net position increasing 26% from $3.1 billion at July 1, 2017 to $3.9 billion for the 5 year period ending June 30, 2022. OHSU's financial strength is further recognized by its current credit ratings of Aa3 / AA- / AA- by Moody's, S&P and Fitch respectively. Although certain specific investments in the OHSU 2025 strategic plan have been paused in light of the difficult operating environment, the University continues to be guided by its "people first" approach to deliver breakthroughs for better health and acting as one University even though different missions and units are impacted to different extents and at different times. The University's financial planning and budget process continues to take a proactive planning approach to the evolving healthcare and economic environment, diligently monitoring and making operational adjustments as is necessary. In spite of these challenges, OHSU will continue to focus on continued investment and support of its people and continuing to build for the future.

PUBLIC OHSU_Notice_01199

OREGON HEALTH & SCIENCE UNIVERSITY
(A Component Unit of the State of Oregon)

Statements of Net Position

As of June 30, 2022 and 2021

(Dollars in thousands)

		2022	2021
Assets:			
Current assets:			
Cash and cash equivalents	$	262,472	435,574
Short-term investments		22,574	104,421
Current portion of funds held by trustee		42,305	36,759
Patients accounts receivable, net of bad debt allowances of of $1,372 and $2,518 – in 2022 and 2021, respectively		504,558	459,884
Student receivables		24,351	27,025
Grant and contract receivable		81,631	62,900
Current portion of pledges and estates receivable		121,490	121,502
Other receivables, net		69,009	56,437
Inventories, at cost		64,279	58,290
Prepaid expenses		34,476	33,782
Total current assets		1,227,145	1,396,574
Noncurrent assets:			
Capital assets, net of accumulated depreciation		2,181,208	2,133,897
Funds held by trustee – less current portion		303,469	10,182
Other long-term receivables, net of reserves		33,500	33,500
Long-term investments:			
Long-term investments, restricted		941,206	846,679
Long-term investments, unrestricted		1,744,200	1,746,773
Total long-term investments		2,685,406	2,593,452
Prepaid financing costs, net		1,268	1,484
Pledges and estates receivable, net – less current portion		174,981	248,218
Restricted postemployment benefit asset		10,070	4,328
Other noncurrent assets		14,018	3,460
Interest in the Foundations		—	—
Total noncurrent assets		5,403,920	5,028,521
Total assets		6,631,065	6,425,095
Deferred outflows:			
Deferred amortization of derivative instruments		4,843	6,091
Loss on refunding of debt		29,835	27,794
Pension obligation		174,512	189,745
Goodwill		261	348
Other Postemployment Benefits (OPEB) obligation		9,253	10,035
Total deferred outflows		218,704	234,013
Total assets and deferred outflows	$	6,849,769	6,659,108

OREGON HEALTH & SCIENCE UNIVERSITY

(A Component Unit of the State of Oregon)

Statements of Net Position

As of June 30, 2022 and 2021

(Dollars in thousands)

		2022	2021
Liabilities:			
Current liabilities:			
Current portion of long-term debt	$	23,735	24,082
Current portion of long-term leases		22,580	16,699
Current portion of self-funded insurance programs liability		47,549	40,868
Accounts payable and accrued expenses		187,841	171,755
Accrued salaries, wages, and benefits		127,391	119,248
Compensated absences payable		78,135	76,432
Unearned revenue		92,929	81,831
Unearned/Medicare Advance Payment		37,246	118,420
Other current liabilities		4,352	2,262
Total current liabilities		621,758	651,597
Noncurrent liabilities:			
Long-term debt – less current portion		1,308,089	945,876
Long-term leases – less current portion		65,467	54,224
Liability for self-funded insurance programs – less current portion		55,848	46,639
Liability for life income agreements		20,111	23,492
Pension liability		305,955	595,311
Other noncurrent liabilities		45,049	88,133
Total noncurrent liabilities		1,800,519	1,753,675
Total liabilities		2,422,277	2,405,272
Deferred inflows:			
Deferred lease revenue		1,538	2,202
Gain on refunding of debt		1,056	1,291
Life income agreements		32,759	39,087
Pending funds		159,604	65,455
Pension obligation		278,368	46,214
Other Postemployment Benefits (OPEB) amounts		6,396	1,519
Total deferred inflows		479,721	155,768
Net position:			
Investments in capital assets		1,205,762	1,239,604
Restricted, expendable		718,821	801,921
Restricted, nonexpendable		323,982	304,696
Unrestricted		1,699,206	1,751,847
Total net position		3,947,771	4,098,068
Total liabilities, deferred inflows, and net position	$	6,849,769	6,659,108

See accompanying notes to financial statements.

OREGON HEALTH & SCIENCE UNIVERSITY
(A Component Unit of the State of Oregon)

Statements of Revenues, Expenses, and Changes in Net Position

Years ended June 30, 2022 and 2021

(Dollars in thousands)

		2022	2021
Operating revenues:			
Patient service revenue, net of bad debt adjustments of $7,963 and $6,310 – in 2022 and 2021, respectively	$	2,845,352	2,595,048
Student tuition and fees, net		80,886	82,770
Gifts, grants, and contracts		782,289	703,065
Other		233,507	225,342
Total operating revenues		3,942,034	3,606,225
Operating expenses:			
Salaries, wages, and benefits		2,455,284	2,166,014
Defined benefit pension		23,008	113,695
Services, supplies, and other		1,343,276	1,177,151
Depreciation and amortization		200,611	194,480
Interest		45,251	35,108
Total operating expenses		4,067,430	3,686,448
Operating (loss)		(125,396)	(80,223)
Nonoperating revenues, incl. state appropriations:			
Investment income and (loss) gain in fair value of investments		(134,264)	439,848
State appropriations		41,240	44,243
COVID-19 relief grants		33,514	72,593
Other		8,911	4,133
Total nonoperating revenues (expenses), net		(50,599)	560,817
Net income/(loss) before contributions for capital and other		(175,995)	480,594
Other changes in net position:			
Contributions for capital and other		4,877	783
Nonexpendable donations		20,821	11,349
Total other changes in net position		25,698	12,132
Total increase (decrease) in net position		(150,297)	492,726
Net position – beginning of year		4,098,068	3,605,342
Net position – end of year	$	3,947,771	4,098,068

See accompanying notes to financial statements.

OREGON HEALTH & SCIENCE UNIVERSITY
(A Component Unit of the State of Oregon)

Statements of Cash Flows

Years ended June 30, 2022 and 2021

(Dollars in thousands)

		2022	2021
Cash flows from operating activities:			
Receipts for patient services	$	2,802,768	2,523,904
Receipts from students		83,560	84,389
Receipts of gifts, grants, and contracts		888,034	780,530
Other receipts		123,537	193,295
Payments to employees for services		(2,494,525)	(2,193,410)
Payments to suppliers		(1,333,873)	(1,177,017)
Net cash provided by operating activities		69,501	211,691
Cash flows from noncapital financing activities:			
Federal direct loan proceeds		64,618	75,344
Federal direct loan disbursements		(64,576)	(75,724)
State appropriations		41,240	44,243
CARES Act grants		33,514	72,593
Nonexpendable donations and life income agreements		25,857	(2,627)
Net cash provided by noncapital financing activities		100,653	113,829
Cash flows from capital and related financing activities:			
Scheduled principal payments on long-term debt		(36,277)	(27,829)
Interest payments on long-term debt		(64,893)	(51,179)
Proceeds from issuance of long-term debt		577,619	928
Repayment on debt		(181,415)	(7)
Acquisition of capital assets		(208,586)	(131,368)
Proceeds from sale of capital assets		—	(193)
Contributions for capital and other		4,877	783
Net cash used in capital and related financing activities		91,325	(208,865)
Cash flows from investing activities:			
Purchases of investments		(2,396,239)	(1,215,753)
Proceeds from sales and maturities of investments		1,946,039	1,079,180
Interest on investments and cash balances		15,619	32,750
Net cash provided by investing activities		(434,581)	(103,823)
Net increase in cash and cash equivalents		(173,102)	12,832
Cash and cash equivalents, beginning of year		435,574	422,742
Cash and cash equivalents, end of year	$	262,472	435,574

OREGON HEALTH & SCIENCE UNIVERSITY

(A Component Unit of the State of Oregon)

Statements of Cash Flows

Years ended June 30, 2022 and 2021

(Dollars in thousands)

		2022	2021
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating (loss)	$	(125,396)	(80,223)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation and amortization		200,611	194,480
Provision for bad debts		7,963	6,310
Interest expense reported as operating expense		45,251	35,108
Noncash contribution		(5,398)	(10,169)
Defined-benefit pension		(41,969)	52,092
Net changes in assets and liabilities:			
Patient accounts receivable		(52,637)	(75,268)
Student receivables		2,674	1,619
Grant and contracts receivable		(18,773)	(550)
Pledges and estates receivable		73,249	22,747
Other receivables, assets, and deferred outflows		(28,796)	(4,492)
Inventories		(5,989)	(9,067)
Prepaid expenses		(694)	(8,002)
Accounts payable and accrued expenses		16,086	17,203
Accrued salaries, wages, and benefits		8,143	13,060
Compensated absences payable		1,703	7,436
Due to contractual agencies		2,090	(2,186)
Other current liabilities		—	—
Liability for life income agreements		(3,381)	2,751
Unearned revenue		11,098	7,288
Medicare Advance Payment		(81,174)	(27,555)
Liability for self-funded insurance programs		15,890	13,711
Other noncurrent liabilities and deferred inflows		48,950	55,398
Net cash provided by operating activities	$	69,501	211,691
Supplemental schedule of noncash capital and related financing and investing activities:			
Unrealized change in fair value of investments	$	(192,291)	38,537
Loss on disposal capital assets		(1,972)	(193)
Obligations acquired under lease agreements		41,308	12,198
Acquisition of right of use assets		38,686	18,305

See accompanying notes to financial statements

OREGON HEALTH & SCIENCE UNIVERSITY

Nongovernmental Discretely Presented Component Units

Consolidated Balance Sheets

June 30, 2022 and 2021

(Dollars in thousands)

Assets		**2022**	**2021**
Current assets:			
Common stocks: Mutual funds	$	10,324	—
Cash and cash equivalents		62,023	38,819
Short-term investments		6,061	3,734
Patient accounts receivable, net		40,488	38,936
Other receivables		7,875	18,158
Supplies inventory		4,873	4,903
Prepaid expenses and other		2,129	2,442
Estimated receivables for Medicare and Medicaid settlements		454	—
Current portion of assets whose use is limited		1,033	1,010
Total current assets		135,260	108,002
Assets whose use is limited:			
Board-designated funds		33,041	41,246
Under bond indenture agreement – held by Trustee		1,909	1
Donor-restricted – specific purpose		6,096	6,888
Donor-restricted – endowment		2,855	2,761
Required for current liabilities		(1,033)	(1,010)
Total assets whose use is limited		42,868	49,886
Property and equipment:			
Property and equipment, net of accumulated depreciation and amortization		62,212	62,752
Other assets		7,414	8,051
Total assets	$	247,754	228,691

OREGON HEALTH & SCIENCE UNIVERSITY

Nongovernmental Discretely Presented Component Units

Consolidated Balance Sheets

June 30, 2022 and 2021

(Dollars in thousands)

Liabilities and Net Assets		**2022**	**2021**
Current liabilities:			
Accounts payable	$	58,795	44,532
Accrued payroll and employee benefits		14,772	13,476
Due to related party		26,139	2,316
Deferred revenue		2,672	13,107
Estimated liabilities for Medicare and Medicaid settlements		—	423
Long-term debt due within one year		1,090	1,052
Accrued bond interest payable		78	86
Total current liabilities		103,546	74,992
Long-term liabilities:			
Long-term debt, net of amount due within one year		9,959	11,034
Liability for pension benefits		29,680	42,224
Other long-term liabilities		23,872	26,093
Total long-term liabilities		63,511	79,351
Total liabilities		167,057	154,343
Net assets:			
Net assets without donor restrictions		71,616	64,594
Net assets with donor restrictions		9,081	9,754
Total net assets		80,697	74,348
Total liabilities and net assets	$	247,754	228,691

See accompanying notes to financial statements

OREGON HEALTH & SCIENCE UNIVERSITY

Nongovernmental Discretely Presented Component Units

Consolidated Statements of Operations

For the years ended June 30, 2022 and 2021

(Dollars in thousands)

		2022	2021
Net patient service revenue:			
Patient service revenue (net of contractual allowances and discounts)	$	261,998	226,775
Provision for bad debts		—	—
Total net patient service revenue		261,998	226,775
Other revenue			
OHSU support		11,051	746
Other revenue		220,721	202,931
Total other revenue		231,772	203,677
Total revenue		493,770	430,452
Operating expenses:			
Salaries and wages		100,417	91,704
Employee benefits		24,196	23,271
Supplies and other expenses		317,277	262,590
Professional fees		43,131	31,947
Depreciation and amortization		7,456	8,291
Interest		707	718
Total operating expenses		493,184	418,521
Income (loss) from operations		586	11,931
Other non-operating income:			
Realized income on investments whose use is limited by board designation		256	222
Gain on investments in affiliated companies		610	2,303
Gain/(loss) on disposal of property and equipment		(72)	18
Change in net unrealized gains (losses) on investments		(6,624)	6,133
Other operating revenue		300	(600)
Total other income		(5,530)	8,076
Excess of revenue over expenses		(4,944)	20,007
Contributions for property and equipment acquisition		25	506
Pension-related changes		11,436	20,815
Increase (decrease) in net assets without donor restrictions	$	6,517	41,328

See accompanying notes to consolidated financial statements

OREGON HEALTH & SCIENCE UNIVERSITY

Nongovernmental Discretely Presented Component Units

Consolidated Statements of Changes in Net Assets

For the years ended June 30, 2022 and 2021

(Dollars in thousands)

		2022	2021
Net assets without donor restrictions:			
Excess of revenue over expenses	$	(4,944)	20,007
Contributions for property and equipment acquisition		25	506
Pension-related changes		11,436	20,815
Increase (decrease) in net assets without donor restrictions		6,517	41,328
Net assets with donor restrictions:			
Gifts, grants, and bequests		1,781	2,233
Investment (loss) income		(1,068)	1,793
Net assets released from restrictions		(1,386)	(1,539)
Contributions for endowment funds		—	2
Increase (decrease) in net assets with donor restrictions		(673)	2,489
Change in net assets		5,844	43,817
Net assets, beginning of year		74,853	30,531
Net assets, end of year	$	80,697	74,348

See accompanying notes to consolidated financial statements

(1) Organization and Summary of Significant Accounting Policies

(a) Organization

As the only health sciences university and major academic health center in the state of Oregon (the State), Oregon Health & Science University (OHSU or the University) is dedicated to the education and training of healthcare professionals, research, patient care, outreach, and public service. In addition to the School of Medicine, School of Nursing, School of Dentistry, the joint College of Pharmacy with Oregon State University, and the joint School of Public Health with Portland State University, OHSU comprises several other academic and research units, including the Vollum Institute, the Vaccine and Gene Therapy Institute, Oregon National Primate Research Center, OHSU Brain Institute, Oregon Institute of Occupational Health Science, Oregon Clinical and Translational Research Institute, and the Pacific Northwest Center for Cryo-EM. OHSU also comprises several clinical units, including OHSU Hospital (the Hospital), the OHSU Practice Plan (OPP), and the Institute on Development and Disability (IDD). Doernbecher Children's Hospital is a unit of the Hospital serving pediatric patients. The Knight Cancer Institute is the only National Cancer Institute designated cancer center in the State, and the Knight Cardiovascular Institute provides the State's most comprehensive clinical and heart research program. In addition, OHSU operates a captive insurance company domiciled in Arizona for self-insurance purposes, OHSU Insurance Company (INSCO), which is blended in the accompanying financial statements.

Pursuant to an act of the Oregon Legislature (the Act), on July 1, 1995, OHSU was restructured from one of seven component units of the Oregon University System (OUS) to an independent public corporation. OHSU remains a component unit of the State.

The majority of the real property that constitutes OHSU's main campus on Marquam Hill (and certain off-campus properties) in Portland is owned by the State. Pursuant to the Act, the State retained title of such real property and OHSU was granted exclusive care, custody, and control of such real property. To evidence this condition, the State and OHSU entered into a 99-year lease, dated July 1, 1995 (the State Lease), under which the State leased to OHSU all of the State's leasable interest in such real property. Under the terms of the State Lease, the State may terminate the State Lease if, prior to such termination, the State causes the defeasance or discharge of all then-outstanding obligations of OHSU that were issued to finance improvements on the property subject to the State Lease or to refinance obligations of OHSU to the State. Under the State Lease, improvements include completed and partially completed buildings, fixtures, structures, and other improvements constructed on the property subject to the State Lease. In addition, OHSU was granted ownership of all personal property of the University, as it existed prior to the enactment of the Act.

Oregon Health & Science University Foundation is a separately incorporated nonprofit Foundation affiliated with OHSU. The primary purpose of the Foundation is to raise money for OHSU research, scientific, charitable, and educational purposes and to promote support for Doernbecher Children's Hospital. Doernbecher Children's Hospital Foundation, an Oregon nonprofit corporation, merged on January 1, 2021 with OHSU Foundation. Consequently, the financial position and the changes in financial position of the Foundation is blended in the accompanying financial statements.

PUBLIC OHSU_Notice_01209

On February 1, 2016, OHSU affiliated with Tuality Healthcare and subsidiaries (Tuality), doing business as Hillsboro Medical Center, through the execution of a management agreement (the Tuality Agreement) between the organizations. Tuality owns and operates Tuality Community Hospital, a 215-licensed-bed acute care hospital located in Hillsboro, Oregon. Under the Tuality Agreement, OHSU agrees to oversee the unified and integrated clinical enterprises of OHSU and Tuality as a single, integrated economic unit. OHSU and Tuality remain as separate legal entities, own their own assets, and continue to be the licensed operators of their respective facilities. Tuality is a component unit of OHSU as OHSU approves Tuality's annual operating budget. Since Tuality has a separate board of directors and they do not provide services exclusively to OHSU, they are presented as a discretely presented component unit of OHSU.

On January 1, 2020, OHSU partnered with ODS Community Health, Inc. to form OHSU Health IDS, LLC (OHI). OHI is owned 60% by OHSU and 40% by ODS Community Health, Inc. OHI operates as an Integrated Delivery System (IDS) under Health Share of Oregon, a Coordinated Care Organization (CCO) certified by the Oregon Health Authority (OHA) to serve OHP (Medicaid) enrollees in the Portland-metro area. OHI remains a separate legal entity, own their own assets, and maintains its own direct contract with Health Share of Oregon. OHI is a component unit of OHSU as OHSU approves OHI's annual operating budget. Since OHI has a separate board of directors and they do not provide services exclusively to OHSU, they are presented as a discretely presented component unit of OHSU.

(b) Accounting Standards

The accompanying financial statements are prepared in accordance with accounting principles generally accepted in the United States of America using the accrual basis of accounting. OHSU's financial statements and note disclosures are based on all applicable Governmental Accounting Standards Board (GASB) pronouncements and interpretations. OHSU uses proprietary fund accounting.

OHSU prepares and presents its financial information in accordance with GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* (GASB 34), known as the "Reporting Model" statement. GASB 34 established the requirements and reporting model for annual financial statements. GASB 34 requires that financial statements be accompanied by a narrative introduction and analytical overview of the reporting entity in the form of "management's discussion and analysis." This reporting model also requires the use of a direct-method cash flow statement.

OHSU has also adopted GASB Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities – an amendment of GASB Statement No. 34*. This statement establishes accounting and financial reporting standards for public colleges and universities within the financial reporting guidelines of GASB 34.

(c) Recently Adopted Accounting Pronouncements

During the year end June 30, 2022, OHSU adopted the following standards:

In June 2017, GASB issued Statement No. 87, *Leases* (GASB 87), which is effective for reporting periods beginning after December 15, 2020. The objective of GASB 87 is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. GASB 87 increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as deferred inflows of resources or deferred outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the principle that leases are financings of the right to use an underlying asset. Under GASB 87, a lessee is required to recognize a lease liability and an intangible right to use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The University adopted GASB 87 in 2022 which included the recording of right of use assets and lease liabilities on the statements of net position as of June 30, 2022 and 2021. The impact of the adoption is further described in note (13)(g).

In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period* (GASB 89), which is effective for reporting periods beginning after December 15, 2020. The objectives of GASB 89 are to (1) enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reported period and (2) simplify accounting for interest cost incurred before the end of a construction period. GASB 89 requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. GASB 89 also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. The University implemented GASB 89 in 2022 and the impact was not material to the University.

In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*, which will be effective for the fiscal year ending June 30, 2023. This statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs). This Statement defines an SBITA, establishes that an SBITA results in a right-to-use subscription asset (an intangible asset) and a corresponding subscription liability, provides the capitalization criteria for outlays other than subscription payments (including implementation costs of an SBITA), and requires note disclosures regarding an SBITA. The University adopted GASB 96 in 2022 which included the recording of intangible assets and corresponding subscription liabilities on the statements of net position as of June 30, 2022 and 2021. The impact of the adoption is further described in note (13)(g).

In June 2020, the GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32. Some requirements of the statement related to defined contribution post-employment benefit plans and fiduciary defined benefit post-employment benefit plans are effective immediately. Management has concluded that these requirements have no material impact on OHSU. The remaining requirements are effective for the fiscal year ending June 30, 2022. This statement provides guidance intended to increase consistency and comparability related to reporting of fiduciary component units in situations where a potential component unit does not have a governing board and the primary government performs the duties that a governing board would typically perform. The Statement also intends to mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other post-employment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements. Lastly, the Statement seeks to enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code Section 457 deferred compensation plans that meet the definition of a pension plan, and for benefits provided through those plans. The implementation of GASB 97 did not have a material impact on the financial statements.

(d) Financial Reporting Entity

As defined by generally accepted accounting principles, the financial reporting entity consists of OHSU as the primary government and its component units, which are legally separate organizations for which the primary government is financially accountable. Financial accountability is defined as a) appointment of the voting majority of the component units' board, and either (1) the ability to impose will by the primary government or (2) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government, or (b) the component unit is financially dependent on and there is potential for the component unit to provide specific financial benefits to, or impose specific burdens on, the primary government.

Component units are reported as part of the reporting entity under the blended or discrete method of presentation. Blending involves merging the component unit data with the primary government. There are three situations when blending is allowed: (1) when the board of the component unit is substantially the same as that of the primary government and there is a financial benefit or burden relationship between the primary government and the component unit or management of the primary government has operational responsibility for the component unit, (2) when the component unit provides services entirely, or almost entirely, to the primary government or otherwise exclusively, or almost exclusively, benefits the primary government even though it does not provide services directly to it, or (3) the component unit's total debt outstanding, including leases, is expected to be repaid entirely or almost entirely with resources of the primary government. OHSU Foundation and INSCO are considered to be blended component units as they serve the primary government exclusively. All transactions between OHSU and its blended component units are eliminated upon consolidation. Tuality and OHI are presented discretely since they have a separate board of directors and they do not provide services exclusively to OHSU. They are both considered a nonmajor component unit as there are no significant transactions with OHSU and there is not a significant financial benefit/burden relationship with OHSU.

Financial reports for INSCO and OHSU Foundation that include financial statements and required supplementary information are publicly available. These reports, and those of Tuality and OHI are, may be obtained by contacting the management of OHSU.

(e) Basis of Accounting

Basis of accounting refers to the timing of when revenues and expenses are recognized in the accounts and reported in the financial statements. OHSU reports as a proprietary fund within the governmental model. OHSU's financial statements have been prepared using the accrual basis of accounting with the economic resources measurement focus. Under this method of accounting, revenue is recognized when earned and expenses are recorded when liabilities are incurred without regard to receipt or disbursement of cash.

(f) Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates in OHSU's financial statements include patient accounts receivable allowances, liabilities related to self-insurance programs, the fair value of interest rate swap agreements, and valuation of pension liabilities.

(g) Cash and Cash Equivalents

OHSU held no cash equivalents within cash and cash equivalents at June 30, 2022 or 2021.

(h) Investments

Investments are carried at fair value. Fair values are determined based on quoted market prices, where available. Investments in joint ventures are recorded using the equity method of accounting. Alternative investments, which are not readily marketable, are carried at estimated fair values as provided by investment managers. OHSU reviews and evaluates the values provided by the investment managers and agrees with the valuation methods and assumptions used in determining the fair value of the alternative investments. These estimated fair values may differ from the values that would have been used had a ready market for those securities existed.

Net unrealized gains and losses are included in the net unrealized gain (loss) in fair value of investments in nonoperating revenues in the statements of revenues, expenses, and changes in net position. Interest, dividends, and realized gains and losses on investments are included in nonoperating revenues as investment income when earned.

(i) Inventories

Inventories consist primarily of supplies and pharmaceutical supplies in organized stores at various locations across the campus and in the Hospital. Inventories are recorded using several different methodologies dependent upon the operational use of the supplies and system capabilities. OHSU utilizes standard-cost and average-cost methodologies to record and report inventory value.

(j) Capital Assets

Capital asset acquisitions (excluding intangible right-to-use lease and subscription IT assets) are stated at cost. Donated items are recorded on the basis of fair market value at the date of donation. OHSU capitalizes equipment additions greater than $5 and capital projects greater than $25. Maintenance, repairs, and minor replacements are expensed as incurred. When properties are retired or otherwise disposed of, the related cost and accumulated depreciation are removed from the respective accounts and any gain or loss on disposition is recorded as other in nonoperating revenue.

OHSU implemented GASB 89 in fiscal year 2022 ceasing the capitalization of interest on borrowed amounts during major construction. In addition, until fiscal year 2021 OHSU capitalized and amortized interest on borrowed amounts over the depreciable life of the related asset. Due to the implementation of GASB 89, during fiscal years 2022 and 2021, OHSU capitalized interest expense of $0 and $2,375, respectively.

The provision for depreciation is determined by the straight-line method at rates calculated to amortize the cost of assets over the shorter of their estimated useful lives or the related lease term as follows: buildings and other improvements, 10 to 40 years; and equipment, 3 to 20 years.

(k) Net Position Classifications

Net position is classified into four net asset categories, in accordance with donor-imposed restrictions:

- Net investment in capital assets represents the depreciated value of capital purchases, net of related debt.
- Net position restricted, expendable, carries externally imposed time or purpose restrictions that expire in the future.
- Net position restricted, nonexpendable, carries externally imposed restrictions that never expire.
- Net position unrestricted carries no externally imposed restrictions.

Investment income earned on donor-restricted endowment funds in excess of the annual spending distribution is accounted for in the expendable restricted net position category.

The Foundation first apply restricted resources to an expense where an expense is incurred for a purpose for which both restricted and unrestricted funds are available.

(Dollars in thousands)

A summary of restricted funds by restriction category for fiscal years ended June 30, 2022 and 2021 is as follows:

		2022	2021
Restricted expendable:			
Research	$	412,421	488,399
Academic support		85,943	87,327
Instruction		62,072	69,368
Capital projects and planning		16,497	20,360
Student aid		63,511	70,631
Clinical support		18,195	19,877
Institutional support		5,817	5,875
Defined-benefit OPEB		10,070	4,328
Other		44,295	35,756
	$	718,821	801,921
Restricted nonexpendable:			
Research	$	43,454	42,307
Instruction		87,026	82,527
Academic support		106,253	101,133
Student aid		49,880	48,485
Other		37,369	30,244
	$	323,982	304,696

(l) Endowments

The endowment corpus is accounted for in the restricted, nonexpendable net position category and reported on the statements of net position as restricted long-term investments. The Foundation's spending policy for endowment funds is determined by the Executive Committee of the Board of Trustees (Executive Committee) and is calculated using a weighted average methodology comprised of an eight quarter moving average of the fair value of the endowment fund adjusted for inflation, and of the previous year's actual spending distribution adjusted for inflation. The resulting effective spending rate payout is then banded to be between 4.0% and 5.5% each year. The Executive Committee authorized a 4.5% distribution rate to calculate the effective spending rate for the years ended June 30, 2022 and 2021.

The Foundation's management and investment of donor-restricted endowment funds are subject to the provisions of the Uniform Prudent Management of Institutional Funds Act enacted by the State in January 2008.

The endowment fund investment pool (endowment fund) held by the Foundation is the repository for funds from restricted, nonexpendable contributions where the principal amount cannot be used, but a spending distribution, described below, can be used for the designated purpose. The endowment fund also holds quasi-endowment funds, which have been designated as endowment by the Foundation's board of trustees. All interest, dividends, and changes in fair value on the endowment fund are allocated to the appropriate unrestricted or restricted net position classification as specified by the donor at the time of receipt. Endowment accounts receive spending distributions subject to the Foundation's board of trustees approved spending policy, which provides a predetermined amount of total return that can be spent for purposes designated by the donor. All expendable income restricted by the donor is carried as restricted, expendable net position until such time as the restriction has been met. At June 30, 2022 and 2021, the fair value of investments in the endowment fund was $896,000 and $884,500, respectively. The fair value of the unspent portion of endowments in excess of corpus at June 30, 2022 and 2021 was $115,000 and $148,600, respectively.

At June 30, 2022, accumulated loss of $0.3 million related to endowment accounts with market value below corpus was reflected in nonexpendable restricted net position. There were no endowment accounts with market value below corpus at June 30, 2021.

(m) Federal Income Taxes

OHSU, as a division of the State, is not subject to federal income taxes of the Internal Revenue Code, except for unrelated business income.

(n) State Appropriations

The Oregon State Legislature makes an appropriation to OHSU on a biennial basis. The appropriation is recognized as nonoperating revenues over the related appropriation period as applicable eligibility requirements are met.

(o) Research Activity

Restricted grants receivable represent receivables for grant activities on which OHSU has met all applicable eligibility requirements and on which the funds are available from the granting agency. As of June 30, 2022, and 2021, the grants receivable balance was $36,281 and $27,086, respectively, and was included in grant and contract receivables in the accompanying statements of net position. The balance in unearned revenue as of year-end represents amounts advanced for which OHSU has not met all applicable eligibility requirements. As of June 30, 2022, and 2021, the grants unearned revenue balance was $59,339 and $53,453, respectively.

(p) Operating Revenues

OHSU includes patient service revenue, student tuition and fees, gifts, grants and contracts, and other income from sales and services in operating revenues. These revenues are key components of the operations of OHSU.

(Dollars in thousands)

(q) Net Patient Service Revenue

A summary of patient service revenues during the years ended June 30, 2022 and 2021 is as follows:

		2022	2021
Gross patient charges	$	6,963,647	6,249,986
Contractual discounts		(4,110,332)	(3,648,628)
Bad debt adjustments		(7,963)	(6,310)
Net patient service revenues	$	2,845,352	2,595,048

OHSU has agreements with third-party payors that provide for payments at amounts different from established rates. Payment arrangements include prospectively determined rates per discharge, outpatient case rates, reimbursed costs, discounted charges, and per diem payments. Net patient service revenue is reported at the estimated net realizable amounts due and determined to be collectible from patients, third-party payors, and others for services rendered and includes estimates for potential retroactive revenue adjustments under reimbursement agreements with third-party payors. Such estimates are adjusted in future periods as final settlements are determined.

A significant portion of OHSU's services are provided to Medicare, Medicaid, and Oregon Health Plan (OHP) patients under contractual arrangements. Inpatient acute care services rendered by OHSU to Medicare, Medicaid, and OHP program beneficiaries are generally reimbursed at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors (i.e., Medicare severity diagnosis related groups or MS DRGs). Such payments include a capital cost component and may be greater or less than the actual charges for services. Most outpatient services related to Medicare beneficiaries are reimbursed prospectively under the ambulatory payment classifications methodology. Home health services related to Medicare beneficiaries are reimbursed under a prospective payment system methodology. OHSU is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after audits of OHSU's annual cost reports by the Medicare Administrative Contractor and Medicaid.

OHSU partners with the State of Oregon (the State) in an innovative collaboration resulting in significant additional federal funding for Oregon's Medicaid program. Through the Intergovernmental Transfer (IGT) partnership with the State this program reduces OHSU's losses from the Medicaid program and enables support for OHSU's research and education missions. In fiscal years 2022 and 2021, the program generated $166,000 and $144,250, respectively, for research and education.

The laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. As a result, there is at least a reasonable possibility that estimated third-party payor settlements payable, net will change by a material amount in the near term. For the years ended June 30, 2022 and 2021, OHSU received third-party settlements of $1,945 and $(140), respectively, as a result of final settlements of prior years' cost reports and revisions of estimates for prior years cost report settlements.

(Dollars in thousands)

OHSU has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations to provide medical services to subscribing participants. The basis for payment to OHSU under these agreements includes prospectively determined rates per discharge, discounts from established charges, prospectively determined fee schedules, and certain capitated per member per month payment arrangements.

Significant concentrations of gross patient accounts receivable as of June 30, 2022 and 2021 were approximately as follows:

	2022	2021
Medicare and Medicare managed care contracts	22 %	22 %
Medicaid and OHP	19	20
Commercial and managed care insurance	57	55
Nonsponsored	2	3
	100 %	100 %

(r) *Student Tuition and Fees Revenues*

A summary of student tuition and fees revenues during the years ended June 30, 2022 and 2021 is as follows.

		2022	2021
Gross student tuition	$	96,276	97,569
Tuition discounts		(15,390)	(14,799)
Student tuition and fees revenues, net	$	80,886	82,770

(s) *Charity Care*

OHSU provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its published rates. Because OHSU does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue.

OHSU maintains records to identify and monitor the level of charity care it provides. These records include the amount of charges forgone for services and supplies furnished under its charity care policy. Charity care provided measured as charges forgone and based on established rates was $85,789 and $83,729 in 2022 and 2021, respectively.

(t) *Pledges and Estates Receivable*

Pledges and estates receivable are recorded as receivables and revenues when all eligibility criteria are met in the appropriate net asset category based upon donor-imposed restrictions and are reported at fair value at the date the promise is received. Pledges are generally received within 5 to 10 years of the date of original commitment. The majority of estates are received within one year. Pledges and estates receivable, less reserves for estimated uncollectible amounts, are discounted to their present value using rates that range from 0.14% to 4.88%.

(u) Life Income Agreements

The Foundation has been named as remainder beneficiaries for various life income agreements. Life income agreements provide for contractual payments to designated beneficiaries for a specific period, after which the remaining principal and interest revert to the Foundation. Contributions received under life income agreements are included in long-term investments, restricted, with the corresponding commitment to the beneficiary included in liability for life income agreements in the accompanying statements of net position. The Foundation has investments with a fair value of $51,900 and $62,500 as at June 30, 2022 and 2021, respectively, related to its individually managed life income agreements.

(v) Moda Note Receivable

OHSU has contracts with, and receives patient revenues from the major health plans in Oregon. OHSU's guiding principle in developing payor provider partnerships is to ensure that Oregonians continue to have access to Oregon's public health sciences university and academic health center and its affiliates and that OHSU has access to major populations of Oregon across its missions of patient care, education, research, and outreach.

Since 2013, OHSU has partnered with Moda Health Plan, Inc. (Moda) to advance population health management. In December 2014, OHSU invested $50,000 in Moda through a 10-year surplus note to help capitalize Moda's Oregon healthcare efforts. The principal balance of this note shall become due and payable in full on December 15, 2024, and the note bears interest on its unpaid principal balance at a rate equal to 4% per annum. Payment of interest and principal is subject to approval by the Oregon insurance commissioner, which is part of the Department of Consumer and Business Services (DCBS). The Oregon insurance commissioner allowed payment of accrued interest to OHSU of $2,000 in fiscal year 2022.

Moda had a large share of Oregon's individual insurance market during the initial years of the Affordable Care Act and has significant receivables due from the federal government under the risk corridor program that was designed to encourage plans to offer individual coverage. At that time, it was uncertain if, or when, the federal government would pay these amounts. In light of uncertain payment of federal risk corridor receivables, higher risk from losses at Moda, and the likelihood that interest payments will be deferred, OHSU recorded a valuation reserve of $16,500 against the surplus note receivable as of June 30, 2015. In April 2020, the U.S. Supreme Court ruled in favor of Moda Health Plan and other insurers that had sued the federal government for backing out of support under the Affordable Care Act. The justices reversed a lower court's ruling that Congress had suspended the government's obligation to make such payments under the Affordable Care Act.

OHSU reviewed the valuation of the note receivable as of June 30, 2022 and 2021 and has retained the current net valuation of $33,500, which represents 0.9% and 0.8% of the University's total net position as of June 30, 2022 and June 30, 2021, respectively.

(w) Leases (Lessee) and Similar Subscription-Based Information Technology Arrangements

OHSU is a lessee for various noncancelable leases of buildings and equipment. OHSU also has noncancelable subscription IT arrangements (similar to a lease) for the right-to-use information technology hardware and software (subscription IT arrangements).

Short-term Leases and Subscription IT arrangements

For leases and subscription IT arrangements with a maximum possible term of 12 months or less at commencement, OHSU recognizes expense based on the provisions of the lease contract or subscription IT arrangement, respectively.

Leases and Subscription IT arrangements other than short-term

For all other leases and subscription IT arrangements (i.e. those that are not short-term) whose total discounted minimum payment obligation are greater than $100, OHSU recognizes a lease or subscription IT liability, respectively, and an intangible right-to-use lease asset or subscription IT asset, respectively.

Measurement of Lease Amounts

At lease commencement, OHSU initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability plus any initial direct costs ancillary to placing the underlying asset into service, less any lease incentives received at or before the lease commencement date. Subsequently, the lease asset is amortized into depreciation expense on a straight-line basis over the lease term.

Measurement of Subscription IT Amounts

At subscription commencement, OHSU initially measures the subscription IT liability at the present value of payments expected to be made during the subscription term. Subsequently, the subscription IT liability is reduced by the principal portion of subscription payments made. The subscription IT asset is initially measured as the initial amount of the subscription IT liability less any vendor incentives received at or before the subscription commencement date, plus the capitalizable implementation costs. Subsequently, the subscription IT asset is amortized into depreciation expense on a straight-line basis over the subscription term.

Key Estimates and Judgments

Key estimates and judgments include how the OHSU determines (1) the discount rate it uses to calculate the present value of the expected lease and subscription payments, (2) lease and subscription term, and (3) lease and subscription payments.

- OHSU generally uses its estimated incremental borrowing rate as the discount rate for leases and subscription IT arrangements unless the rate that the lessor/vendor charges is known. OHSU obtains its current incremental borrowing rate from its primary banking institution on a periodic basis. OHSU's incremental borrowing rate for leases and subscription IT arrangements is based on the rate of interest it would need to pay if it issued general obligation bonds to borrow an amount equal to the lease or subscription payments, respectively, under similar terms at the commencement or remeasurement date.

- The lease or subscription term includes the noncancelable period of the lease or subscription IT arrangement, respectively, plus any additional periods covered by either an OHSU or lessor unilateral option to (1) extend for which it is reasonably certain to be exercised, or (2) terminate for which it is reasonably certain not to be exercised. Periods in which both OHSU and the lessor/vendor have an option to terminate (or if both parties have to agree to extend) are excluded from the lease or subscription term.

Remeasurement of Lease and Subscription Amounts

OHSU monitors changes in circumstances that may require remeasurement of a lease or subscription IT arrangement. When certain changes occur that are expected to significantly affect the amount of the lease or subscription IT liability, the liability is remeasured and a corresponding adjustment is made to the lease or subscription IT asset, respectively.

Presentation in Statement of Net Position

Lease and subscription IT assets are reported with capital assets and lease and subscription IT liabilities are reported with long-term leases in the statement of net position.

(2) Cash and Investments

OHSU holds substantially all of its cash, cash equivalents, and investment balances at financial institutions. OHSU's cash is insured by the Federal Deposit Insurance Corporation subject to standard limits. Additionally, a portion of cash and cash equivalents are collateralized deposits as required under the Oregon Revised Statutes (ORS).

(Dollars in thousands)

OHSU's investment policies are approved by the board of directors and are accounted for as prescribed by GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Changes in the fair value of investments are included in nonoperating revenues. The composition of investments at fair value at June 30, 2022 and 2021 is as follows:

		2022	2021
Short-term investments:			
Cash & cash equivalents	$	835	3
U.S. government securities		21,739	—
U.S. agency securities		—	4,016
Corporate obligations		—	82,676
Other fixed income		—	17,726
		22,574	104,421
Funds held by trustee, current portion:			
Fixed income		42,305	36,759
		42,305	36,759
Funds held by trustee, less current portion:			
U.S. government securities		135,765	—
Corporate obligations		137,845	—
Other fixed income		29,859	10,182
		303,469	10,182
Long-term investments – less current portion:			
Cash and cash equivalents		32,555	35,571
U.S. government securities		306,325	393,402
U.S. agency securities		147,035	89,353
Corporate obligations		243,208	369,112
Fixed income		226,209	139,843
Equities		755,564	616,455
Alternative investments		222,666	245,212
Joint ventures and partnerships		661,846	638,716
Real estate investments and other		89,998	65,788
		2,685,406	2,593,452
Total investments, all categories	$	3,053,754	2,744,814

(Dollars in thousands)

The methods used to determine the fair value of financial instruments reflect market participant objectives and are based on the application of a valuation hierarchy. These methods are prescribed by GASB No. 72, *Fair Value Measurement and Application*. The hierarchy is based on the reliability of inputs as follows:

- Level 1 – Valuation is based on quoted prices for identical financial instruments in active markets. OHSU does not adjust the quoted price for Level 1 financial instruments.
- Level 2 – Valuation is based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and independent pricing models or other model-based valuation techniques using observable inputs.
- Level 3 – Certain types of financial instruments are classified as Level 3 within the valuation hierarchy because these financial instruments trade infrequently and, therefore, have little or no price transparency.

The following table presents a categorization, based on the foregoing valuation hierarchy, of OHSU's financial instruments measured at fair value as of June 30, 2022:

	Level 1	Level 2	Level 3	Fair value
Cash and money market funds	$ —	82,131	—	82,131
U.S. government securities	—	463,830	—	463,830
U.S. agency securities	—	147,035	—	147,035
Domestic equity securities	98,696	—	134	98,830
International equity securities	54,904	—	—	54,904
U.S. corporate securities	—	335,178	—	335,178
Non-U.S. corporate securities	—	45,875	—	45,875
Asset-backed securities	—	74,129	—	74,129
Venture capital and private equity	—	—	21,236	21,236
Mutual funds – fixed income only	166,910	—	—	166,910
Municipal bonds	—	7,312	—	7,312
Other fixed income	—	423	11,628	12,051
Alternative Investments	—	—	731	731
Real estate investments and other	1,088	1,634	4,464	7,186
	$ 321,598	1,157,547	38,193	1,517,338
Investments measured using NAV per share or its equivalent				1,439,251
Equity method investments				97,165
Total assets				$ 3,053,754

(Dollars in thousands)

The following table presents a categorization, based on the foregoing valuation hierarchy, of OHSU's financial instruments measured at fair value as of June 30, 2021.

		Level 1	Level 2	Level 3		Fair value
Cash and money market funds	$	—	52,807	—		52,807
U.S. government securities		—	393,402	—		393,402
U.S. agency securities		—	93,369	—		93,369
Domestic equity securities		304,032	—	134		304,166
International equity securities		64,140	—	—		64,140
Commercial paper		—	5,548	—		5,548
U.S. corporate securities		27,108	285,073	—		312,181
Non-U.S. corporate securities		—	139,607	—		139,607
Asset-backed securities		—	34,992	—		34,992
Venture capital and private equity		—	—	25,802		25,802
Mutual funds – fixed income only		141,967	—	—		141,967
Municipal bonds		—	3,956	—		3,956
Other fixed income		1,835	328	11,896		14,059
Alternative Investments		—	—	625		625
Real estate investments and other		1,400	1,437	3,015		5,852
	$	540,482	1,010,519	41,472		1,592,473
Investments measured using NAV per share or its equivalent						1,073,938
Equity method investments						78,403
Total assets					$	2,744,814

(Dollars in thousands)

There were no transfers of financial instruments between Level 1 or Level 2 classifications either in 2022 or 2021. Changes in Level 3 financial instruments are as follows:

		2022	2021
Balance at beginning of year	$	41,472	29,238
Contributions		1,859	732
Net realized gains (losses)		100	23
Net unrealized gains (losses)		70	537
Purchases		21,971	26,431
Sales		(1,418)	(553)
Transfer from (to) NAV per share, or its equivalent, classification from sales		(25,861)	(14,936)
Balance at end of year	$	38,193	41,472

Net realized and unrealized gains and losses on financial instruments classified as Level 3 are reported as nonoperating revenues as investment income when earned.

OHSU uses a practical expedient for the estimation of the fair value of investments in funds for which the investment does not have a readily determinable fair value. The practical expedient used by OHSU for certain financial instruments is the NAV per share. Valuations provided by fund administrators for these financial instruments consider variables such as the financial performance of underlying investments, recent sales prices and other pertinent information. The valuation is adjusted when changes to inputs and assumptions are corroborated by evidence, such as completed or pending third-party transactions in the underlying security and changes in financial results, data, or cash flows. Management or its discretionary investment partner reviews the valuations and assumptions provided by fund administrators for reasonableness and believes that the carrying amounts of these financial instruments are reasonable estimates of fair value.

(Dollars in thousands)

The following table presents information for investments where either the NAV per share or its equivalent was used to value the investments as of June 30, 2022 and 2021:

	Redemption frequency	Redemption notice period
Domestic equities	Quarterly	3–180 days
Non-U.S. equities	Weekly to every four years	3–180 days
Global equities	Quarterly	3–180 days
Venture capital/private equity	Event-driven	N/A
Marketable alternative investments – nonfixed income	Monthly to every three years	15–180 days
Marketable alternative investments – fixed income only	Monthly	30 days
Real estate investments and contracts	Event-driven	N/A

Domestic Equities, Non-U.S. Equities and Global Equities funds represent investments in equities, both U.S. and international, and may include investments in developed and emerging markets.

(3) Investments and Related Policies

(a) Interest Rate Risk

As of June 30, 2022 and 2021, OHSU had the following investments and maturities at fair value:

	2022				
	Maturity				
	Less than 1 year	1–5 Years	6–10 Years	More than 10 years or none	Total
Cash and money market funds	$ 81,527	598	—	5	82,130
U.S. government securities	151,065	189,133	75,525	48,107	463,830
U.S. agency securities	135	12,155	128,005	6,740	147,035
Domestic equity securities	—	—	—	550,781	550,781
International equity securities	—	—	—	204,784	204,784
U.S. corporate securities	145,094	96,711	43,452	49,921	335,178
Non-U.S. corporate securities	2,977	23,173	10,708	9,018	45,876
Asset-backed securities	4,516	23,308	27,491	18,814	74,129
Joint ventures and partnerships	—	—	—	661,846	661,846
Mutual funds – fixed income only	50,250	45,165	48,497	23,853	167,765
Municipal bonds	313	1,723	1,932	3,345	7,313
Other fixed income	—	310	113	—	423
Alternative investments	—	—	—	222,666	222,666
Real estate investments and other	—	—	—	89,998	89,998
	$ 435,877	392,276	335,723	1,889,878	3,053,754

(Dollars in thousands)

	2021				
	Maturity				
	Less than 1 year	1–5 Years	6–10 Years	More than 10 years or none	Total
Cash and money market funds	$ 52,031	776	—	—	52,807
U.S. government securities	1,862	373,911	16,232	1,397	393,402
U.S. agency securities	4,016	76,059	5,384	7,910	93,369
Domestic equity securities	—	—	—	428,262	428,262
International equity securities	—	—	—	188,194	188,194
Commercial paper	5,548	—	—	—	5,548
U.S. corporate securities	52,064	163,397	16,977	79,743	312,181
Non-U.S. corporate securities	37,198	98,127	3,995	287	139,607
Asset-backed securities	12,004	6,328	2,725	13,935	34,992
Joint ventures and partnerships	—	—	—	638,715	638,715
Mutual funds – fixed income only	67,726	34,544	25,834	14,345	142,449
Municipal bonds	225	1,971	1,664	96	3,956
Other fixed income	—	238	90	—	328
Alternative investments	—	—	—	245,212	245,212
Real estate investments and other	—	—	—	65,792	65,792
	$ 232,674	755,351	72,901	1,683,888	2,744,814

OHSU held $74,129 and $34,992 of asset-backed securities collateralized primarily by auto loans, credit card receivables, and collateralized mortgage obligations as of June 30, 2022 and 2021, respectively. These securities are valued at their estimated fair values. The valuation of these securities is sensitive to principal prepayments, which may result from a decline in interest rates, and they are sensitive to an increase in average maturity, which may result from interest rate increases that lead to decreasing prepayments.

At June 30, 2022 and 2021, OHSU had certain joint ventures and partnerships, alternative investments, real estate investments, and other investments. These investments may contain elements of both credit and market risk. Such risks may include limited liquidity, absence of regulatory oversight, dependence upon key individuals, and nondisclosure of portfolio composition. Because these investments are not readily marketable, their estimated fair value is subject to uncertainty and, therefore, may differ from the value that would have been used had a ready market for such investments existed. Such differences could be material.

OHSU's investment policies vary based on the investment objectives of the portfolio. The operating and trustee-held portfolios seek to preserve principal with the intent of maximizing total return within appropriate risk parameters. Maturities of securities selected in these portfolios are driven by prevailing market conditions, while considering cash requirements of the organization.

The Foundation investment policies are established based on the investment objectives of the portfolio. The endowment portfolio, which is included in long-term investments in the accompanying statements of net position, seeks to produce a predictable and stable payout stream that increases over time, while achieving growth of corpus. The endowment fund may invest in cash and cash equivalents, fixed-income securities, U.S. and non-U.S. equity securities and other alternative investments. The objective for the current fund is to provide a reliable source of liquidity to meet short-term working capital needs. The current fund may invest in cash, cash equivalents, fixed income securities, equity mutual funds and ETFs, and quasi endowment within the endowment fund. The duration of the C/F 1-5 year portfolio shall be within a range of 75% to 125% of the Barclay's 1–5 Year Government/Credit Bond Index. The charitable gift annuity pool seeks to produce a relatively predictable and stable payout stream that will satisfy the funds distribution obligations while achieving long-term capital appreciation of the overall fund balance. The charitable gift annuity pool may invest in cash and cash equivalents, U.S. and non-U.S. equities, fixed-income, and real estate. Charitable trusts are managed to provide for the distribution of a stated income payment while attempting to achieve reasonable expected total returns. Charitable trust investment objectives and asset allocation guidelines are determined based on the individual circumstances of each trust account. Allowable investments for charitable trusts include cash and cash equivalents, U.S. and non-U.S. equities, fixed-income, real estate, and commodities.

(b) Credit Risk

The current fund investment policy requires minimum ratings or better from Standard & Poor's, Moody's, or Fitch as follows:

	Minimum Standard & Poor's rating	Minimum Moody's rating	Minimum Fitch rating
U.S. and foreign corporate indebtedness	BBB- or A-2	Baa3 or P-2	BBB- or F-2
Certificates of deposit	BBB- or A-2	Baa3 or P-2	BBB- or F-2
Foreign government, foreign agency, or supranational organization debt	A or A-1	A2 or P-1	A or F-1
Agency mortgage-backed securities	AAA	Aaa	AAA
Commercial mortgage-backed securities	AAA	Aaa	AAA
Asset-backed securities	AAA	Aaa	AAA
Municipal bonds	A	A2	A

At the time of purchase, securities must be rated by at least two of the three rating agencies. If the security is rated by all three agencies, the middle rating will apply. If only two ratings are available, then the lower rating will be used.

If the credit quality of a holding in the current fund declines so that it is below the level required as stated above, a decision will be made by the Investment Committee to hold or sell the security.

(Dollars in thousands)

Investments in the charitable gift annuity pool shall have a minimum credit quality rating of Baa/BBB or an average credit rating of Baa/BBB for mutual funds or pooled funds and a minimum rating of A-1/P-1 for investments in commercial paper. The charitable trust investments generally have a minimum credit quality rating in investment-grade Baa/BBB bond investments and a minimum rating of A-1/P-1 for investments in commercial paper. However, an individual trust may hold up to 9% of the portfolio in below-investment-grade investments.

As of June 30, 2022 and 2021, OHSU had the following investments with credit rating at fair value:

Investment type	Credit rating S&P or equivalent	Total 2022	Total 2021
Cash and money market funds	BBB	$ —	40
	BB	—	70
	B	—	196
	Below B	—	18
	A-1+	26,681	40,791
	Not rated	1,135	972
	NA	54,314	10,720
U.S. government securities	AAA	43,464	59,049
	AA+	279,559	333,421
	AA	1,867	932
	AA-	10	—
	A-	2,105	—
	BBB+	663	—
	BBB-	304	—
	NA	135,858	—
U.S. agency securities	AAA	9,457	8,949
	AA+	137,578	83,450
	AA	—	193
	NA	—	777
Commercial Paper	A-1+	—	1,874
	A-1	—	3,674

(Dollars in thousands)

(Continued)	Credit rating S&P or equivalent		Total 2022	Total 2021
U.S. corporate securities	AAA	$	12,178	116
	AA+		14,158	—
	AA		10,378	1,551
	AA-		22,991	3,188
	A+		42,704	11,734
	A		65,181	39,077
	A-		54,701	29,360
	BBB+		30,076	73,233
	BBB		60,161	50,733
	BBB-		16,372	18,533
	BB+		300	247
	BB		1,758	1,379
	B		532	539
	Below B		17	155
	Not rated		456	448
	NA		3,215	81,888
Non-U.S. corporate securities	AAA		9,070	—
	AA+		1,367	—
	AA		668	—
	AA-		2,222	5,923
	A+		2,255	7,295
	A		2,618	14,203
	A-		8,770	45,499
	BBB+		6,273	33,548
	BBB		8,550	20,444
	BBB-		824	7,606
	BB+		2,701	—
	NA		558	5,089
Asset-backed securities	AAA		18,749	18,287
	AA+		34,357	1,540
	AA		2,905	1,634
	A		720	669
	BBB+		363	
	BBB		1,806	705
	BBB-		—	227
	BB		673	167
	B		528	136
	Below B		1,889	1,770
	Not rated		3,395	2,645
	NA		8,744	7,212

(Dollars in thousands)

(Continued)	Credit rating S&P or equivalent		Total 2022	Total 2021
Mutual funds – fixed income only	AAA	$	98,949	67,812
	AA		8,043	16,176
	A		16,218	20,705
	BBB		21,842	22,486
	BB		7,347	5,741
	B		5,394	4,278
	Below B		4,488	2,846
	Not rated		5,484	2,405
Municipal bonds	AAA		1,529	390
	AA		3,229	3,020
	AA-		1,069	—
	A+		154	351
	A		437	—
	A-		53	—
	BBB+		707	—
	BBB		11	79
	BB		71	89
	Not rated		53	27
Other fixed income	BBB		67	—
	BB		138	—
	B		186	—
	Below B		28	—
	Not rated		4	328
Joint ventures and partnerships	NA		661,846	638,715
Alternative investments	NA		222,666	245,212
Real estate investments and other	NA		89,998	65,792
Domestic equity securities	NA		550,781	428,262
International equity securities	NA		204,784	188,194
		$	3,053,754	2,744,814

(Dollars in thousands)

(c) Concentration of Credit Risk

The current fund's investment policy limits investments in any issuer or issuer as follows:

	Maximum concentration
U.S. and foreign corporate indebtedness	No more than 3% per issuer
Certificates of deposit	No more than 5% per issuer
Foreign government, foreign agency, or supranational organization debt	No more than 5% per issuer
Agency mortgage-backed securities	No more than 15% per cusip
Commercial mortgage-backed securities	No more than 5% per cusip
Asset-backed securities	No more than 5% per cusip
Municipal bonds	No more than 5% per cusip

The investment policy relating to the charitable gift annuity pool limit investments in any one issue to a maximum of 5%, except for issues of the U.S. government and its agencies or diversified mutual funds, which may be held without limitation. The investment policy for charitable trusts limits investments in any one issue to a maximum of 5%, except for issues of the U.S. government and its agencies or diversified mutual funds.

As of June 30, 2022 or 2021, OHSU had no investments in excess of the thresholds discussed above.

(d) Foreign Currency Risk

OHSU's investment policies permit investments in international equities and other asset classes, which can include foreign currency exposure. The endowment fund allows for investments in international equities and in non-U.S. dollar-denominated bonds. The current fund allows up to 20% of the portfolio to be invested in non-U.S. sovereign or supranational issues. The charitable gift annuity pool investment policy allows up to 30% of the portfolio to be invested in international equities. The charitable trust investment policy allows up to 32% of the portfolio to be invested in international equities, based on the individual circumstances of each trust account. The following table details the fair value of foreign denominated securities by currency type:

		Value (U.S. dollar)	
Foreign currency		**2022**	**2021**
British sterling pound	$	11,290	13,201
Canadian dollar		—	1
Euro		17,225	21,432
Total	$	28,515	34,634

(Dollars in thousands)

(4) Due from/to Contractual Agencies

Due from contractual agencies, reflected in patient accounts receivable under current assets in the statements of net position, represents amounts receivable from the State Medicaid Program (Medicaid), the Federal Medicare Program (Medicare), and other contractual agencies. Due to contractual agencies, reflected in other current liabilities in the statements of net position, represents amounts payable to Medicaid, Medicare and other contractual agencies. A summary of the balances as of June 30, 2022 and 2021 is as follows:

		Due from contractual agencies		Due to contractual agencies		Net, due from (to)	
		As of June 30, 2022	As of June 30, 2021	As of June 30, 2022	As of June 30, 2021	As of June 30, 2022	As of June 30, 2021
Medicaid	$	20,647	18,802	—	—	20,647	18,802
Intergovernmental transfer		146	5,357	(1,960)	(1,236)	(1,814)	4,121
Medicare		—	—	(191)	(3,910)	(191)	(3,910)
Other contractual agencies		—	—	(5,386)	(5,766)	(5,386)	(5,766)
	$	20,793	24,159	(7,537)	(10,912)	13,256	13,247

In 2017, OHSU worked with the state legislature and the Oregon Health Authority to build a program that leverages federal funds for the state's Medicaid program, maintain historical principles of support for OHSU's missions, and simplify the complexity of prior funding programs between OHSU and the State. The legislature approved the program in the Oregon Health Authority's 2017–2019 budget and Oregon's OHSU Intergovernmental Transfer (IGT) Program was approved by the U.S. Centers for Medicare and Medicaid Services (CMS) and implemented on January 1, 2018, with the corresponding funding payments between entities beginning in March 2018. Under this IGT program, OHSU no longer pays the provider tax paid by other hospitals in Oregon. Instead, because OHSU is an Oregon public corporation, it transfers funds directly to the state to be used for Oregon's Medicaid program. The federal government matches funds used in the Medicaid program on approximately a three-to-one basis.

Oregon's Medicaid coordinated care organizations (CCO's) pay OHSU an additional amount per clinical service provided to patients as Quality and Access payments. These additional payments have been approved by CMS and are funded through a combination of OHSU's IGT and federal dollars. The purpose of these funds is to maintain access to the high quality unique academic health center services OHSU provides to Medicaid patients.

During fiscal year 2022 and 2021, respectively, OHSU made intergovernmental transfers of $352,675 and $352,483 to the State of Oregon. The State of Oregon used these dollars, and the corresponding federal match, for payment of Medicaid services throughout Oregon. Oregon's Medicaid CCO's paid OHSU $486,939 and $469,546, in fiscal year 2022 and 2021, respectively, through Quality and Access payments. The Quality and Access Payments and the Intergovernmental transfers, are included as a net reduction in the contractual discounts and represents a portion of the Medicaid payment for patient care services. A net benefit of the program, including funding from other federal and state sources, allows the University to have resources available to support OHSU's missions. During the year ended June 30, 2022 and 2021, the University was able to provide support for research and education of $166,000 and $144,250, respectively.

(Dollars in thousands)

(5) Capital Assets

Capital assets for fiscal years ended June 30, 2022 and 2021 are listed by category below:

	2022	2021
Land and land improvements	$ 84,835	82,303
Buildings and other improvements	2,969,181	2,857,836
Equipment	1,166,596	1,134,725
Construction in progress	120,952	114,969
Accumulated depreciation	(2,257,736)	(2,133,846)
Total capital assets, net excluding lease and subscription IT assets	2,083,828	2,055,987
Lease and subscription IT assets, net (Note 13(g))	97,380	77,910
Total capital assets, net as reported in the statement of net position	$ 2,181,208	2,133,897

(Dollars in thousands)

The following is a summary of capital assets for the fiscal years ended June 30, 2022 and 2021:

		Balance June 30, 2021	Increases	Decreases		Balance June 30, 2022
Capital assets not depreciated:						
Land and land improvements	$	82,303	2,532	—		84,835
Construction in progress		114,969	183,134	(177,151)		120,952
Total capital assets not depreciated		197,272	185,666	(177,151)		205,787
Other capital assets:						
Buildings and other improvements		2,857,836	112,388	(1,043)		2,969,181
Equipment		1,134,725	87,683	(55,812)		1,166,596
Total other capital assets		3,992,561	200,071	(56,855)		4,135,777
Less accumulated depreciation:						
Buildings and other improvements		(1,238,264)	(105,418)	684		(1,342,998)
Equipment		(895,582)	(73,462)	54,306		(914,738)
Total accumulated depreciation		(2,133,846)	(178,880)	54,990		(2,257,736)
Other capital assets, net		1,858,715	21,191	(1,865)		1,878,041
Total capital assets, net	$	2,055,987	206,857	(179,016)		2,083,828
Lease and subscription IT assets, net (Note 13(g))						97,380
Total capital assets, net as reported in the statement of net position					$	2,181,208

(Dollars in thousands)

	Balance June 30, 2020	Increases	Decreases	Balance June 30, 2021
Capital assets not depreciated:				
Land and land improvements	$ 82,303	—	—	82,303
Construction in progress	151,347	23,165	(59,543)	114,969
Total capital assets not depreciated	233,650	23,165	(59,543)	197,272
Other capital assets:				
Buildings and other improvements	2,757,678	100,158	—	2,857,836
Equipment	1,072,012	68,579	(5,866)	1,134,725
Total other capital assets	3,829,690	168,737	(5,866)	3,992,561
Less accumulated depreciation:				
Buildings and other improvements	(1,132,904)	(105,359)	(1)	(1,238,264)
Equipment	(826,845)	(73,173)	4,436	(895,582)
Total accumulated depreciation	(1,959,749)	(178,532)	4,435	(2,133,846)
Other capital assets, net	1,869,941	(9,795)	(1,431)	1,858,715
Total capital assets, net	$ 2,103,591	13,370	(60,974)	2,055,987
Lease and subscription IT assets, net (Note 13(g))				77,910
Total capital assets, net as reported in the statement of net position				$ 2,133,897

(6) Compensated Absences Payable

Vacation pay for classified employees is earned at 8 to 24 hours per month, depending on the length of service and classification, with a maximum accrual of up to 364 hours per employee and a maximum payment upon separation of up to 364 hours. Due to the COVID-19 pandemic, in recognition of the fact that employees may not be able to take time off during this time and therefore they would reach their accrual cap and stop accruing time off, the maximum accrual cap has been temporarily increased or waived. A maximum of 96 to 288 hours of vacation can be earned per year, depending on the length of service and classification. The yearly maximum accrual has also been waived due to COVID-19. Vacation/PTO pay for unclassified employees is earned at 14.67 to 17.33 hours per month, with a maximum accrual of 256 hours; due to COVID-19 the maximum accruals for unclassified employees has been set to 575 hours. The maximum payment of unused vacation/PTO hours for unclassified employees at termination varies is 80 hours at a 50% payment rate. There are a few exceptions, such as: the previous Management Service employees who transitioned to Unclassified Administrative on July 8, 1996 will be paid up to 250 hours unused accrued vacation at 100% pay rate. Eligible employees may have the opportunity to cash-out unused accrued vacation hours, up to 100 hours per year based on their representational group. Employees under the House Officers representation group are granted front-loaded vacation banks.

Sick leave is recorded as an expense when paid. Sick leave for employees is earned at the rate of 8 hours per month and a maximum of 96 hours per year, with no restrictions on maximum hours accrued. Employees in the following groups earn sick leave at the rate of 1 hour for 30 hours worked: resource, flex, temporary, unclassified below 0.5FTE, OHSU student, non-OHSU student, graduate assistant. In response to the COVID-19 pandemic, effective March 2020 employees were granted additional 112 sick leave hours prorated by FTE. The additional hours were intended to support employees who become sick prior to December 20, 2020: 80 hours were available immediately when needed and 32 hours available after exhausting the employee's sick leave bank. The additional sick leave hours have been extended beyond December 2020. At the end of March 2021 and throughout FY22 the additional number of sick leave hours has been set to 80 hours prorated by FTE. These hours can be used for COVID-19 symptoms, for COVID-19 testing as well as for vaccination side effects. No liability exists for terminated employees.

There are two representational groups setup with time off accruals based on the academic year: Graduate Researchers United (GRU) and House Officers Union (HOU). PTO for GRU represented employees is earned at the rate of 13.33 hours per month, with a maximum of 160 hours per year. These hours can be used for time off and sick leave. No cash-out of unused PTO GRU is available. GRU represented employees can carryover 10 days from one academic year to another. House Officers are granted 160 hours of vacation and 120 hours sick leave, front-loaded at the beginning of the academic year. Sick leave hours unused by the HOU represented employees during the academic year will carry over to the following appointment year. Vacation cash-out is not allowed for HOU represented employees and sick leave hours are not paid at separation.

In recognition of Juneteenth, employees have been granted 8 hours paid leave prorated by FTE.

(7) Retirement Plans

The University, excluding blended component units, offers various pension plans to all qualified employees: the State's Public Employees Retirement System (PERS), which includes a cost-sharing, defined-benefit plan and a defined-contribution plan (individual account plan – IAP), the University Pension Plan (UPP), and the Clinical Retirement Plan (CRP).

(a) Defined-Benefit Pension Plan Descriptions

PERS is a cost-sharing, multiemployer retirement system available to units of state government, political subdivisions, community colleges, and school districts, containing multiple actuarial pools. Plan assets may be used to pay the benefits of the employees of any employer that provides pensions through the plan. As of the June 30, 2021 measurement date, there were 900 participating employers.

PERS is administered in accordance with ORS Chapter 238, Chapter 238A, and Internal Revenue Code Section 401(a). The State's legislature has delegated authority to the Public Employees Retirement Board (PERS Board) to administer the system. The PERS Board is composed of five trustees who administer retirement (service and disability), death, and retiree health insurance benefits. All members of the PERS Board are appointed by the governor and confirmed by the state senate. The governor designates the chairperson. Statute specifies PERS Board membership must be three people with experience in business management, pension management, or investing who are not members of the PERS system; one person who is either an employee of the state in a management position or a person who holds an elective office in the governing body of a participating public employer other than the state; and one person representing public employees and retirees.

The State's PERS issues a publicly available financial report that includes financial statements and required supplementary information, including a 10-year historical trend information showing the accumulation of sufficient assets to pay benefits when due. Copies of the State's PERS's Annual Comprehensive Financial Report (ACFR) and Actuarial Valuations may be obtained from the PERS Web site at https://www.oregon.gov/pers/EMP/Pages/Actuarial-Financial-Information.aspx.

PERS comprises three separate defined-benefit groups: PERS Tier 1, PERS Tier 2, and Oregon Public Service Retirement Plan (OPSRP).

(i) Benefits Provided

The following describes the benefits provided through the PERS plan:

(1) PERS Tier 1/PERS Tier 2

(a) The Tier 1/Tier 2 plans are closed to new members hired on or after August 29, 2003.

(b) Members are provided retirement, disability, and death benefits.

(c) Vesting occurs if either of the following conditions are met, unless the account is withdrawn:

1. An active member in each of 5 calendar years

2. Reached at least 55 years of age while working in a qualifying position (age 50 for police and fire members).

(d) The retirement allowance is payable monthly for life. It may be selected from 13 retirement benefit options. These options include survivorship benefits and lump-sum refunds.

(e) The basic benefit is based on years of service and final average salary. A percentage (2.00% for police and fire employees, 1.67% for general employees) is multiplied by the number of years of service and the final average salary. Benefits may also be calculated under either a formula plus annuity (for members who were contributing before August 21, 1981) or a money match computation if a greater benefit results.

(f) Normal retirement age for general members is age 58 for Tier 1 and age 60 for Tier 2, or any age with 30 years or more of retirement credit. Normal retirement age for police and fire members is age 55, or age 50 with 25 years or more of retirement credit. Benefits are reduced if normal retirement age is not attained.

(g) Annual Cost of Living Adjustments (COLA) of up to 2% annually for service time accrued before October 1, 2013; COLA for service time after that date uses a lower rate. Service time accrued in both periods is "blended."

(2) PERS OPSRP

(a) The OPSRP plan is open to members hired on or after August 29, 2003.

(b) Members are provided retirement, disability, and death benefits.

(c) Vesting occurs if either of the following conditions are met, unless the account is withdrawn:

3. Completion of at least 600 hours of service in each of five calendar years

4. Reached normal retirement age as an active member on that date.

(d) The retirement allowance is payable monthly for life.

(e) The basic benefit is based on years of service and final average salary. A percentage (1.8% for police and fire employees, 1.5% for general employees) is multiplied by the number of years of service and the final average salary.

(f) Normal retirement age for general members is age 65, or age 58 with 30 years or more of retirement credit. Normal retirement age for police and fire members is age 60, or age 53 with 25 years or more of retirement credit. Benefits are reduced if normal retirement age is not attained.

(g) Annual COLA of up to 2% annually for service time accrued before October 1, 2013; COLA for service time after that date uses a lower rate. Service time accrued in both periods is "blended."

(ii) Contributions

PERS funding policy provides for monthly employer contributions at actuarially determined rates. These contributions, expressed as a percentage of covered payroll, are intended to accumulate sufficient assets to pay benefits when due. This funding policy applies to the PERS defined-benefit plan and the OPEBs.

The employer contribution rate for active employees is established by the PERS Board based upon actuarial valuations, which are performed once every two years to determine the level of employer contributions. Employer contribution rates during the period were based on the December 31, 2019 actuarial valuation. The rates were based on a percentage of payroll and first became effective July 1, 2021. The employer contribution rate for PERS Tier 1 and Tier 2 was 17.53% from July 1, 2021 to June 30, 2023. The employer contribution rate for OPSRP was 13.34% (OPSRP Police and Fire, 17.70%) from July 1, 2021 to June 30, 2023.

The State and certain schools, community colleges, and political subdivisions have made lump-sum payments to establish side accounts and their rates have been reduced. OHSU made $10,000 lump-sum payments to PERS during fiscal years 2022 and 2021, respectively. Amounts contributed postmeasurement date, including fiscal year 2022 and 2021 side account contributions of $10,000, are recorded as deferred outflows in the amount of $63,754 and $58,333 for the years ended June 30, 2022 and 2021, respectively. In fiscal year 2020, OHSU participated in the Employer Incentive Fund (EIF), a program that provided a 25% match on qualifying employer lump-sum payments made after June 2, 2018, receiving a $5,000 match payment. OHSU recognized the $5,000 match payment as state appropriations in fiscal year 2021.

The defined-benefit pension plan contributions can be found in the required supplementary information.

(iii) Net Pension Liability

OHSU's proportionate share of the net pension liability for PERS as of June 30, 2022 and 2021 is $305,955 and $595,311, respectively, utilizing a June 30, 2021 and 2020 measurement date, respectively. The net pension liability for the June 30, 2022 and 2021 fiscal year-end was determined based on the results of the December 31, 2019 and December 31, 2018 actuarial valuation rolled forward to the respective measurement dates using standard actuarial procedures.

The basis for OHSU's proportion is actuarially determined by comparing OHSU's projected long-term contribution effort to the PERS cost-sharing, multiple-employer defined-benefit pension plan with the total projected long-term contribution effort of all participating employers. OHSU's proportionate share was 2.56% for the June 30, 2021 measurement date and 2.73% for the June 30, 2020 measurement date.

Senate Bill 1049, signed into law in June 2019, introduced a limit on the amount of annual salary included for the calculation of benefits. Beginning in calendar year 2020, annual salary in excess of $195,000 (as indexed in future years) will be excluded when determining member benefits. As a result, future benefits for certain active members are now projected to be lower than prior to the legislation.

The benefits valued in the net pension liability are required to be in accordance with the benefit terms legally in effect as of the relevant fiscal year-end for the plan. As a result, Senate Bill 1049 was reflected in the June 30, 2019 net pension liability, and the salary limit provision is the only difference in the valuation basis used to determine the net pension liability between the measurement dates June 30, 2018 and June 30, 2019.

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of PERS, and additions to/deductions from PERS' fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

(Dollars in thousands)

(iv) Proportionate Share of Pension Expense and Deferrals Related to Pensions

OHSU's pension expense for the years ended June 30, 2022 and 2021 was $23,008 and $113,695, respectively. The pension expense, which is considered period interest cost, service cost, amortization of deferred outflows and inflows, and changes in benefit terms, has increased since prior year and is included in salaries, wages, and benefits in the statements of revenues, expenses, and changes in net position.

In July 2021, the assumed rate of return on investments was reduced from 7.20% to 6.90%. The new assumed rate was also used in the actuarial valuation, which established the employer contribution rates for the 2021-23 biennium.

Deferred outflows of resources and deferred inflows of resources for pensions were related to the following sources as of the fiscal years ended June 30, 2022 and 2021:

	Deferred outflow of resources		Deferred inflow of resources	
	2022	**2021**	**2022**	**2021**
Differences between expected and actual experience	$ 28,639	26,201	—	—
Changes of assumptions	76,591	31,948	(805)	(1,119)
Net difference between projected and actual earnings on pension plan investments	—	70,001	(226,496)	—
Changes in proportionate share	—	—	(50,333)	(43,760)
Differences between contributions and OHSU's proportionate share of system contributions	5,528	3,262	(734)	(1,335)
Total (prior to post-MD contributions)	110,758	131,412	(278,368)	(46,214)
Contributions subsequent to the measurement date	63,754	58,333	—	—
Gross deferred outflow (inflow) of resources	$ 174,512	189,745	(278,368)	(46,214)

The contributions made subsequent to the measurement date of $63,754 will be recognized as a reduction in the net pension liability during the year ending June 30, 2023.

(Dollars in thousands)

Remaining amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Fiscal year ending		Deferred outflow (inflow) of resources
2023	$	(35,158)
2024		(34,561)
2025		(42,085)
2026		(60,848)
2027		5,042
Total	$	(167,610)

(v) *Actuarial Methods and Assumptions*

The following methods and assumptions were used in developing total pension liability reported as of June 30, 2022 and 2021.

Actuarial Methods and Assumptions	2022	2021
Valuation date	December 31, 2019	December 31, 2018
Measurement date	June 30, 2021	June 30, 2020
Experience study report	2018, published July 2019 Based on data for the experience period January 1, 2015 to December 31, 2018	2018, published July 2019 Based on data for the experience period January 1, 2015 to December 31, 2018
Actuarial assumptions:		
Actuarial cost method	Entry Age Normal	Entry Age Normal
Inflation rate	2.40 %	2.50 %
Long-term expected rate of return	6.90	7.20
Discount rate	6.90	7.20
Projected salary increases	3.40	3.50
Cost of Living Adjustments (COLA)	Blend of 2% COLA and graded COLA (1.25%/0.15%) in accordance with *Moro* case decision; blend based on service	Blend of 2% COLA and graded COLA (1.25%/0.15%) in accordance with *Moro* case decision; blend based on service

(Dollars in thousands)

Actuarial Methods and Assumptions	2022	2021
Mortality	***Healthy retirees and beneficiaries:*** Pub-2010 Healthy retiree, sex distinct, generational with Unisex, Social Security Data Scale, with job category adjustment and set-backs as described in the valuation.	***Healthy retirees and beneficiaries:*** Pub-2010 Healthy retiree, sex distinct, generational with Unisex, Social Security Data Scale, with job category adjustment and set-backs as described in the valuation.
	Active members: Pub-2010 Employee, sex distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation.	***Active members:*** Pub-2010 Employee, sex distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation.
	Disabled retirees: Pub-2010 Disabled retirees, sex-distinct, generational with Unsex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation.	***Disabled retirees:*** Pub-2010 Disabled retirees, sex-distinct, generational with Unsex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation.

Actuarial valuations of an ongoing plan involve estimates of the value of projected benefits and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Experience studies are performed as of December 31 of even numbered years. The 2018 experience study, used in developing total pension liability measured as of June 30, 2021, was based on the data for the experience period January 1, 2015 to December 31, 2018.

(vi) Discount Rate

The discount rate used to measure the total pension liability for the fiscal year ending June 30, 2022 and June 30, 2021 was 6.90% and 7.20%, respectively. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for PERS was applied to all periods of projected benefit payments to determine the total pension liability. The impact of a 1.00% decrease and increase in the discount rate on the net pension liability is as follows:

Discount Rate Sensitivity – Net Pension Liability
(Dollars in thousands)

OHSU's proportionate share		1% Decrease	Current discount rate	1% Increase
June 30, 2022	$	600,822	305,955	59,258
June 30, 2021	$	883,987	595,311	353,242

(vii) *Investments*

The Oregon State Treasury is the investment officer for the State. Investment standards are established in ORS 293.726 and require funds to be managed as a prudent investor would do. The Oregon Investment Council (OIC) establishes policies for the investment and reinvestment of moneys in the Oregon Public Employees Retirement Fund (OPERF).

ORS 293.701 defines the investment funds over which OIC has responsibility. Included is the OPERF, which comprises the defined-benefit pension plan, the individual account program, and the other postemployment benefit plans. OIC establishes policies for the investment and reinvestment of moneys in the investment funds as well as the acquisition, retention, management, and disposition of investments in the investment funds. OIC is also responsible for providing an examination of the effectiveness of the investment program.

(Dollars in thousands)

(1) Assumed Asset Allocation

The following table illustrates both the assumed and actual asset allocation. Deferred outflows of resources and deferred inflows of resources for pensions were related to the following sources as of the measurement date June 30, 2021:

OIC Target and Actual Investment Allocation as of June 30, 2021*

Asset class/strategy	OIC policy low range	OIC policy high range	OIC target allocation	Asset class/strategy	Actual allocation[3]
Debt securities	15.0 %	25.0 %	20.0 %	Debt securities	20.8 %
Public equity	27.5	37.5	32.5	Public equity	29.4
Real estate	9.5	15.5	12.5	Real estate	10.5
Private equity	14.0	21.0	17.5	Private equity	25.1
Alternatives portfolio	7.5	17.5	15.0	Alternatives portfolio	9.5
Opportunity portfolio[1]	—	5.0	—	Opportunity portfolio[1]	2.3
Risk Parity[2]	—	2.5	2.5	Risk Parity[2]	2.4
Total			100.0 %	Total	100.0 %

[1] Opportunity portfolio is an investment strategy, and it may be invested up to 5% of total plan net position.
[2] Risk Parity is a new investment strategy added to the asset allocation mix in 2019.
[3] Based on the actual investment value at 6/30/2021.

The following table illustrates both the assumed and actual asset allocation. Deferred outflows of resources and deferred inflows of resources for pensions were related to the following sources as of the measurement date June 30, 2020:

OIC Target and Actual Investment Allocation as of June 30, 2020*

Asset class/strategy	OIC policy low range	OIC policy high range	OIC target allocation	Asset class/strategy	Actual allocation
Debt securities	15.0	25.0	20.0 %	Debt securities	20.0 %
Public equity	27.5	37.5	32.5	Public equity	31.8
Real estate	9.5	15.5	12.5	Real estate	11.4
Private equity	14.0	21.0	17.5	Private equity	22.9
Alternative equity	7.5	17.5	15.0	Alternative equity	10.5
Opportunity portfolio[1]	—	3.0	—	Opportunity portfolio[1]	2.1
Risk Parity		2.5	2.5	Risk Parity	1.3
Total			100.0 %	Total	100.0 %

[1] Opportunity portfolio is an investment strategy, and it may be invested up to 3% of total plan net assets.

* The OIC target allocations are based on OIC asset classes as determined by each manager's primary investment type, not the financial statement classification of individual holdings. The target allocation amounts do not include deferred compensation plan investments. The actual investment allocation is based on the financial statement investment classifications, including deferred compensation plan investments. Risk parity is included with the alternatives portfolio.

(Dollars in thousands)

(2) Long-Term Expected Rate of Return

To develop an analytical basis for the selection of the long-term expected rate of return assumption the PERS Board reviews long-term assumptions developed by the consulting actuary's capital market assumptions team and the OIC investment advisers. The table below shows the actuary's assumptions for each of the asset classes in which the plan was invested at that time based on the OIC long-term target asset allocation. The OIC's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions and includes adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

Asset class	2022 Target allocation*	2022 Compound annual return (Geometric)	Asset Class	2021 Target allocation**	2021 Compound annual return (Geometric)
Global Equity	30.62 %	5.85 %	Core fixed income	9.60 %	4.07 %
Private Equity	25.50	7.71	Short-term bonds	9.60	3.68
Core Fixed Income	23.75	2.73	Bank/leveraged loans	3.60	5.19
Real Estate	12.25	5.66	High-yield bonds	1.20	5.74
Master Limited Partnerships	0.75	5.71	Large/mid cap U.S. equities	16.17	6.30
Infrastructure	1.50	6.26	Small cap U.S. equities	1.34	6.68
Commodities	0.63	3.10	Micro cap U.S. equities	1.34	6.79
Hedge Fund of Funds - Multistrategy	1.25	5.11	Developed foreign equities	13.48	6.97
Hedge Funds Equity - Hedge	0.63	5.31	Emerging market equities	4.22	7.69
Hedge Funds - Macro	5.62	5.06	Non-U.S. small cap equities	1.93	7.25
US Cash	(2.50)	1.76	Private equity	17.50	8.33
			Real estate (property)	10.00	5.55
Assumed Inflation - Mean		2.40	Real estate (REITs)	2.50	6.69
			Hedge fund of funds – diversified	1.50	4.06
			Hedge fund – event-driven	0.38	5.59
			Timber	1.13	5.61
			Farmland	1.13	6.12
			Infrastructure	2.25	6.67
			Commodities	1.13	3.79
			Assumed Inflation - mean		2.50
	100.00 %			100.00 %	

* Based on the OIC Statement of Investment Objectives and Policy Framework for the Oregon Public Employees Retirement Fund, revised as of June 2, 2021

** Based on the OIC Statement of Investment Objectives and Policy Framework for the Oregon Public Employees Retirement Fund, revised as of April 24, 2019

(Dollars in thousands)

(b) Other Retirement Plans

In addition to the PERS defined-benefit retirement plan, OHSU has two defined-contribution plans – the UPP and the CRP.

Effective July 1, 1996, OHSU established the UPP. The UPP is a defined-contribution plan, which is available as an alternate to PERS for employees who are not eligible for the CRP. Employees become fully vested in employer contributions over a three- to four-year period (depending on collective bargaining agreements) or upon reaching age 50. Contribution levels are determined by the collective bargaining agreements for union represented employees and the board of directors of OHSU for noncollective bargaining employees. In fiscal years 2022 and 2021, all employer contributions to the plan were 6% of salary.

For Oregon Nurse Association (ONA) represented employees and noncollective bargaining employees, which includes faculty, research, and unclassified administrative participating in the UPP; OHSU offers a 6% employee contribution, which is employer paid and is fully vested at the time of the contribution.

For employees who are members of the OPP who work in a qualifying position, OHSU offers participation in the CRP. The CRP is an employer-paid, defined-contribution plan, and contributions to this plan are fully vested at the time of the contribution. A variable contribution rate is used for employees enrolled prior to January 1, 2009. After January 1, 2009, a 12% contribution rate is used.

		2022	2021
UPP:			
Employer contribution	$	56,342	50,758
Employee contribution [1]		23,153	22,809
	$	79,495	73,567

		2022	2021
CRP:			
Employer contribution	$	37,927	33,705
	$	37,927	33,705

[1] Of the employees’ share, the employer paid $23,153 and $22,809 related to noncollective bargaining employees and ONA-represented employees in fiscal years 2022 and 2021, respectively.

OHSU offers all eligible employees, full and part time, an option to participate in one of two tax-deferred savings plans through the University Voluntary Savings Program. The 403(b) Plan is often referred to as a tax-deferred investment plan while the 457(b) Plan is referred to as a deferred compensation plan. Both plans offer a variety of investment options. The contribution and investment earnings under these plans are tax deferred, which may be accumulated by the employee for distribution at a future date. ONA-represented, research and unclassified administrative employees hired July 1, 2017 or later, and enrolled in the UPP, are eligible for a 403(b) match paid by the employer, otherwise, all other contributions to these plans are made by the employee and are fully vested at the time of the contribution.

(Dollars in thousands)

The Foundation has defined-contribution plans available for substantially all employees. The plans are funded through the purchase of a group annuity contract with an insurance company at a discretionary amount equal to 12% of eligible compensation. Contributions are fully vested after five years. The Foundation contributed $1,100 and $1,300 for the purchase of retirement annuities during the fiscal years ended June 30, 2022 and 2021, respectively.

(8) Postemployment Benefits Other than Pensions (OPEB)

OHSU administers a single-employer, defined-benefit healthcare plan for qualified employees and postemployment healthcare for retiring employees eligible to receive medical coverage. Additionally, for eligible PERS members, PERS administers the Retirement Health Insurance Account (RHIA) cost-sharing, multiple-employer defined-benefit OPEB plan.

(a) Single-Employer, Defined-Benefit Plans

(i) Plan Description

OHSU provides retiree health program coverage to current and future retirees of OHSU who qualify for retirement. Members who terminate prior to retirement eligibility or are not participating in the plan at retirement are not eligible to participate in the program. The employee must be actively enrolled in an OHSU medical plan at the time of separation from OHSU.

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

(ii) Employees Covered by Benefit Terms

The plan provides access for retiring employees to OHSU's employee medical plans at the same premium rates assessed to active employees. As of the measurement date of October 1, 2021, the following employees were covered by the benefit terms.

	October 1, 2021	October 1, 2020
Active employees	15,304	14,460
Retired members and others, receiving benefits	125	115
Total participants	15,429	14,575

(Dollars in thousands)

(iii) Benefit Payments

Benefit payments made for the fiscal year-end June 30, 2022 and June 30, 2021 were $649 and $674, respectively.

(iv) Total OPEB Liability

The total OPEB liability as of the reporting date June 30, 2022 and 2021 is $24,127 and $23,224, respectively. The total OPEB liability was determined by an actuarial valuation as of October 1, 2021, calculated based on the discount rate and actuarial assumptions below, and was then projected forward to the measurement date. The liability is included in other noncurrent liabilities in the accompanying statements of net position.

(v) Actuarial Assumptions and Other Inputs

The following methods and assumptions were used in developing the total OPEB liability.

Fiscal year ending	June 30, 2022	June 30, 2021
Valuation date	October 1, 2021	October 1, 2019
Measurement date	October 1, 2021	October 1, 2020
Reporting date	June 30, 2022	June 30, 2021
Experience study report	2018 Oregon PERS Experience Study Based on January 1, 2015 to December 31, 2018	2018 Oregon PERS Experience Study Based on January 1, 2015 to December 31, 2018
Inflation	2.40 %	2.50 %
Discount rate*	2.26 %	2.21 %

* The discount rate was based on the Bond Buyer General Obligation 20-Bond Municipal Index.

(vi) Expense and Deferred (Inflows)/Outflows of Resources Related to OPEB

The OPEB expense, which is considered concurrent period interest cost, service cost, amortization of deferred outflows and inflows, and effect of plan changes, was $3,448 and $3,369 for the fiscal year ended June 30, 2022 and June 30, 2021, respectively.

(Dollars in thousands)

As of June 30, 2022 and 2021, the deferred inflows and outflows of resources were as follows:

		Deferred outflow of resources		Deferred inflow of resources	
		2022	**2021**	**2022**	**2021**
Differences between expected and actual experience	$	2,422	905	—	—
Changes of assumptions		5,378	6,786	(2,580)	(824)
Total (prior to post-MD contributions)		7,800	7,691	(2,580)	(824)
Contributions subsequent to the measurement date		649	675	—	—
Gross deferred outflow (inflow) of resources	$	8,449	8,366	(2,580)	(824)

The contributions made subsequent to the measurement date of $649 will be recognized as a reduction in the total OPEB liability during the year ending June 30, 2023.

(b) Cost-Sharing, Multiple-Employer Defined-Benefit Plans

(i) Plan Description

ORS 238.420 established the RHIA. RHIA is a cost-sharing, multiple-employer OPEB plan for 904 participating employers. The plan was closed to new entrants hired on or after August 29, 2003.

The State's PERS issues a publicly available financial report that includes financial statements and required supplementary information, including a 10-year historical trend information showing the accumulation of sufficient assets to pay benefits when due. Copies of the Oregon Public Employees Retirement System's Comprehensive Annual Financial Report and Actuarial Valuations may be obtained from the PERS Web site at: www.oregon.gov/pers/Pages/Financials/Actuarial-Financial-Information.aspx.

(ii) Benefits Provided

The plan authorizes a payment of up to sixty dollars from RHIA toward the monthly cost of health insurance for eligible PERS members.

(iii) Contributions

Contributions are advance-funded on an actuarially determined basis. The contractually required contributions for retiree healthcare liabilities for the period July 1, 2021 through June 30, 2023 are 0.05% for Tier One and Tier Two member-covered salaries to amortize the unfunded actuarial accrued liability. These rates were based on the December 31, 2019 actuarial valuation.

Contributions to the OPEB plan from OHSU were $81 and $78 for the years ended June 30, 2022 and June 30, 2021, respectively. Employees are not required to contribute to the OPEB plan.

(iv) OPEB Asset (Liability), OPEB Expense (Income), and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At fiscal year ended June 30, 2022 and 2021, OHSU reported an asset of $10,070 and $4,328 for its proportionate share of the net OPEB asset (liability), respectively. The net OPEB asset (liability) was measured as of June 30, 2020 and 2019 and the total OPEB asset (liability) used to calculate the net OPEB asset (liability) was determined by an actuarial valuation as of December 31, 2019 and December 31, 2018, respectively. OHSU's proportion of the net OPEB asset (liability) was based on a projection of OHSU's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating members, actuarially determined. At the June 30, 2021 and 2020 measurement date, OHSU's proportionate share was 2.93% and 2.12%, respectively.

(Dollars in thousands)

The OPEB expense (income), which is considered concurrent period interest cost, service cost, amortization of deferred outflows and inflows, and effect of plan changes, was ($1,665) and $(128), for the year ended June 30, 2022 and 2021, respectively. As of June 30, 2022 and 2021, the deferred inflows and outflows of resources were as follows:

	Deferred outflow of resources		Deferred inflow of resources	
	2022	**2021**	**2022**	**2021**
Differences between expected and actual experience	$ —	—	(280)	(442)
Changes of assumptions	198	—	(150)	(230)
Net difference between projected and actual earnings on investments	—	481	(2,393)	—
Changes in proportionate share	525	1,110	(993)	(23)
Differences between contributions and OHSU's proportionate share of system contributions	—	—	—	—
Total (prior to post-MD contributions)	723	1,591	(3,816)	(695)
Contributions subsequent to the measurement date	81	78		—
Gross deferred outflow (inflow) of resources	$ 804	1,669	(3,816)	(695)

The contributions made subsequent to the measurement date of $81 will be recognized as a reduction in the total OPEB liability during the year ending June 30, 2023.

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(Dollars in thousands)

(v) Actuarial Assumptions and Other Inputs

The total OPEB asset (liability) in the December 31, 2019 and 2018 actuarial valuations were determined using the following actuarial assumptions, applied to all periods included in the measurement.

Fiscal year ending	June 30, 2022	June 30, 2021
Valuation date	December 31, 2019	December 31, 2018
Measurement date	June 30, 2021	June 30, 2020
Reporting date	June 30, 2022	June 30, 2021
Experience study report	2018, published July 24, 2019	2018, published July 24, 2019
	Based on data for the experience period January 1, 2015 to December 31, 2018	Based on data for the experience period January 1, 2015 to December 31, 2018
Actuarial assumptions:		
Actuarial cost method	Entry age normal	Entry age normal
Inflation rate	2.40%	2.50%
Long-term expected rate of return	6.90%	7.20%
Discount rate	6.90%	7.20%

(Dollars in thousands)

(9) Long-Term Debt, Bonds, and Right-to-Use Lease Liabilities

Long-term debt and long-term leases at June 30, 2022 and 2021, is as follows:

	2022	2021
Revenue Bonds		
Series 1995A	$ —	12,550
Series 2012A	13,800	73,905
Series 2015C	100,000	100,000
Series 2016B	199,835	199,835
Series 2017A	65,460	65,460
Series 2019A	124,440	129,145
Series 2019B-1	—	25,950
Series 2019B-2	150	49,120
Series 2019C	65,045	65,045
Series 2021A	338,380	—
Series 2021B-1	45,990	—
Series 2021B-2	45,970	—
Series 2021C	11,585	—
Direct Placement and Direct Purchase Revenue Bonds		
Series 2016A	—	50,000
Series 2017B	50,000	50,000
Series 2019D	50,000	50,000
Series 2022A	56,495	—
Other Debt		
State of Oregon DSPA and TIC Agreements	25,241	25,369
City of Portland Local Improvement District Agreements	9,541	11,396
Line of Credit	—	—
Unamortized Bond Premiums and Discounts	127,474	59,981
Financed Purchases [a]	2,418	2,202
Long-Term Leases [b]	88,047	70,923
	1,419,871	1,040,881
Less: Current Portion of Long-Term Debt and Long-Term Leases	(46,315)	(40,781)
Noncurrent Long-Term Debt and Long-Term Leases	$ 1,373,556	1,000,100

[a] GASB Statement No. 87 and No. 96 established a model for lease accounting, substantially changing all prior lease accounting and financial statement footnote disclosures. Changes adopted to conform to the provisions of these Statements were applied retroactively by restating financial statements for all periods presented. Fiscal year 2021 leases are now reported as lease liabilities, and financed purchases are now reported as debt.

[b] The Foundation recorded lease liabilities and subscription IT liabilities of $11,840 and $2,658 during the fiscal years ended June 30, 2022 and June 30, 2021, respectively.

(a) Revenue Bonds

1995A Insured Revenue Bonds

The OHSU 1995A Insured Revenue Bonds (1995A Bonds) were tax exempt capital appreciation bonds with interest accreted until maturity. The 1995A Bonds matured on July 1, 2021. OHSU was required to maintain separate funds held by our bond trustee for debt service reserve requirements for these bonds. Funds from this debt service reserve were used for the final 1995A Bonds debt service payment, and the remaining funds were released to OHSU.

2012A Revenue Bonds (Refunded and Matured)

OHSU Series 2012A Revenue Bonds (2012A Bonds) were partially refunded on April 5, 2022. Several 2012A Bonds were refunded for a total principal amount of $56,495. Not all bonds were refunded, and there remains an outstanding principal amount of $13,800 as of June 30, 2022. The remaining 2012A Bonds matured on July 1, 2022 for a principal amount of $13,800. The 2012A Bonds are limited obligations of OHSU and are secured by OHSU's gross revenue. Pursuant to the Oregon Uniform Revenue Bond Act, the 2012A Bonds are not general obligation bonds and are payable solely from the revenue pledged.

Bond proceeds from the issuance of the direct purchase OHSU Series 2022A Revenue Refunding Bonds were used to refund the $56,495 principal amount of the 2012A Bonds. The 2012A Bonds that were refunded are considered to be defeased in substance and the liability related to these bonds has been removed from long-term debt. The amount of in substance defeased debt outstanding as of June 30, 2022 is $56,495. At the time of the refunding, funds were deposited into an irrevocable escrow account to provide for all future payments of principal and interest for these bonds up to the redemption date of July 1, 2022 on which the University redeemed the bonds. The funds held in escrow for the refunding of the 2012A Bonds as of June 30, 2022 is $57,667.

At the time of refunding, projected remaining debt service payments, including principal and interest, was $64,873 under the old refunded bonds and is $59,083 under the new bonds issued, a decrease of $5,790. The estimated economic gain or net present value savings for OHSU, at the time of refunding, was $5,524. While the refunding resulted in an economic gain for OHSU, no deferred accounting gain or loss was generated from the transaction.

2012E Revenue Bonds (Refunded)

OHSU Series 2012E Revenue Bonds (2012E Bonds) were refunded on December 19, 2019. The 2012E Bonds had an outstanding principal amount of $126,365 that was refunded partially on a current refunding basis for $21,900 through a tender offer and partially on an advance refunding basis for $104,465 through the issuance of taxable debt. Bond proceeds from the issuance of the OHSU Series 2019A, Series 2019C, and Series 2019D Revenue Bonds were used in the refunding.

The 2012E Bonds are considered to be defeased in substance and the liability related to these bonds has been removed from long-term debt. The amount of in substance defeased debt outstanding as of June 30, 2022 is $104,465. At the time of the advance refunding, funds were deposited into an irrevocable escrow account to provide for all future payments of principal and interest for the Series 2012E up to the redemption date of July 1, 2022 on which the University redeemed the bonds. The funds held in escrow for the refunding of the Series 2012E as of June 30, 2022 is $105,988.

While the refunding resulted in an economic gain for OHSU, the event generated a deferred accounting loss, which has been reflected as a deferred outflow in the financial statements. The deferred accounting loss is being amortized using the effective-interest method over the original life of the 2012E Bonds. The balance of the deferred accounting loss from the refunding of the 2012E Bonds as of June 30, 2022 and 2021 are $7,494 and $8,427, respectively.

2015C Revenue Bonds

OHSU Series 2015C Revenue Bonds (2015C Bonds) are taxable fixed rate bonds with an outstanding principal amount of $100,000 as of June 30, 2022. The 2015C Bonds have a maturity date of July 1, 2045, and require semiannual interest payments at a coupon rate of 5.0%. Proceeds from the 2015C Bonds were used for general public corporation or other public purposes, including, but not limited to, financing capital expenses, noncapital expenses, and costs related to the issuance of the bonds. The 2015C Bonds are limited obligations of OHSU and are secured by OHSU’s gross revenues. Pursuant to the Oregon Uniform Revenue Bond Act, the 2015C Bonds are not general obligation bonds and are payable solely from revenue pledged.

2016B Revenue Bonds

OHSU Series 2016B Revenue Bonds (2016B Bonds) are tax-exempt fixed rate bonds with an outstanding principal amount of $199,835 as of June 30, 2022. The 2016B Bonds have maturities due beginning July 1, 2028 through July 1, 2046 requiring semiannual interest payments with coupon rates ranging from 2.5% to 5.0%. The 2016B Bonds were issued to advance refund the Series 2009A Bonds and for capital improvements related to the construction of an ambulatory care tower and as a prerequisite to the receipt of state matching grant funds for the construction of a new Knight Cancer Research Building. The 2016B Bonds are limited obligations of OHSU and are secured by OHSU’s gross revenues. Pursuant to the Oregon Uniform Revenue Bond Act, the 2016B Bonds are not general obligation bonds and are payable solely from revenue pledged.

2017A Revenue Bonds

OHSU Series 2017A Revenue Bonds (2017A Bonds) are tax-exempt fixed rate bonds with an outstanding principal amount of $65,460 as of June 30, 2022. The 2017A Bonds have maturities due beginning July 1, 2033 through July 1, 2046 requiring semiannual interest payments with coupon rates ranging from 3.5% to 5.0%. The Series 2017A Bonds were issued for capital improvements related to the construction of an ambulatory care tower and as a prerequisite to the receipt of State matching grant funds for the construction of a new Knight Cancer Research Building. The 2017A Bonds are limited obligations of OHSU and are secured by OHSU's gross revenues. Pursuant to the Oregon Uniform Revenue Bond Act, the 2017A Bonds are not general obligation bonds and are payable solely from revenue pledged.

2019A Revenue Bonds

OHSU Series 2019A Revenue Bonds (2019A Bonds) are tax-exempt fixed rate bonds with an outstanding principal amount of $124,440 as of June 30, 2022. The 2019A Bonds have remaining maturities due July 1, 2022 through July 1, 2049, requiring semiannual interest payments with coupon rates ranging from 3.0% to 5.0%. The 2019A Bonds were issued as part of a financing transaction used to refund several prior bond series, to pay for capital improvements for the University, and to pay for costs of issuance for the bonds. The 2019A Bonds are limited obligations of OHSU and are secured by OHSU's gross revenues. Pursuant to the Oregon Uniform Revenue Bond Act, the 2019A Bonds are not general obligation bonds and are payable solely from revenue pledged.

2019B-1 Revenue Bonds (Refunded)

OHSU Series 2019B-1 Revenue Bonds (2019B-1 Bonds) were refunded on December 21, 2021. The 2019B-1 Bonds had an outstanding principal amount of $25,950 that was fully refunded, following acceptance of a bond tender offer. The 2019B-1 Bonds were previously issued as tax-exempt put bonds as part of a financing transaction used to refund several prior bond series and to pay for capital improvements for the University, and to pay for costs of issuance for the bonds.

Bond proceeds from the issuance of the OHSU Series 2021B-1 and Series 2021B-2 Revenue Bonds were used to refund the 2019B-1 Bonds. At the time of refunding, projected remaining debt service payments, including principal and interest, was $44,176 under the old refunded bonds and is $37,429 under the new bonds issued, a decrease of $6,747. The estimated economic gain or net present value savings for OHSU, at the time of refunding, was $4,302. While the refunding resulted in an economic gain for OHSU, the event generated a deferred accounting loss, which has been reflected as a deferred outflow in the financial statements. The deferred accounting loss is being amortized using the effective-interest method over the original mandatory purchase date for the 2019B-1 Bonds. The balance of the deferred accounting loss from the refunding of the 2019B-1 Bonds as of June 30, 2022 was $579.

2019B-2 Revenue Bonds (Partially Refunded)

OHSU Series 2019B-2 Revenue Bonds (2019B-2 Bonds) were partially refunded on December 21, 2021. Several 2019B-2 Bonds were refunded for a total principal amount of $48,970, following acceptance of stated amounts in a bond tender offer and exchange. Not all bonds were tendered, and there remains an outstanding principal amount of $150 as of June 30, 2022. The remaining 2019B-2 Bonds are tax-exempt put bonds with maturities due beginning July 1, 2040 through July 1, 2042, that have a first optional redemption date of November 1, 2024, and a mandatory purchase date of February 1, 2025. The 2019B-2 Bonds require semiannual debt service payments at a coupon rate of 5.0%. The 2019B-2 Bonds were issued as part of a financing transaction used to refund several prior bond series and to pay for capital improvements for the University, and to pay for costs of issuance for the bonds. The 2019B-2 Bonds are limited obligations of OHSU and are secured by OHSU's gross revenues. Pursuant to the Oregon Uniform Revenue Bond Act, the 2019B-2 Bonds are not general obligation bonds and are payable solely from revenue pledged.

Bond proceeds from the issuance of the OHSU Series 2021B-1, Series 2021B-2, and Series 2021C Revenue Bonds were used to refund the 2019B-2 Bonds. At the time of refunding, projected remaining debt service payments, including principal and interest, was $84,812 under the old refunded bonds and is $73,245 under the new bonds issued, a decrease of $11,567. The estimated economic gain or net present value savings for OHSU at the time of refunding, was $7,518. While the refunding resulted in an economic gain for OHSU, the event generated a deferred accounting loss, which has been reflected as a deferred outflow in the financial statements. The deferred accounting loss is being amortized using the effective-interest method over the original mandatory purchase date for the 2019B-2 Bonds. The balance of the deferred accounting loss from the refunding of the 2019B-2 Bonds as of June 30, 2022 was $3,864.

2019C Revenue Bonds

OHSU Series 2019C Revenue Bonds (2019C Bonds) are taxable fixed rate bonds with an outstanding principal amount of $65,045 as of June 30, 2022. The 2019C Bonds have maturities due beginning July 1, 2023 through July 1, 2032, and require semiannual interest payments with coupon rates ranging from 2.2% to 3.0%. The 2019C Bonds were issued as part of a financing transaction used to refund several prior bond series, to pay for capital improvements for the University, and to pay for costs of issuance for the bonds. The 2019C Bonds are limited obligations of OHSU and are secured by OHSU's gross revenues. Pursuant to the Oregon Uniform Revenue Bond Act, the 2019C Bonds are not general obligation bonds and are payable solely from revenue pledged.

2021A Revenue Bonds

OHSU Series 2021A Revenue Bonds (2021A Bonds) were issued on December 21, 2021 as tax-exempt fixed rate bonds with a par amount of $338,380 and at a premium of $49,598. The 2021A Bonds have an outstanding principal amount of $338,380 as of June 30, 2022. The 2021A Bonds have maturities due beginning July 1, 2033 through July 1, 2051, and require semiannual interest payments with coupon rates ranging from 3.0% to 5.0%. The 2021A Bonds were issued as part of a financing transaction used to refund several prior bond series, to pay for capital improvements for the University including acquisition of an office building, and to pay for costs of issuance for the bonds. The 2021A Bonds are limited obligations of OHSU and are secured by OHSU's gross revenues. Pursuant to the Oregon Uniform Revenue Bond Act, the 2021A Bonds are not general obligation bonds and are payable solely from revenue pledged.

2021B-1 Revenue Bonds

OHSU Series 2021B-1 Revenue Bonds (2021B-1 Bonds) were issued on December 21, 2021 as tax-exempt long-term rate bonds with a par amount of $45,990 and at a premium of $12,834. The 2021B-1 Bonds have an outstanding principal amount of $45,990 as of June 30, 2022. The 2021B-1 Bonds have maturities due beginning July 1, 2040 through July 1, 2046, and require semiannual interest payments with coupon rates of 5.0%. The 2021B-1 Bonds have a first optional redemption date of November 1, 2029, and an initial long-term rate mandatory purchase date of February 1, 2030. The 2021B-1 Bonds were issued as part of a financing transaction used to refund several prior bond series, to pay for capital improvements for the University including acquisition of an office building, and to pay for costs of issuance for the bonds. The 2021B-1 Bonds are limited obligations of OHSU and are secured by OHSU’s gross revenues. Pursuant to the Oregon Uniform Revenue Bond Act, the 2021B-1 Bonds are not general obligation bonds and are payable solely from revenue pledged.

2021B-2 Revenue Bonds

OHSU Series 2021B-2 Revenue Bonds (2021B-2 Bonds) were issued on December 21, 2021 as tax-exempt long-term rate bonds with a par amount of $45,970 and at a premium of $15,093. The 2021B-2 Bonds have an outstanding principal amount of $45,970 as of June 30, 2022. The 2021B-2 Bonds have maturities due beginning July 1, 2040 through July 1, 2046, and require semiannual interest payments with coupon rates of 5.0%. The 2021B-2 Bonds have a first optional redemption date of November 1, 2031, and an initial long-term rate mandatory purchase date of February 1, 2032. The 2021B-2 Bonds were issued as part of a financing transaction used to refund several prior bond series, to pay for capital improvements for the University including acquisition of an office building, and to pay for costs of issuance for the bonds. The 2021B-2 Bonds are limited obligations of OHSU and are secured by OHSU’s gross revenues. Pursuant to the Oregon Uniform Revenue Bond Act, the 2021B-2 Bonds are not general obligation bonds and are payable solely from revenue pledged.

2021C Revenue Bonds

OHSU Series 2021C Revenue Bonds (2021C Bonds) were issued on December 21, 2021 as tax-exempt long-term rate bonds with a par amount of $11,585. The 2021C Bonds have an outstanding principal amount of $11,585 as of June 30, 2022. The 2021C Bonds have maturities due beginning July 1, 2040 through July 1, 2042, and require semiannual interest payments with coupon rates of 4.0%. The 2021C Bonds have a first optional redemption date of November 1, 2028, and an initial long-term rate mandatory purchase date of February 1, 2029. The 2021C Bonds were issued as part of a financing transaction used to refund several prior bond series, to pay for capital improvements for the University including acquisition of an office building, and to pay for costs of issuance for the bonds. The 2021C Bonds are limited obligations of OHSU and are secured by OHSU’s gross revenues. Pursuant to the Oregon Uniform Revenue Bond Act, the 2021C Bonds are not general obligation bonds and are payable solely from revenue pledged.

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(b) Direct Placement and Direct Purchase Bonds

2016A Revenue Bonds (Refunded)

OHSU Series 2016A Revenue Bonds (2016A Bonds) were refunded on December 21, 2021. The 2016A Bonds had an outstanding principal amount of $50,000 that was fully refunded on a current refunding basis. The 2016A Bonds were previously issued as tax-exempt fixed rate direct placement bonds for capital improvements related to the construction of an ambulatory care tower and as a prerequisite to the receipt of state matching grant funds for the construction of a new Knight Cancer Research Building.

Bond proceeds from the issuance of the OHSU Series 2021A and Series 2021B-2 Revenue Bonds were used to refund the 2016A Bonds. At the time of refunding, projected remaining debt service payments, including principal and interest, was $87,865 under the old refunded bonds and is $79,450 under the new bonds issued, a decrease of $8,415. The estimated economic gain or net present value savings for OHSU, at the time of refunding, was $4,770. While the refunding resulted in an economic gain for OHSU, no deferred accounting gain or loss was generated from the transaction.

2017B Revenue Bonds

OHSU Series 2017B Revenue Bonds (2017B Bonds) are tax-exempt fixed rate direct placement bonds with an outstanding principal amount of $50,000 as of June 30, 2022. The 2017B Bonds were issued for capital improvements related to the construction of an ambulatory care tower and as a prerequisite to the receipt of state matching grant funds for the construction of a new Knight Cancer Research Building. The 2017B Bonds are subject to event of default provisions that may cause the full outstanding amount to become immediately due and payable at the discretion of the bondholder representative. Event of default provisions are extensive with certain provisions subjective in nature based on materiality. Some notably event of default provisions included, but not limited to, are if the University fails to pay principal or interest on any bond when due, if the University makes any material misrepresentation in connection to the agreement, and if the University fails to meet the debt covenants requiring financial disclosures. The 2017B Bonds are limited obligations of OHSU and are secured by OHSU's gross revenues. Pursuant to the Oregon Uniform Revenue Bond Act, the 2017B Bonds are not general obligation bonds and are payable solely from revenue pledged.

2019D Revenue Refunding Bonds

OHSU Series 2019D Revenue Bonds (2019D Bonds) were converted to tax-exempt fixed rate direct purchase rate bonds from taxable fixed rate direct purchase rate bonds on April 5, 2022. The 2019D Bonds have an outstanding principal amount of $50,000 as of June 30, 2022. The 2019D Bonds were originally issued to refund a portion of the OHSU Series 2012E Revenue Bonds on an advance refunding basis. The 2019D Bonds are subject to event of default provisions that may cause the full outstanding amount to become immediately due and payable at the discretion of the bondholder representative. Event of default provisions are extensive with certain provisions subjective in nature based on materiality. Some notably event of default provisions included, but not limited to, are if the University fails to pay principal or interest on any bond when due, if the University makes any material misrepresentation in connection to the agreement, and if the University fails to meet the debt covenants requiring financial disclosures. The 2019D Bonds are limited obligations of OHSU and are secured by OHSU's gross revenues. Pursuant to the Oregon Uniform Revenue Bond Act, the 2019D Bonds are not general obligation bonds and are payable solely from revenue pledged.

2022A Revenue Refunding Bonds

OHSU Series 2022A Revenue Bonds (2022A Bonds) were issued on April 5, 2022 as tax-exempt direct purchase rate bonds with a par amount of $56,495. The 2022A Bonds have an outstanding principal amount of $56,495 as of June 30, 2022. The 2022A Bonds were issued to refund on a current basis a portion of the OHSU Series 2012A Revenue Bonds. The 2022A Bonds are subject to event of default provisions that may cause the full outstanding amount to become immediately due and payable at the discretion of the bondholder representative. Event of default provisions are extensive with certain provisions subjective in nature based on materiality. Some notably event of default provisions included, but not limited to, are if the University fails to pay principal or interest on any bond when due, if the University makes any material misrepresentation in connection to the agreement, and if the University fails to meet the debt covenants requiring financial disclosures. The 2022A Bonds are limited obligations of OHSU and are secured by OHSU's gross revenues. Pursuant to the Oregon Uniform Revenue Bond Act, the 2022A Bonds are not general obligation bonds and are payable solely from revenue pledged.

(c) Other Debt

State of Oregon DSPA and TIC Agreements

OHSU has agreements with the Oregon State Board of Higher Education (on behalf of the State of Oregon) pursuant to which OHSU makes semiannual payments to the State in amounts sufficient to pay when due principal, interest and other charges with respect to debt incurred by the State for the benefit of OHSU. These agreements between OHSU and the State are commonly referred to as the Debt Service Payment Agreement (DSPA) and the Tenancy in Common Agreement (TIC).

In 1995, OHSU became an independent public corporation pursuant to an act of the Oregon Legislative Assembly (the Act). Pursuant to the Act, OHSU assumed liability for outstanding indebtedness of the State previously incurred for the benefit of OHSU. To evidence this obligation, OHSU and the Oregon State Board of Higher Education (on behalf of the State of Oregon) entered into the DSPA.

In 2011, OHSU entered into a joint construction project with the Oregon State Board of Higher Education to build the Robertson Life Sciences Building (previously referred to as the Collaborative Life Sciences Building) on OHSU's Schnitzer Campus located in Portland's South Waterfront to be jointly owned, developed, and operated collaboratively with Portland State University and Oregon State University. As partial consideration for OHSU's receipt of 50% undivided percentage interest in the tenancy in common of the Robertson Life Sciences Building, OHSU entered into the TIC in which OHSU agreed to pay to the State for a portion of the debt issued by the State to fund the construction of the project.

Pursuant to the DSPA and TIC, OHSU has an obligation to the State, and the State is the bond issuer. From time to time, the State has refinanced its bonds, some of which has affected the underlying bonds that were assigned to the DSPA and TIC. The total amount outstanding for debt assigned to OHSU under the DSPA and TIC as of June 30, 2022 and 2021 are $25,241 and $25,369. These balances are included in long-term debt in the Statements of Net Position. Payments under the terms of the DSPA and TIC by OHSU represents full satisfaction of any legal obligation related to such outstanding indebtedness.

City of Portland Local Improvement District Agreements

OHSU initially entered into various local improvement district agreements (LIDs) with the City of Portland, Oregon during fiscal years 2007 and 2008 for real improvements to Portland's South Waterfront District. During fiscal year 2012, OHSU entered into additional LIDs with the City of Portland for real improvements to the same Portland South Waterfront District. All outstanding LIDs debt is scheduled to be repaid in semiannual installments, with maturities through fiscal year 2029 and interest rates ranging between 4.19% and 4.71%. The total outstanding amount of principal as of June 30, 2022 and 2021 are $9,541 and $11,396, respectively, and have been included in long-term debt in the Statements of Net Position.

(d) Line of Credit

OHSU has a single line of credit available with U.S. Bank National Association for an aggregate principal amount not to exceed $100,000. As of June 30, 2022, OHSU has not drawn on its line of credit. Pursuant to the Second Amendment to Credit Agreement (Second Amendment) dated April 11, 2022 between OHSU and U.S. Bank National Association, OHSU made changes, including, without limitation, extending the maturity date of the existing line of credit to May 31, 2023, and revising rate calculation provisions to transition from LIBOR to SOFR based calculations. The previously existing revolving line of credit with U.S. Bank National Association was for an aggregate principal not to exceed $100,000. Under the Second Amendment, interest is payable on a monthly basis and interest rates are variable based on the monthly SOFR rate and an applicable margin. The line of credit is subject to event of default provisions that would cause the full outstanding amount to become immediately due and payable. Event of default provisions are extensive with certain provisions subjective in nature based on materiality. Some notably event of default provisions included, but not limited to, are if the University fails to pay principal or interest on the loan when due, if the University makes any material misrepresentation in connection to the agreement, and if the University fails to meet the debt covenants requiring financial disclosures.

(e) Unamortized Bond Premiums and Discounts

OHSU has issued bonds at a premium and bonds at a discount. The premium and discount are amortized over the original life of the bond or through the bond mandatory tender date as applicable. The unamortized balances are included in long-term debt in the Statements of Net Position. The unamortized net premium balances as of June 30, 2022 and June 30, 2021 are $127,474 and $59,981. The significant increase from the prior year net premium balance is due to the recent issuance of the 2021A Bonds, 2021B-1 Bonds, and 2021B-2 Bonds on December 21, 2021. These bonds had a total original premium of $77,525, which added to the overall balance and has amortized since the issuance date of these bonds.

(Dollars in thousands)

(f) Interest Rate Swap Agreement

As of June 30, 2022 and 2021, OHSU held one interest rate swap agreement with Wells Fargo Bank, NA. The balances of OHSU's swap as of June 30, 2022 and 2021 are as follows:

	Notional		Fair value	
	2022	2021	2022	2021
Wells Fargo swap	$ 70,200	70,200	(4,565)	(17,315)
	$ 70,200	70,200	(4,565)	(17,315)

The notional amount of the outstanding swap with Wells Fargo Bank, NA declines over time and terminates on July 1, 2042. OHSU's interest rate swap agreement with Wells Fargo Bank, NA was established when OHSU entered into an International Swaps and Derivatives Association swap novation in fiscal year 2016.

Under the swap agreement with Wells Fargo Bank, NA, OHSU makes fixed rate payments of 2.506% and receives a variable rate payment computed as 70.00% of the London Interbank Offered Rate. The fair value represents the estimated amount that OHSU would pay or receive if the swap agreement was terminated at year-end, taking into account current interest rates and the creditworthiness of the underlying counterparty. Total net cash payments made to the swap counterparty was $1,595 and $1,694 during the years ended June 30, 2022 and 2021, respectively.

On December 19, 2019, OHSU refunded the Series 2012B-3 and Series 2015A Bonds, which were the assigned hedges under the interest rate swap. As of June 30, 2022, the outstanding interest rate swap has no assigned hedges and is not associated with any variable rate debt.

The companion debt instrument for the interest rate swap and deferred amortization of debt instruments were adjusted based on the market value of the swap on the date of the termination of the related hedge assignments. The value of the companion debt instrument is $13,076 and $13,763 as of June 30, 2022 and 2021, respectively. The deferred amortization of debt instruments is $4,843 and $6,091 as of June 30, 2022 and 2021, respectively. OHSU continues to amortize both the companion debt instrument and the deferred amortization of debt instruments. In addition, without the hedged debt associated with the swap, the change in market value of the interest rate swap, as determined after the date of debt refinancing, is now recorded to an unrealized gain or loss. In fiscal year 2022, OHSU recorded an unrealized gain of $12,749 for the swap. In the previous fiscal year 2021, OHSU recorded an unrealized gain of $9,384 for the swap.

OHSU is exposed to swap credit risk, which is the risk that the counterparty will not fulfill its obligation. As of June 30, 2022 and 2021, the counterparties' long-term credit ratings were A+ from Standard & Poor's, Aa2 from Moody's, and AA- from Fitch. Additionally, the swap exposes OHSU to basis risk, which is the risk that arises when the relationship between the rates on the variable rate bonds and the swap formulas noted above vary from historical norms. If this occurs, swap payments received by OHSU may not fully offset its bond interest payments.

(Dollars in thousands)

OHSU may be additionally responsible for posting collateral based on its credit ratings and if the total swap liability exceeds a predetermined value on its reporting date. Based on current credit ratings for OHSU and the current market value of the swap, OHSU is not required to post any collateral at this time.

OHSU or the counterparty may terminate the swap if the other party fails to perform under the terms of the contracts. The swap has the option of early termination with a cash settlement.

(h) Summary of Long-Term Debt and Long-Term Leases

Total long-term debt and long-term lease balances as of June 30, 2022 and 2021 are $1,419,871 and $1,040,881, respectively. As of June 30, 2022, the total long-term debt and long-term lease balance of $1,419,871 includes the current portion of $46,315 and the noncurrent portion of $1,373,556.

Principal and interest payments under the outstanding long-term debt and long-term lease obligations are as follows:

		Principal	Interest	Total
Year(s) ending June 30:				
2023	$	46,315	49,145	95,460
2024		42,390	47,264	89,654
2025		38,360	46,054	84,414
2026		36,951	44,926	81,877
2027		35,832	43,813	79,645
2028–2032		158,093	203,632	361,725
2033–2037		162,356	173,334	335,690
2038–2042		191,354	133,309	324,663
2043–2047		286,151	82,672	368,823
2048–2052		294,595	25,345	319,940
	$	1,292,397	849,494	2,141,891

(Dollars in thousands)

(i) Changes in Long-Term Liabilities

Changes in OHSU's total long-term liabilities during the fiscal years ended June 30, 2022 and 2021 is summarized below:

		June 30, 2021 Balance	Increases	Decreases	June 30, 2022 Current Portion	June 30, 2022 Noncurrent Portion
Liability for self-funded insurance programs	$	87,507	44,027	(28,137)	47,549	55,848
Liability for life income agreements		23,492	949	(4,330)	—	20,111
Long-term debt		967,756	575,945	(214,295)	23,076	1,306,330
Long Term Financed Purchase		2,202	1,666	(1,450)	659	1,759
ROU Lease Liability		70,923	39,151	(22,027)	22,580	65,467
Other noncurrent liabilities		88,133	26,175	(69,259)	—	45,049
Pension liability		595,311	179,979	(469,335)	—	305,955
	$	1,835,324	867,892	(808,833)	93,864	1,800,519

		June 30, 2020 Balance	Increases	Decreases	June 30, 2021 Current Portion	June 30, 2021 Noncurrent Portion
Liability for self-funded insurance programs	$	73,796	36,093	(22,382)	40,868	46,639
Liability for life income agreements		20,741	5,254	(2,503)	—	23,492
Long-term debt		995,408	1,620	(29,272)	22,848	944,908
Long Term Financed Purchase		1,987	1,303	(1,088)	1,234	968
ROU Lease Liability		74,463	12,394	(15,934)	16,699	54,224
Other noncurrent liabilities		55,098	65,916	(32,881)	—	88,133
Pension liability		503,720	302,855	(211,264)	—	595,311
	$	1,725,213	425,435	(315,324)	81,649	1,753,675

(10) Life Income Fund – Annuities

Assets contributed as life income agreements are recorded at their fair value. The present value of estimated future payments to beneficiaries of annuity agreements is recorded as a liability. The present values of these estimated payments were determined on the basis of published actuarial factors for the ages of the respective annuity beneficiaries. Differences between the assets contributed and the expected payments to be made to beneficiaries have been recorded as donations in the year established.

(Dollars in thousands)

Life income contributions, including gifts, grants, and contracts in the accompanying statements of revenues, expenses, and changes in net position, are as follows for the fiscal years ended June 30, 2022 and 2021:

	2022		
	Agreements	**Asset**	**Liability**
Charitable remainder unitrusts	1	$ 3	1
Charitable lead unitrusts	7	230	288
Life estate agreements	1	397	103
Total	9	$ 630	392

	2021		
	Agreements	**Asset**	**Liability**
Charitable remainder unitrusts	3	$ 781	2
Charitable lead unitrusts	7	1,805	1,045
Life estate agreements	1	535	55
Total	11	$ 3,121	1,102

The assets and corresponding liabilities related to life income agreements are included in long-term investments, restricted, and the liability for life income agreements in the accompanying statements of net position.

Total life income instruments held at June 30, 2022 and 2021 are as follows:

	2022		
	Agreements	**Asset**	**Liability**
Charitable remainder unitrusts	43	$ 18,750	5,303
Charitable lead unitrusts	3	21,455	7,973
Charitable remainder trust annuities	—	—	—
Charitable gift annuities	166	10,026	5,920
Life estate agreements	4	2,767	915
Total	216	$ 52,998	20,111

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(Dollars in thousands)

	2021			
	Agreements		**Asset**	**Liability**
Charitable remainder unitrusts	47	$	22,405	6,958
Charitable lead unitrusts	3		26,143	9,116
Charitable remainder trust annuities	1		79	59
Charitable gift annuities	168		12,021	6,586
Life estate agreements	4		2,031	773
Total	223	$	62,679	23,492

Eleven charitable gift annuities, included above, with a total gift value of $3.1 million, have been reinsured with insurance carriers in order to reduce liability exposure. Under the reinsurance contracts, the insurance carrier pays the future beneficiary payments. To the extent the insurance carriers are unable to perform under the contract, the foundation would be responsible for payment.

(11) Funds Held in Trust by Others

The Foundation is the named beneficiaries of 38 and 39 trusts held by outside trustees as of June 30, 2022 and 2021, respectively. The reported fair market value of trust assets held by others was $50,900 and $59,500 of the years ended June 30, 2022 and 2021, respectively. The Foundation record contributions as trust distributions occur. Trust distributions of $2,100 and $1,800 were recorded as contributions during the fiscal years ended June 30, 2022 and 2021, respectively.

(Dollars in thousands)

(12) Pledges and Estates Receivables

The Foundation had the following pledges and estates receivable as of June 30, 2022 and 2021:

		2022	2021
Pledges maturing within 1 year	$	121,843	121,862
Pledges maturing within 2–10 years		174,489	252,048
		296,332	373,910
Less allowance for uncollectible pledges		(856)	(920)
		295,476	372,990
Less discount for net present value		(5,785)	(9,542)
Total net pledges receivable		289,691	363,448
Estates receivable		7,151	6,512
Less allowance for uncollectible estates		(8)	(1)
Less discount for net present value (rates of 0.22% to 0.98%)		(363)	(239)
Total net estates receivable		6,780	6,272
Total pledges and estates receivable	$	296,471	369,720

(13) Commitments and Contingencies

(a) Liability for Self-Funded Insurance Programs

Coverage for professional liability, patient general liability, and automobile liability is provided through OHSU's solely owned captive insurance company, OHSU Insurance Company. Current coverage limits are $4,650 per claim with an annual aggregate of $20,000 for professional liability and $3,000 per claim for general liabilities.

Coverage for the directors' and officers' liability and employment practices liability deductible is also provided through OHSU Insurance Company. Current coverage limits for claims made on or after July 1, 2014 are $1,000 for each and every claim.

Coverage for the cyber liability deductible is also provided through OHSU Insurance Company. The coverage limit for cyber liability is $250 for each and every claim.

Excess coverage and reinsurance is provided by a variety of insurers for claims that may exceed these limits. Coverage is written on a claims-made basis.

(Dollars in thousands)

OHSU has contracted with independent actuaries to estimate the ultimate costs of settlement related to the coverage provided by OHSU Insurance Company. The liabilities are discounted at 1.5% in 2022 and 2021 and, in management's opinion, provide an adequate reserve for loss contingencies.

In December 2007, the Oregon Supreme Court found unconstitutional certain provisions of the Oregon Tort Claims Act (OTCA) that limited OHSU's liability for the acts of its employees and agents in large damages cases.

Effective July 1, 2009, the OTCA was amended by Senate Bill 311 for events occurring on or after December 28, 2007. The new OTCA limits are as follows:

Date of event	New OTCA limit (per claim)	Occurrence aggregate
07/01/2010–06/30/2011	$ 1,600	3,200
07/01/2011–06/30/2012	1,700	3,400
07/01/2012–06/30/2013	1,800	3,600
07/01/2013–06/30/2014	1,900	3,800
07/01/2014–06/30/2015	2,000	4,000
07/01/2015–06/30/2016	2,048	4,096
07/01/2016–06/30/2017	2,074	4,147
07/01/2017–06/30/2018	2,118	4,236
07/01/2018–06/30/2019	2,182	4,363
07/01/2019–06/30/2020	2,247	4,494
07/01/2020–06/30/2021	2,308	4,615
07/01/2021–06/30/2022	2,377	4,753

The impact of this decision has been included in the liability for self-funded insurance programs in the accompanying financial statements.

In September 2013, a judgment was awarded against OHSU in a professional liability case that was in excess of the OTCA, which limits OHSU's and other Oregon public body's liability for the acts of its employees and agents. OHSU disbursed the sum of $3,000, the amount of the tort cap in place at the date of the event. In May 2016, the Oregon Supreme Court affirmed the OTCA in this case.

Effective January 1, 2017, OHSU Insurance Company affiliated with a newly formed Oregon limited liability company called OHSU Project Co., LLC (a controlled affiliate of OHSU), which comprises OHSU and other nonaffiliated healthcare providers and systems, referred to as members. The operating agreement of OHSU Project Co., LLC asserts that OHSU's membership interest or voting power with respect to OHSU Project Co., LLC may not constitute less than ten percent (10%) of the outstanding membership interests. OHSU's membership interest was 36.8% and 36.5% as of June 30, 2022 and 2021, respectively.

The OHSU Project Co., LLC's sole purpose is to purchase casualty stop-loss insurance from OHSU Insurance Company for the benefit of its members. Each provider is entitled to coverage equal to its percentage membership interest in the limited liability company. The contracted payor effectuated the health insurance products entering into a provider-networking contract with OHSU Project Co., LLC.

Insco provides to OHSU Project Co., LLC medical aggregate excess of loss coverage for its share of the medical loss ratio (MLR) risk and cedes a portion of the risk to Swiss Re. Should MLR deteriorate sufficiently so as to trigger the risk ceded to Swiss Re, then Swiss Re will be liable for 90% of OHSU Project Co., LLC's risk share, subject to a maximum liability of $1,500 with the 10% retention staying with OHSU Insurance Company.

On January 1, 2006, workers compensation coverage for all employees was placed with the SAIF Corporation in accordance with statutory requirements. The State Accident Insurance Fund also provides Employers Liability coverage in the amount of $500, without retention. The State Accident Insurance Fund policy was written as a paid loss retrospective plan until July 1, 2017 at which time it converted its coverage to a guaranteed cost plan. This paid premium is an estimate and varies with audited payroll. In addition, the State Accident Insurance Fund bills monthly for the prior year's claims paid losses. (2006 to June 2017), adding a 16.5% loss conversion factor to the paid loss costs. Six months after the policy term, and every 12 months thereafter, a retrospective evaluation is completed (for years 2006 to June 2017) to determine any additional amounts to be paid, including outstanding reserves, for claims relating to the policy year.

(b) Unemployment Compensation

Unemployment compensation claims are administered by the Oregon Employment Division pursuant to Oregon Revised Statutes. The estimated amount of future benefits payments to claimants and the resulting liability to OHSU have been reflected as accrued salaries, wages, and benefits in the accompanying statements of net position.

(c) Employee Health Programs

OHSU is self-insured for its risk of loss related to costs to insure its employees for medical, dental, and vision coverage. OHSU has utilized a third-party actuary to assist in the estimation of its liability for the employee health programs related to claims payable and those claims incurred but not yet paid or reported of approximately $30,536 and $23,756 as of June 30, 2022 and 2021, respectively. These amounts are included in current portion of self-funded insurance program liabilities in the accompanying statements of net position.

(d) Labor Organizations

As of fiscal year-end June 30, 2022, approximately 53.5% of OHSU's employees are represented by labor organizations: 14.9% of OHSU's employees are nurses represented by the ONA, 38.5% of OHSU's employees are represented by the AFSCME, and less than 0.1% of OHSU's employees are represented by the OHSU Police Association. The current contract with ONA expires on June 30, 2023. The current contract with AFSCME will be in effect until June 30, 2022. The current contract with the OHSU Police Association expires on June 30, 2024.

(e) Construction Contracts

OHSU had outstanding commitments on unexpended construction contracts totaling approximately $52,107 and $35,129 at June 30, 2022 and 2021, respectively. These commitments will be primarily funded from gifts, grants, funds held by trustee, and other investment accounts.

(f) Legal Proceedings

The healthcare industry and academic medical centers are subject to numerous laws and regulations of federal, state, and local governments. These laws and regulations include, but are not limited to, laws and regulations related to licensure, accreditation, government health program participation, reimbursement for patient services, Medicare and Medicaid fraud and abuse, and laws and regulations governing the conduct of federally funded research, research involving human and animal subjects, and other facets of research. Government monitoring and enforcement activity continues with respect to possible violations of fraud and abuse laws and regulations and other laws and regulations applicable to healthcare providers and healthcare institutions, including academic medical centers. Violations of these laws and regulations could result in expulsion from government healthcare programs, together with the imposition of significant fines and penalties and repayments for patient services previously billed. Management believes OHSU is in compliance with applicable fraud and abuse laws and regulations, as well as other applicable government laws and regulations.

OHSU's compliance with the referenced laws and regulations may be subject to current or future government review and interpretation, as well as regulatory actions unknown or unasserted at this time.

OHSU is involved in litigation and is periodically the subject of regulatory inquiries in the normal course of its business. In past years, OHSU was subject to several federal healthcare audits as a part of national initiatives targeting large numbers of hospitals and academic medical centers and was the subject of government-issued subpoenas and postpayment reviews concerning specific OHSU billing practices. OHSU responded to these audits, subpoenas, and reviews, and these matters were resolved or are expected to be resolved without material adverse effect on OHSU's financial position, changes in financial position, or liquidity.

(Dollars in thousands)

(g) Leases(lessee) and Similar Subscription Based Information Technology Arrangements

As discussed in note 1(w), OHSU is a lessee for various noncancelable leases of buildings and equipment. OHSU also has noncancelable subscription arrangements (similar to a lease) for the right-to-use various information technology hardware and software (subscription IT arrangements).

Intangible right-to-use lease and subscription IT assets

A summary of lease and subscription IT asset activity during the year ended June 30, 2022 is as follows:

	Balance June 30, 2021	Additions	Remeasurements	Deductions	Balance June 30, 2022
Lease assets:					
Buildings and Equipment	$ 75,048	20,991	402	(3,207)	93,234
Less accumulated amortization:					
Buildings and Equipment	(14,317)	(14,867)	—	3,189	(25,995)
Total lease assets, net	60,731	6,124	402	(18)	67,239
Subscription IT assets	20,812	20,665	(54)	(768)	40,655
Less accumulated amortization:					
Subscription IT assets	(3,633)	(6,857)	—	(24)	(10,514)
Subscription IT assets, net	17,179	13,808	(54)	(792)	30,141
Total lease and subscription IT assets, net	$ 77,910	19,932	348	(810)	97,380

(Dollars in thousands)

A summary of lease and subscription IT asset activity during the year ended June 30, 2021 is as follows:

	Balance June 30, 2020	Additions	Remeasurements	Deductions	Balance June 30, 2021
Lease assets:					
Buildings and Equipment	$ 70,048	5,000	—	—	75,048
Less accumulated amortization:					
Buildings and Equipment	(3,554)	(10,763)	—	—	(14,317)
Total lease assets, net	66,494	(5,763)	—	—	60,731
Subscription IT assets	7,995	12,858	—	(41)	20,812
Less accumulated amortization:					
Subscription IT assets	(313)	(3,361)	—	41	(3,633)
Subscription IT assets, net	7,682	9,497	—	—	17,179
Total lease and subscription IT assets, net	$ 74,176	3,734	—	—	77,910

Lease and subscription IT liabilities

A summary of changes in the related lease and subscription IT liabilities during the year ended June 30, 2022 is as follows:

	Balance June 30, 2021	Additions	Remeasurements	Deductions	Balance June 30, 2022	Amounts Due within one year
Lease liabilities and subscription IT liabilities	$ 70,923	39,151	414	(22,441)	88,047	22,552

(Dollars in thousands)

A summary of changes in the related lease and subscription IT liabilities during the year ended June 30, 2021 is as follows:

	Balance June 30, 2020	Additions	Remeasurements	Deductions	Balance June 30, 2021	Amounts Due within one year
Lease liabilities and subscription IT liabilities	$ (74,463)	(12,394)	—	15,934	(70,923)	(16,688)

Future annual lease payments are as follows:

	Principal Amount	Interest Amount	Total
Year ending June 30:			
2023	$ 22,552	2,283	24,835
2024	17,513	1,671	19,184
2025	12,913	1,210	14,123
2026	10,949	866	11,815
2027	9,447	567	10,014
2028 - 2032	8,882	1,393	10,275
2033 - 2037	4,121	624	4,745
2038 - 2042	1,544	61	1,605
2043 - 2047	126	6	132
	$ 88,047	8,681	96,728

(Dollars in thousands)

Future annual subscription IT payments are as follows:

		Principal Amount	Interest Amount	Total
Year ending June 30:				
2023	$	10,657	581	11,238
2024		6,620	290	6,910
2025		2,981	128	3,109
2026		1,248	63	1,311
2027		585	36	621
2028 - 2032		983	46	1,029
2033 - 2037		—	—	—
2038 - 2042		—	—	—
2043 - 2047		—	—	—
	$	23,074	1,144	24,218

Variable lease and subscription payments

Variable lease and subscription payments, other than those payments that depend on an index or rate or are fixed in substance, are excluded from the measurement of the lease and subscription IT liability. Such amounts are recognized as lease expense or subscription expense, respectively, in the period in which the obligation for those payments is incurred.

OHSU makes variable lease payments related to maintenance, support, utility, and insurance costs to its lessors. The amounts recognized as outflows (expense) for variable lease payments not included in the measurement of the lease liabilities were $2,330 and $1,816 during the years ended June 30, 2022 and 2021, respectively.

Lease and subscription commitments

As of June 30, 2022, OHSU has one lease for clinical space that has not yet commenced with lease payments due on an undiscounted basis of $1,984 over the respective lease terms. The lease will commence in 2023 with lease terms of 5 years.

(h) Tuality Health Affiliation

On February 1, 2016, OHSU affiliated with Tuality Healthcare (Tuality) through the execution of a management agreement (the Tuality Agreement) between the organizations. Under the Tuality Agreement, OHSU agrees to oversee the unified and integrated clinical enterprises of OHSU and Tuality as a single, integrated economic unit. OHSU and Tuality remain as separate entities, own their own assets, and continue to be the licensed operators of their own facilities. Per the agreement, OHSU has guaranteed Tuality's operating income and will provide operating cash flow support. The initial term of the Tuality Agreement is 20 years and it may be renewed or extended by written agreement of the parties. The Tuality Agreement is subject to termination in the event of material breaches of the agreement or for certain other reasons specified in the Tuality Agreement.

After February 1, 2016, OHSU guarantees operating income support in the following manner: to the extent Tuality incurs an operating loss for any fiscal year, OHSU will provide operating support in the form of a cash payment to Tuality in an amount equal to the operating loss, which will result in Tuality's operating income being equal to zero. OHSU may recoup prior payments for operating support from Tuality's positive operating cash flow generated in future fiscal years as specified in the Tuality Agreement. For fiscal years 2022 and 2021, operating income support amounted to $11,051 and $746, respectively.

During the first five years of the agreement, if Tuality's operating cash flow, defined in the Tuality Agreement as operating income plus depreciation less regular principal payments on long-term debt and less capital spending, was negative, OHSU provided Tuality a capital advance in the form of a cash payment to bring Tuality's operating cash flow to a balance of zero. The capital advance was recorded on Tuality's financial statements as a payable to OHSU, and on OHSU's financial statements as a receivable from Tuality, subject to any required reserves for estimates of collectability. Such capital advances do not bear interest and is repayable by Tuality to OHSU from positive operating cash flow generated in future fiscal years under general guidelines specified in the Tuality Agreement. The total note receivable as of June 30, 2022 was $19,591. In light of uncertain operating income in the near term and the likelihood that cash flow available for repayment will be deferred into future years, OHSU recorded a valuation reserve of $19,591 against the note receivable under other noncurrent assets as of June 30, 2021.

(i) Adventist Health

On January 1, 2018, OHSU and Adventist Health entered into a Health System agreement, an operating agreement and an academic affiliation agreement. Under this affiliation, OHSU and Adventist Health will operate as a unified clinical system with a shared bottom line. The affiliation applies to OHSU's Portland-area clinical services and activities and Adventist Health Portland, which includes the 302-bed Adventist Health Portland Medical Center and its 34 affiliated clinics and home care and hospice services in the Portland-Vancouver metro area. The other 19 Adventist Health hospitals in the western United States are excluded from the agreements. Each organization will retain its existing hospital licenses, capital assets, and employees and will not join each other's master trust indenture obligated group or otherwise guarantee each other's outstanding debt.

Each entity will continue to maintain its individual mission and culture but will together strive to transform access and the delivery of healthcare to Oregonians through a unified clinical enterprise and shared brand experience. A board of managers comprising representatives from each organization has been created to oversee the system.

The initial term of the Adventist agreement is 20 years and it may be renewed or extended by written agreement of the parties, and the agreement is subject to termination in the event of material breaches or for certain other reasons specified in the agreement.

OHSU and Adventist Health's allocation amount is determined by multiplying the consolidated Metro Health System net operating results by such party's proportional allocation percentage, including the amount of such party's total capital charges (for the same period for which such allocation amount is determined). The result shall equal the party's net share of the Metro Health System earnings before interest, depreciation, and amortization (EBIDA).

OHSU and Adventist's net share for each period shall be compared to each party's actual metro clinical enterprise adjusted EBIDA for the same period. OHSU and Adventist Health agree that if a party's net share for a period is less than such party's metro clinical enterprise adjusted EBIDA for such period, such party shall pay to the other party the amount of the difference (net share payment). OHSU and Adventist agree that if a party's net share for a period is more than such party's metro clinical enterprise adjusted EBIDA for the same period, such party shall receive from the other party a payment in the amount of the difference (net share receivable).

For fiscal years 2022 and 2021, support payments to/(from) Adventist amounted to $7,662 and ($4,180) per year. For FY20, the net share payment cap was met. In order to optimize healthcare provider coverage and accessibility within the Portland metropolitan area, OHSU also paid $721 and $1,408 for physician

(Dollars in thousands)

(14) Blended Component Units

Condensed combining statements for OHSU and its blended component units are shown below:

	2022				
	University	INSCO	OHSU Foundation	Eliminations/ reclassifications	Total combined
Assets:					
Current assets	$ 1,106,741	22,672	169,618	(71,886)	1,227,145
Noncurrent assets:					
Capital assets, net of accumulated depreciation	2,168,018	—	13,190	—	2,181,208
Other noncurrent assets	1,462,758	74,709	1,685,245	—	3,222,712
Total noncurrent assets	3,630,776	74,709	1,698,435	—	5,403,920
Total assets	4,737,517	97,381	1,868,053	(71,886)	6,631,065
Deferred outflows	218,704	—	—	—	218,704
Total assets and deferred outflows	$ 4,956,221	97,381	1,868,053	(71,886)	6,849,769
Liabilities:					
Current liabilities	$ 610,625	1,147	81,872	(71,886)	621,758
Noncurrent liabilities	1,713,813	52,831	33,875	—	1,800,519
Total liabilities	2,324,438	53,978	115,747	(71,886)	2,422,277
Deferred inflows	287,358	—	192,363	—	479,721
Net position:					
Net investment in capital assets	1,204,412	—	1,350	—	1,205,762
Restricted, expendable	87,870	—	630,951	—	718,821
Restricted, nonexpendable	—	—	323,982	—	323,982
Unrestricted	1,052,143	43,403	603,660	—	1,699,206
Total net position	2,344,425	43,403	1,559,943	—	3,947,771
Total liabilities, deferred inflows, and net position	$ 4,956,221	97,381	1,868,053	(71,886)	6,849,769

(Dollars in thousands)

	2021				
	University	INSCO	OHSU Foundation	Eliminations/ reclassifications	Total combined
Assets:					
Current assets	$ 1,279,686	7,056	170,339	(60,507)	1,396,574
Noncurrent assets:					
Capital assets, net of accumulated depreciation	2,130,886	—	3,011	—	2,133,897
Other noncurrent assets	1,170,196	87,474	1,636,954	—	2,894,624
Total noncurrent assets	3,301,082	87,474	1,639,965	—	5,028,521
Total assets	4,580,768	94,530	1,810,304	(60,507)	6,425,095
Deferred outflows	234,013	—	—	—	234,013
Total assets and deferred outflows	$ 4,814,781	94,530	1,810,304	(60,507)	6,659,108
Liabilities:					
Current liabilities	$ 636,822	599	74,683	(60,507)	651,597
Noncurrent liabilities	1,679,099	45,816	28,760	—	1,753,675
Total liabilities	2,315,921	46,415	103,443	(60,507)	2,405,272
Deferred inflows	51,226	—	104,542	—	155,768
Net position:					
Net investment in capital assets	1,239,251	—	353	—	1,239,604
Restricted, expendable	98,358	—	703,563	—	801,921
Restricted, nonexpendable	—	—	304,696	—	304,696
Unrestricted	1,110,025	48,115	593,707	—	1,751,847
Total net position	2,447,634	48,115	1,602,319	—	4,098,068
Total liabilities, deferred inflows, and net position	$ 4,814,781	94,530	1,810,304	(60,507)	6,659,108

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(Dollars in thousands)

Condensed combining information related to revenues, expenses, and changes in net position for the years ended June 30, 2022 and 2021 is as follows:

	2022				
	University	INSCO	OHSU Foundation	Eliminations/ reclassifications	Total combined
Operating revenues:					
Patient service revenue	$ 2,845,352	—	—	—	2,845,352
Student tuition and fees, net	80,886	—	—	—	80,886
Gifts, grants, and contracts	775,015	—	112,184	(104,910)	782,289
Other revenue	243,132	22,840	1,666	(34,131)	233,507
Total operating revenues	3,944,385	22,840	113,850	(139,041)	3,942,034
Operating expenses:					
Salaries, wages, and benefits	2,439,450	—	15,834	—	2,455,284
Defined-benefit pension	23,008	—	—	—	23,008
Services, supplies, and other	1,338,657	20,401	129,181	(144,963)	1,343,276
Depreciation and amortization	199,450	—	1,161	—	200,611
Interest	45,251	—	—	—	45,251
Total operating expenses	4,045,816	20,401	146,176	(144,963)	4,067,430
Operating income (loss)	(101,431)	2,439	(32,326)	5,922	(125,396)
Nonoperating revenues (expenses):					
Investment income and change in fair value of investments	(94,685)	(7,151)	(32,428)	—	(134,264)
State appropriations	41,240	—	—	—	41,240
CARES Act grant	33,514	—	—	—	33,514
Other	7,354	—	1,557	—	8,911
Total nonoperating revenues (expenses), net	(12,577)	(7,151)	(30,871)	—	(50,599)
Net income (loss) before other changes in net position	(114,008)	(4,712)	(63,197)	5,922	(175,995)
Other changes in net position:					
Contributions for capital and other	10,799	—	—	(5,922)	4,877
Nonexpendable donations	—	—	20,821	—	20,821
Total other changes in net position	10,799	—	20,821	(5,922)	25,698
Total increase (decrease) in net position	(103,209)	(4,712)	(42,376)	—	(150,297)
Net position – beginning of year	2,447,634	48,115	1,602,319	—	4,098,068
Net position – end of year	$ 2,344,425	43,403	1,559,943	—	3,947,771

(Dollars in thousands)

	2021				
	University	INSCO	OHSU Foundation	Eliminations/ reclassifications	Total combined
Operating revenues:					
Patient service revenue	$ 2,595,048	—	—	—	2,595,048
Student tuition and fees, net	82,770	—	—	—	82,770
Gifts, grants, and contracts	715,430	—	72,576	(84,941)	703,065
Other revenue	225,358	21,279	1,322	(22,617)	225,342
Total operating revenues	3,618,606	21,279	73,898	(107,558)	3,606,225
Operating expenses:					
Salaries, wages, and benefits	2,150,917	—	15,097	—	2,166,014
Defined-benefit pension	113,695	—	—	—	113,695
Services, supplies, and other	1,166,521	19,109	104,260	(112,739)	1,177,151
Depreciation and amortization	193,460	—	1,020	—	194,480
Interest	35,108	—	—	—	35,108
Total operating expenses	3,659,701	19,109	120,377	(112,739)	3,686,448
Operating income (loss)	(41,095)	2,170	(46,479)	5,181	(80,223)
Nonoperating revenues (expenses):					
Investment income and change in fair value of investments	147,280	835	291,733	—	439,848
State appropriations	44,243	—	—	—	44,243
CARES Act grant	72,593	—	—	—	72,593
Other	(72)	—	4,205	—	4,133
Total nonoperating revenues (expenses), net	264,044	835	295,938	—	560,817
Net income (loss) before other changes in net position	222,949	3,005	249,459	5,181	480,594
Other changes in net position:					
Contributions for capital and other	5,964	—	—	(5,181)	783
Nonexpendable donations	—	—	11,349	—	11,349
Total other changes in net position	5,964	—	11,349	(5,181)	12,132
Total increase (decrease) in net position	228,913	3,005	260,808	—	492,726
Net position – beginning of year	2,218,721	45,110	1,341,511	—	3,605,342
Net position – end of year	$ 2,447,634	48,115	1,602,319	—	4,098,068

(Dollars in thousands)

Condensed combining information related to cash flows for the years ended June 30, 2022 and 2021 is as follows:

	2022				
	University	INSCO	OHSU Foundation	Eliminations/ reclassifications	Total combined
Net cash provided by (used in) operating activities	$ 16,341	11,479	41,681	—	69,501
Net cash provided by noncapital financing activities	93,146	—	7,507	—	100,653
Net cash provided by (used in) capital and related financing activities	93,483	—	(2,158)	—	91,325
Net cash provided by (used in) investing activities	(378,199)	(9,314)	(47,068)	—	(434,581)
Net change in cash and cash equivalents	(175,229)	2,165	(38)	—	(173,102)
Cash and cash equivalents, beginning of year	388,864	3,350	43,360	—	435,574
Cash and cash equivalents, end of year	$ 213,635	5,515	43,322	—	262,472

	2021				
	University	INSCO	OHSU Foundation	Eliminations/ reclassifications	Total combined
Net cash provided by (used in) operating activities	$ 234,319	12,240	(34,868)	—	211,691
Net cash provided by noncapital financing activities	94,439	—	19,390	—	113,829
Net cash provided by (used in) capital and related financing activities	(207,529)	—	(1,336)	—	(208,865)
Net cash provided by (used in) investing activities	(126,731)	(14,005)	36,913	—	(103,823)
Net change in cash and cash equivalents	(5,502)	(1,765)	20,099	—	12,832
Cash and cash equivalents, beginning of year	394,366	5,115	23,261	—	422,742
Cash and cash equivalents, end of year	$ 388,864	3,350	43,360	—	435,574

Required Supplementary Information – Unaudited
OHSU's Proportionate Share of the Net Pension (Asset) Liability and Related Ratios

(Dollar amounts in thousands)

Defined-benefit pension plan[1]		2022	2021	2020	2019	2018	2017
OHSU's proportion of the net pension (asset) liability (rounded)		2.56 %	2.73 %	2.91 %	3.01 %	3.51 %	3.51 %
OHSU's proportionate share of the net pension (asset) liability	$	305,955	595,311	503,720	456,006	424,000	526,200
Covered payroll		330,673	340,369	330,868	323,343	337,473	326,959
OHSU's proportionate share of the net pension (asset) liability as a percentage of covered payroll		92.52 %	174.90 %	152.24 %	141.03 %	125.64 %	160.94 %
Plan fiduciary net position as a percentage of the total pension liability		87.60 %	75.80 %	80.20 %	82.10 %	83.10 %	80.50 %

[1] Ten-year trend information will be presented prospectively.

Required Supplementary Information – Unaudited
Schedule of Defined-Benefit Pension Plan Contributions

(Dollars in thousands)

Year ended June 30[1]		2022	2021	2020	2019	2018	2017
Contractually required contributions	$	53,754	48,333	50,841	37,919	37,087	30,809
Contributions in relation to the contractually required contributions		63,754	58,333	60,841	47,919	47,087	30,809
Contribution excess	$	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)	—
OHSU's covered payroll	$	346,723	330,673	340,369	330,868	323,343	337,473
Contributions as a percentage of covered payroll		18.39 %	17.64 %	17.88 %	14.48 %	14.56 %	9.13 %

[1] Ten-year trend information will be presented prospectively.

See accompanying independent auditors' report.

Schedule 1

OREGON HEALTH & SCIENCE UNIVERSITY

Combining Schedules of Net Position

As of June 30, 2022 with comparative totals for June 30, 2021

(Dollars in thousands)

Assets	Hospital	Other University	Total University	Foundation	Eliminations/ Reclassifications	2022	2021
Current assets:							
Cash and cash equivalents	$ 282,345	(63,195)	219,150	43,322	—	262,472	435,574
Short-term Investments	—	21,739	21,739	835	—	22,574	104,421
Current portion of funds held by trustee	28,420	13,885	42,305	—	—	42,305	36,759
Patients accounts receivable, net of bad debt allowances of $1,372 and $2,518 – in 2022 and 2021, respectively	503,535	1,023	504,558	—	—	504,558	459,884
Student receivables	—	24,351	24,351	—	—	24,351	27,025
Grant and contract receivable	—	81,631	81,631	—	—	81,631	62,900
Current portion of pledges and estates receivable	—	—	—	121,490	—	121,490	121,502
Other receivables, net	56,643	80,206	136,849	3,477	(71,317)	69,009	56,437
Inventories, at cost	60,284	3,995	64,279	—	—	64,279	58,290
Prepaid expenses	13,731	20,251	33,982	494	—	34,476	33,782
Total current assets	944,958	183,886	1,128,844	169,618	(71,317)	1,227,145	1,396,574
Noncurrent assets:							
Capital assets, net of accumulated depreciation	1,143,152	1,024,866	2,168,018	13,190	—	2,181,208	2,133,897
Funds held by trustee – less current portion	303,469	—	303,469	—	—	303,469	10,182
Other long-term receivables, net of reserves	—	33,500	33,500	—	—	33,500	33,500
Long-term investments:							
Long-term investments, restricted	—	63,199	63,199	878,007	—	941,206	846,679
Long-term investments, unrestricted	955,915	159,797	1,115,712	628,488	—	1,744,200	1,746,773
Total long-term investments	955,915	222,996	1,178,911	1,506,495	—	2,685,406	2,593,452
Prepaid financing costs, net	919	349	1,268	—	—	1,268	1,484
Pledges and estates receivable – less current portion	—	—	—	174,981	—	174,981	248,218
Restricted postemployment benefit asset	—	10,070	10,070	—	—	10,070	4,328
Other noncurrent assets	5,720	4,529	10,249	3,769	—	14,018	3,460
Interest in the Foundations	—	1,559,943	1,559,943	—	(1,559,943)	—	—
Total noncurrent assets	2,409,175	2,856,253	5,265,428	1,698,435	(1,559,943)	5,403,920	5,028,521
Total assets	3,354,133	3,040,139	6,394,272	1,868,053	(1,631,260)	6,631,065	6,425,095
Deferred outflows:							
Deferred amortization of derivative instruments	2,703	2,140	4,843	—	—	4,843	6,091
Loss on refunding of debt	22,288	7,547	29,835	—	—	29,835	27,794
Pension obligation	—	174,512	174,512	—	—	174,512	189,745
Goodwill	261	—	261	—	—	261	348
Other Postemployment Benefits (OPEB) obligation	—	9,253	9,253	—	—	9,253	10,035
Total deferred outflows	25,252	193,452	218,704	—	—	218,704	234,013
Total assets and deferred outflows	$ 3,379,385	3,233,591	6,612,976	1,868,053	(1,631,260)	6,849,769	6,659,108

(Continued)

OREGON HEALTH & SCIENCE UNIVERSITY

Combining Schedules of Net Position

As of June 30, 2022 with comparative totals for June 30, 2021

(Dollars in thousands)

Liabilities	Hospital	Other University	Total University	Foundation	Eliminations/ Reclassifications	2022	2021
Current liabilities:							
Current portion of long-term debt	$ 12,572	11,163	23,735	—	—	23,735	24,082
Current portion of long-term leases	15,072	6,692	21,764	816	—	22,580	16,699
Current portion of self-funded insurance programs liability	—	47,549	47,549	—	—	47,549	40,868
Accounts payable and accrued expenses	113,606	64,440	178,046	9,795	—	187,841	171,755
Accrued salaries, wages, and benefits	30,872	96,519	127,391	—	—	127,391	119,248
Compensated absences payable	47,798	30,337	78,135	—	—	78,135	76,432
Unearned revenue	10,147	82,782	92,929	—	—	92,929	81,831
Unearned/Medicare Advance Payment	37,246	—	37,246	—	—	37,246	118,420
Other current liabilities	3,270	1,139	4,409	71,260	(71,317)	4,352	2,262
Total current liabilities	270,583	340,621	611,204	81,871	(71,317)	621,758	651,597
Noncurrent liabilities:							
Long-term debt – less current portion	995,833	312,256	1,308,089	—	—	1,308,089	945,876
Long-term leases – less current portion	39,768	14,675	54,443	11,024	—	65,467	54,224
Liability for self-funded insurance programs – less current portion	—	55,848	55,848	—	—	55,848	46,639
Liability for life income agreements	—	—	—	20,111	—	20,111	23,492
Pension liability	—	305,955	305,955	—	—	305,955	595,311
Other noncurrent liabilities	7,354	34,954	42,308	2,741	—	45,049	88,133
Total noncurrent liabilities	1,042,955	723,688	1,766,643	33,876	—	1,800,519	1,753,675
Total liabilities	1,313,538	1,064,309	2,377,847	115,747	(71,317)	2,422,277	2,405,272
Deferred inflows:							
Deferred lease revenue	1,155	383	1,538	—	—	1,538	2,202
Gain on refunding of debt	566	490	1,056	—	—	1,056	1,291
Life income agreements	—	—	—	32,759	—	32,759	39,087
Pending funds	—	—	—	159,604	—	159,604	65,455
Pension obligation	—	278,368	278,368	—	—	278,368	46,214
Other Postemployment Benefits (OPEB) obligation	—	6,396	6,396	—	—	6,396	1,519
Total deferred inflows	1,721	285,637	287,358	192,363	—	479,721	155,768
Net position:							
Investments in capital assets	426,763	778,999	1,205,762	—	—	1,205,762	1,239,604
Restricted, expendable	—	718,821	718,821	630,951	(630,951)	718,821	801,921
Restricted, nonexpendable	—	323,982	323,982	323,982	(323,982)	323,982	304,696
Unrestricted	1,637,363	61,843	1,699,206	605,010	(605,010)	1,699,206	1,751,847
Total net position	2,064,126	1,883,645	3,947,771	1,559,943	(1,559,943)	3,947,771	4,098,068
Total liabilities, deferred inflows, and net position	$ 3,379,385	3,233,591	6,612,976	1,868,053	(1,631,260)	6,849,769	6,659,108

See accompanying independent auditors' report.

Schedule 2

OREGON HEALTH & SCIENCE UNIVERSITY

Consolidated Statements of Revenues, Expenses, and Changes in Net Position

Years ended June 30, 2022 and 2021

(Dollars in thousands)

	Hospital	Other University	Total University	Foundation	Eliminations/ Reclassifications	2022	2021
Operating revenues:							
Patient service revenue, net of bad debt adjustments of $7,963 and $6,310 - in 2022 and 2021, respectively	$ 2,360,696	484,656	2,845,352	—	—	2,845,352	2,595,048
Student tuition and fees, net	—	80,886	80,886	—	—	80,886	82,770
State appropriations	1,442	39,798	41,240	—	(41,240)	—	—
Gifts, grants, and contracts	37,360	737,655	775,015	112,184	(104,910)	782,289	703,065
Other	193,012	51,220	244,232	1,666	(12,391)	233,507	225,342
Research and education support	(166,000)	166,000	—	—	—	—	—
Total operating revenues	2,426,510	1,560,215	3,986,725	113,850	(158,541)	3,942,034	3,606,225
Operating expenses:							
Salaries, wages, and benefits	1,165,683	1,273,767	2,439,450	15,834	—	2,455,284	2,166,014
Defined-benefit pension	—	23,008	23,008	—	—	23,008	113,695
Services, supplies, and other	1,049,713	287,606	1,337,319	129,181	(123,224)	1,343,276	1,177,151
Depreciation and amortization	110,883	88,567	199,450	1,161	—	200,611	194,480
Interest	31,612	13,639	45,251	—	—	45,251	35,108
Total operating expenses	2,357,891	1,686,587	4,044,478	146,176	(123,224)	4,067,430	3,686,448
Operating income (loss)	68,619	(126,372)	(57,753)	(32,326)	(35,317)	(125,396)	(80,223)
Nonoperating revenues, incl. state appropriations:							
Investment income and gain (loss) in fair value of investments	(93,718)	(8,118)	(101,836)	(32,428)	—	(134,264)	439,848
State appropriations	—	—	—	—	41,240	41,240	44,243
COVID-19 relief grants	24,333	9,181	33,514	—	—	33,514	72,593
Other	7,853	(499)	7,354	1,557	—	8,911	4,133
Total nonoperating revenues (expenses), net	(61,532)	564	(60,968)	(30,871)	41,240	(50,599)	560,817
Net income (loss) before contributions for capital and other	7,087	(125,808)	(118,721)	(63,197)	5,923	(175,995)	480,594
Other changes in net position:							
Contributions for capital and other	12,192	(1,393)	10,799	—	(5,922)	4,877	783
Change in interest in the Foundations	—	(42,375)	(42,375)	—	42,375	—	—
Nonexpendable donations	—	—	—	20,821	—	20,821	11,349
Total other changes in net position	12,192	(43,768)	(31,576)	20,821	36,453	25,698	12,132
Total increase (decrease) in net position	19,279	(169,576)	(150,297)	(42,376)	42,376	(150,297)	492,726
Net position – beginning of year	2,044,847	2,053,221	4,098,068	1,602,319	(1,602,319)	4,098,068	3,605,342
Net position – end of year	$ 2,064,126	1,883,645	3,947,771	1,559,943	(1,559,943)	3,947,771	4,098,068

See accompanying independent auditors' report.

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OREGON HEALTH & SCIENCE UNIVERSITY

Nongovernmental Discretely Presented Component Units

Consolidated Balance Sheets

June 30, 2022

(Dollars in thousands)

Assets	Tuality Healthcare and Subsidiaries	OHSU Health IDS	Combined 2022	Combined 2021
Current assets:				
Common stocks: Mutual funds	$ —	10,324	10,324	—
Cash and cash equivalents	21,847	40,176	62,023	38,819
Short-term investments	630	5,431	6,061	3,734
Patient accounts receivable, net	40,488	—	40,488	38,936
Other receivables	5,647	2,228	7,875	18,158
Supplies inventory	4,873	—	4,873	4,903
Prepaid expenses and other	2,096	33	2,129	2,442
Estimated receivables for Medicare and Medicaid settlements	454	—	454	—
Current portion of assets whose use is limited	1,033	—	1,033	1,010
Total current assets	77,068	58,192	135,260	108,002
Assets whose use is limited:				
Board-designated funds	33,041	—	33,041	41,246
Pending trade receivable	1,909	—	1,909	1
Donor-restricted – specific purpose	6,096	—	6,096	6,888
Donor-restricted – endowment	2,855	—	2,855	2,761
Required for current liabilities	(1,033)	—	(1,033)	(1,010)
Total assets whose use is limited	42,868	—	42,868	49,886
Property and equipment:				
Property and equipment, net of accumulated depreciation and amortization	62,212	—	62,212	62,752
Other assets	7,414	—	7,414	8,051
Total assets	$ 189,562	58,192	247,754	228,691

(Continued)

Schedule 3

OREGON HEALTH & SCIENCE UNIVERSITY

Nongovernmental Discretely Presented Component Units

Consolidated Balance Sheets

June 30, 2022

(Dollars in thousands)

Liabilities and Net Assets		Tuality Healthcare and Subsidiaries	OHSU Health IDS	Combined 2022	Combined 2021
Current liabilities:					
Accounts payable	$	11,418	47,377	58,795	44,532
Accrued payroll and employee benefits		14,772	—	14,772	13,476
Due to related party		24,620	1,519	26,139	2,316
Deferred revenue		2,672	—	2,672	13,107
Estimated liabilities for Medicare and Medicaid settlements		—	—	—	423
Long-term debt due within one year		1,090	—	1,090	1,052
Accrued bond interest payable		78	—	78	86
Total current liabilities		54,650	48,896	103,546	74,992
Long-term liabilities:					
Long-term debt, net of amount due within one year		9,959	—	9,959	11,034
Liability for pension benefits		29,680	—	29,680	42,224
Other long-term liabilities		23,872	—	23,872	26,093
Total long-term liabilities		63,511	—	63,511	79,351
Total liabilities		118,161	48,896	167,057	154,343
Net assets:					
Net assets without donor restrictions		62,320	9,296	71,616	64,594
Net assets with donor restrictions		9,081	—	9,081	9,754
Total net assets		71,401	9,296	80,697	74,348
Total liabilities and net assets	$	189,562	58,192	247,754	228,691

See accompanying notes to consolidated financial statements.

Schedule 4

OREGON HEALTH & SCIENCE UNIVERSITY

Nongovernmental Discretely Presented Component Units

Consolidated Statements of Operations

June 30, 2022

(Dollars in thousands)

	Tuality Healthcare and Subsidiaries	OHSU Health IDS	Combined 2022	Combined 2021
Patient service revenue	$ 261,998	—	261,998	226,775
Other revenue:				
OHSU support	11,051	—	11,051	746
Other revenue	15,689	205,032	220,721	202,931
Total other revenue	26,740	205,032	231,772	203,677
Total revenue	288,738	205,032	493,770	430,452
Operating expenses:				
Salaries and wages	100,417	—	100,417	91,704
Employee benefits	24,196	—	24,196	23,271
Supplies and other expenses	112,718	204,559	317,277	262,590
Professional fees	43,131	—	43,131	31,947
Depreciation and amortization	7,456	—	7,456	8,291
Interest	707	—	707	718
Total operating expenses	288,625	204,559	493,184	418,521
Income from operations	113	473	586	11,931
Other non-operating income:				
Realized income on investments whose use is limited by board designation	256	—	256	222
Gain on investments in affiliated companies	610	—	610	2,303
(Loss)/gain on disposal of property and equipment	(72)	—	(72)	18
Change in net unrealized (losses) gains on investments	(6,624)	—	(6,624)	6,133
Other operating revenue	—	300	300	(600)
Total other (loss) income	(5,830)	300	(5,530)	8,076
(Deficit)/excess of revenue over expenses	(5,717)	773	(4,944)	20,007
Contributions for property and equipment acquisition	25	—	25	506
Pension-related changes	11,436	—	11,436	20,815
Increase in net assets without donor restrictions	$ 5,744	773	6,517	41,328

See accompanying notes to consolidated financial statements.

Schedule 5

OREGON HEALTH & SCIENCE UNIVERSITY

Nongovernmental Discretely Presented Component Units

Consolidated Statements of Operations

For the years ended June 30, 2022

(Dollars in thousands)

		Tuality Healthcare and Subsidiaries	OHSU Health IDS	Combined 2022	Combined 2021
Net assets without donor restrictions:					
(Deficit)/excess of revenue over expenses	$	(5,717)	773	(4,944)	20,007
Contributions for property and equipment acquisition		25	—	25	506
Pension-related changes		11,436	—	11,436	20,815
Increase in net assets without donor restrictions		5,744	773	6,517	41,328
Net assets with donor restrictions:					
Gifts, grants, and bequests		1,781	—	1,781	2,233
Investment (loss) income		(1,068)	—	(1,068)	1,793
Net assets released from restrictions		(1,386)	—	(1,386)	(1,539)
Contributions for endowment funds		—	—	—	2
(Decrease)/increase in net assets with donor restrictions		(673)	—	(673)	2,489
Change in net assets		5,071	773	5,844	43,817
Net assets, beginning of year		66,330	8,523	74,853	30,531
Net assets, end of year	$	71,401	9,296	80,697	74,348

See accompanying notes to consolidated financial statements.

OREGON HEALTH & SCIENCE UNIVERSITY

(A Component Unit of the State of Oregon)

Financial Statements
and Supplementary Information

June 30, 2023 and 2022

(Dollars in thousands)

(With Independent Auditors' Report Thereon)

OREGON HEALTH & SCIENCE UNIVERSITY
(A Component Unit of the State of Oregon)

Table of Contents

KPMG LLP
Suite 3800
1300 South West Fifth Avenue
Portland, OR 97201

Independent Auditors' Report

The Board of Directors
Oregon Health & Science University:

Opinions

We have audited the financial statements of the business-type activities and the aggregate discretely presented component units of Oregon Health & Science University (OHSU), as of and for the years ended June 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise OHSU's basic financial statements for the years then ended as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component units of OHSU, as of June 30, 2023 and 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of OHSU and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. generally accepted accounting principles, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about OHSU's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

KPMG LLP, a Delaware limited liability partnership and a member firm of
the KPMG global organization of independent member firms affiliated with
KPMG International Limited, a private English company limited by guarantee.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of OHSU's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about OHSU's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

U.S. generally accepted accounting principles require that management's discussion and analysis, the schedule of proportionate share of the net pension liability and related ratios, and the schedule of defined-benefit pension plan contributions be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise OHSU's basic financial statements. The supplemental information included in schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

KPMG LLP

Portland, Oregon
October 27, 2023

Introduction

Oregon Health & Science University (OHSU or the University) is Oregon's only public academic health center and one of the only universities in the US devoted exclusively to educating physicians, dentists, nurses, pharmacists, public health professionals and others in healthcare, biology and medicine. It is a national leader in education of health professionals and scientists, advanced biomedical and healthcare research, leading edge patient care, and outreach. As part of its multifaceted public mission, OHSU strives for excellence in education, research and scholarship, clinical practice, and community service. Through its dynamic interdisciplinary environment, OHSU stimulates the spirit of inquiry, initiative, and cooperation among students, faculty, and staff.

The following discussion and analysis provide an overview of the financial activities of OHSU for the year ended June 30, 2023 and should be read in conjunction with the financial statements and related note disclosures. This discussion was prepared by management and is designed to focus on current activities, resulting changes, and current known facts with selective comparative information for the years ended June 30, 2022 and 2021.

Financial Highlights

To manage its operations and monitor its financial position, OHSU focuses on two key indicators: the total change in OHSU's net position, which includes the Foundation, investment income and other nonoperating items, and the "Total University" operations component of operating income (before consolidation of the Foundation and reclassifications of state appropriations to nonoperating revenues).

The broadest measure of OHSU's financial strength is reflected in net position, the difference between assets and deferred outflows, and liabilities and deferred inflows. OHSU's net position was $4.1 billion in fiscal year 2023 compared to fiscal year 2022 net position of $3.9 billion, an increase of $149 million, largely offsetting the prior year net position decrease of $150 million. This follows an increase of $493 million in fiscal year 2021. Despite the impact of the pandemic on earnings from operations, OHSU's net position increased by a cumulative 13.2% or $478 million, from $3.6 billion as of June 30, 2019 to $4.1 billion as of June 30, 2023 due to positive operating income, strong investment returns, and cumulative federal relief for COVID-19, with the largest funding provided by the CARES Act Provider Relief Fund and Federal Emergency Management Agency (FEMA) Public Assistance Program.

When measuring operating results for the University, OHSU uses a single line "equity method" for the OHSU Foundation. The "equity method" follows the "Total University" column on the combining financial statements included at the end of these financial statements, with gifts recorded when transferred from the Foundation to the University for use and state appropriations included within operating revenues.

The receipt and then spending of large gifts, and accrued expenses for Oregon Public Employees Retirement System (PERS) pension have caused large swings in OHSU's revenues and expenses over time. Management uses the analysis of adjusted operating income on the following table to track underlying performance on a consistent basis where expenses for pension benefits are recorded on a cash basis, rather than an accrual basis, as they were prior to adoption of GASB 68.

Analysis of Total University Column of Combining Statements of Revenues, Expense, and Changes in Net Position

Years ended June 30, 2023 and 2022

(Dollars in thousands)

	2023	2022	$ Change	% Change
Patient service revenue, net	$ 3,337,828	2,845,352	492,476	17.3 %
Other revenues	1,235,075	1,141,373	93,702	8.2
Total operating revenues	4,572,903	3,986,725	586,178	14.7
Salaries, wages, and benefits, net of pension accrual	2,738,646	2,494,426	244,220	9.8
Services, supplies, and other	1,529,699	1,337,319	192,380	14.4
Depreciation and amortization, and interest	251,603	244,701	6,902	2.8
Total operating expenses, net of pension accrual	4,519,948	4,076,446	443,502	10.9
Adjusted operating income (loss)	52,955	(89,721)	142,676	159.0
Cash basis pension expense	53,561	54,976	(1,415)	2.6
Accrual basis pension expense	(37,947)	(23,008)	(14,939)	64.9
Operating income (loss)	68,569	(57,753)	126,322	218.7
Investment income and gain(loss) in fair value of investments	119,421	(134,264)	253,685	188.9
State appropriations	62,690	41,240	21,450	52.0
COVID-19 relief grants	—	33,514	(33,514)	100.0
FEMA public assistance program	22,576	8,966	13,610	151.8
Other nonoperating, Foundation, and eliminations/reclasses	(149,638)	(67,698)	(81,940)	121.0
Total net income (loss) before contributions for capital and other	123,618	(175,995)	299,613	170.2
Other changes in net position	25,573	25,698	(125)	0.5
Total increase (decrease) in net position	$ 149,191	(150,297)	299,488	199.3 %

In fiscal year 2023, OHSU's adjusted operating income was $53 million, a positive year-over-year variance of $143 million when compared to an adjusted operating loss of $(90) million in fiscal year 2022. Operating revenues increased by 14.7% compared to the prior fiscal year, outpacing the growth of operating expenses at 10.9%. The most notable contribution to operating revenue has been the increase to net patient revenue of $492 million or 17.3%. OHSU hospital admissions increased by 4.3%, inpatient census by 5.1%, surgical cases by 9.2%, emergency visits by 8.9%, and ambulatory visits by 3.3% in fiscal year 2023. This growth reflects strong demand for OHSU's services together with improved staffing, access, and throughput. Adjusting for the PERS pension benefit, the Total University's operating income (loss) was $69 million and $(58) million in fiscal years 2023 and 2022, respectively.

(Continued)

Fiscal year results reflect the continuing impact of OHSU's Improving Financial Performance (IFP) effort, co-led by the CEO of OHSU Health and the Dean of the School of Medicine, and reporting directly to the University President. IFP engages a wide range of faculty and administrative leadership, as well as an external advisory committee. Major financial improvements have been secured in the work streams of operations and efficiency; pharmacy, imaging and professional services growth; and operating room and procedural growth; as well as university-wide efforts to eliminate vacant positions wherever possible and control hiring with an emphasis on safety, reducing contract labor, and focused growth. OHSU is actively seeking additional revenues, working with public, private, and philanthropic partners to support strategic priorities. Advancing member and clinician wellness is also a key component of continued success.

OHSU continues to receive strong support from the State of Oregon as shown by a $21 million increase in state appropriations from $41 million in fiscal year 2022 to $63 million in fiscal year 2023, including $20 million for OHSU's 30-30-30 initiative to increase the number of graduates in the health professions as well as student diversity. As part of OHSU's Intergovernmental Transfer (IGT) partnership with the State of Oregon, which helps secure major funding for the Oregon Health Plan, OHSU receives a percentage of the cost of care for Medicaid and other low-income patients. Reflecting the postpandemic inflation environment and a midbiennium rebalance of the state budget, this support increased by $102.5 million from fiscal year 2022 to fiscal year 2023, including $57.5 million relating to last fiscal year. In fiscal year 2023, OHSU refined its reporting of IGT program support to better align with the State's reporting; this resulted in some reclassification of revenues among line items within the same total for operating revenues.

Not included within operating revenues or operating income is FEMA Public Assistance and CARES Act grants and investment income and gain (loss) in fair value of investments. OHSU recorded FEMA and CARES Act grants in nonoperating revenues of $23 million and $42 million in fiscal years 2023 and 2022, respectively. Both equity and fixed income markets exhibited volatility during fiscal year 2023. Investment losses occurred during the first quarter of the fiscal year, then markets rebounded in the last three quarters. OHSU recorded a gain of $119 million and loss of $134 million in fiscal years 2023 and 2022, respectively.

Long-term trends occurring in Oregon and nationally of payments per case not keeping up with rising labor, pharmacy, and medical supply costs, accelerated as fiscal year 2023 progressed. With strong demand for OHSU's services and strong revenue growth, operating results show improvement year over year, but with considerable month-to-month variability. Healthcare earnings are highly concentrated in a relatively small number of complex and high-cost cases that, depending on reimbursement, can impact an individual month's results. OHSU continues to focus on its IFP efforts to offset these factors.

Management recognizes that healthcare across Oregon and the nation is facing serious financial challenges. However, management believes that the pandemic has also been a catalyst for change. OHSU's ongoing focus is to support our people; build community engagement and health equity; improve access and grow strategically; advance OHSU's missions of education, research, patient care, and outreach that make us unique in Oregon; and build for the future.

Subsequent to fiscal year ended June 30, 2023, on August 17, 2023, OHSU announced the execution of a nonbinding letter of intent with Legacy Health setting forth proposed terms to create a combined healthcare system with OHSU serving as the combined system's sole corporate parent. It can be viewed here: *https://emma.msrb.org/P21757008.pdf*.

COVID-19 Funding

Significant federal and state COVID-19 financial and liquidity support was provided to OHSU in the form of grants and loans in fiscal years 2023, 2022, and 2021. The key programs included:

- Medicare Advance Payment Program
- CARES Act Federal Insurance Contributions Act (FICA) Deferral
- CARES Act Provider Relief Fund
- Higher Education Emergency Relief Fund (HEERF) Grants
- American Rescue Plan Act (ARPA)
- Federal Emergency Management Agency (FEMA) Public Assistance Program

OHSU has reported COVID-19 support in nonoperating revenues of $22.6 million, $42.5 million, and $72.6 million in fiscal years 2023, 2022, and 2021, respectively.

Results of Operations

The statements of revenues, expenses, and changes in net position present OHSU's results of operations, including the Foundation. In accordance with generally accepted accounting principles for a government entity, revenues and expenses are classified as either operating or nonoperating.

The programs and operations of the University and the Foundation are funded from a broad range of sources, some of which are classified as operating and others as nonoperating. While state appropriations and CARES Act and FEMA grants are reported as nonoperating revenues, the funding supports operating expenses and lost operating revenues.

Similarly, reporting of Foundation operating expenses, including transfers to the University, as well as fundraising, and other costs that are funded in part by endowment investment income are reported as nonoperating, but support operating activities. Also, investment income and gain (loss) in fair value of investments, used to support operations, is reported as nonoperating while the PERS defined-benefit pension expense, reported as an operating activity under GASB 68, includes prior year PERS systemwide plan investment returns.

When measuring OHSU as a whole, management believes that the net income (loss) before contributions for capital and other, which includes both operating and nonoperating revenues, provides the most useful indicator of financial performance for the years ended June 30, 2023, 2022, and 2021.

Condensed Statements of Revenues, Expenses, and Changes in Net Position

June 30, 2023, 2022 and 2021

(Dollars in thousands)

		2023	2022	2021
Patient service revenue, net	$	3,337,828	2,845,352	2,595,048
Gifts, grants, and contracts		758,380	782,289	703,065
All other operating revenues		361,094	314,393	308,112
Total operating revenues		4,457,302	3,942,034	3,606,225
Salaries, wages, and benefits		2,702,614	2,455,284	2,166,014
Defined-benefit pension		37,947	23,008	113,695
All other operating expenses		1,798,799	1,589,138	1,406,739
Total operating expenses		4,539,360	4,067,430	3,686,448
Operating income (loss)		(82,058)	(125,396)	(80,223)
Other nonoperating revenues (expenses)		120,410	(134,319)	443,981
State appropriations		62,690	41,240	44,243
CARES Act, ARPA, and FEMA grants		22,576	42,480	72,593
Net income (loss) before contributions for capital and other		123,618	(175,995)	480,594
Other changes in net position		25,573	25,698	12,132
Total change in net position	$	149,191	(150,297)	492,726

OHSU's consolidated net income before contributions for capital and other was $124 million in fiscal year 2023, compared to a loss of $176 million, in fiscal year 2022. This followed by a gain of $481 million in fiscal year 2021.

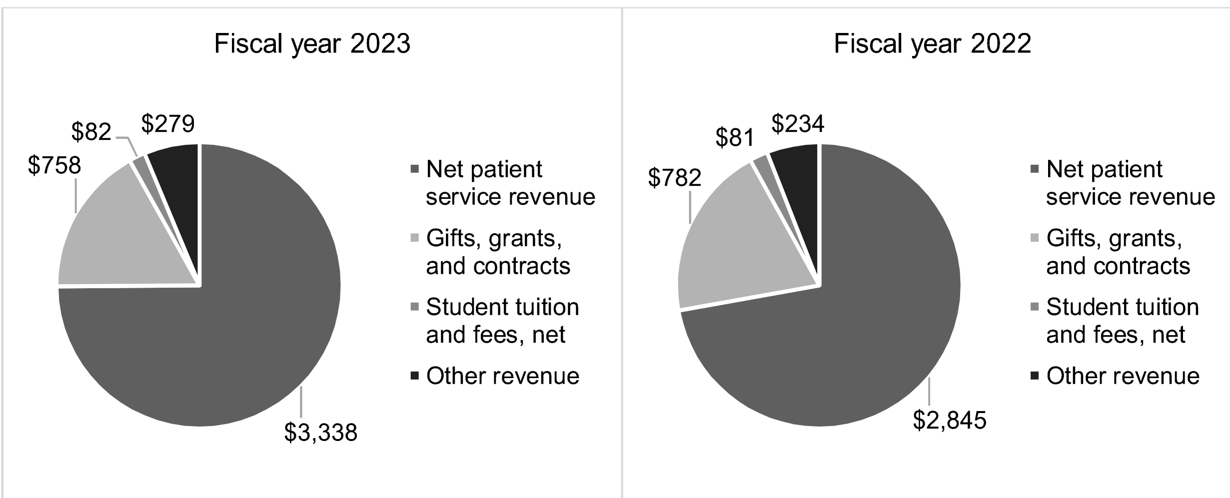
Fiscal year 2023 results reflect strong patient service volume and revenue growth, positive impact from a midbiennium rebalance of the IGT program (with two years of favorable adjustment paid in one year), and gains from IFP, offset by a shift from commercial to Medicare insurance coverage, higher drug costs and shortfalls in the 340b contract pharmacy program, and higher partner support to Hillsboro Medical Center and Adventist Health Portland. In fiscal year 2022, OHSU financial results were acutely impacted by Delta and Omicron surges, inflationary pressures, labor shortages, and negative investment returns. Mitigating some of the challenges were higher than expected research and education support from the State through the Medicaid IGT program and $42 million in federal economic relief funds (grants).

Revenues Supporting Core Activities

OHSU's operating revenues for fiscal year 2023 total $4.5 billion, an increase of 13.1% from fiscal year 2022 at $3.9 billion. The increase was driven by patient service revenue, grants, gifts and contracts, and pharmaceutical services.

Operating Revenue by Source
Fiscal years 2023 and 2022

(Dollars in millions)



Increases in patient service revenue reflected a 3.6% increase in patient activity when measured by case mix index and outpatient-adjusted admissions. All-payer case mix index remains strong at 2.52.

Grants, gifts, and contracts recorded in fiscal year 2023 were $758 million, compared to $782 million in fiscal year 2022. The University continues to report consistent growth in federal government and industry grants, an indicator of the success of OHSU's research and other programs, along with steady increases in medical contracts over the last two fiscal years, reflecting partnerships that extend OHSU programs across the region.

Gifts are recorded at the OHSU Foundation when pledged, and at the University when transferred from the Foundation and applied to program expenditures. The receipt of large gifts pledged in one year, received in cash over time, then spent during subsequent periods, results in significant fluctuation in the gift component of OHSU revenues on a combined basis. Gifts from the Foundation continue to provide critical funding to faculty, programs, and academic initiatives.

		Fiscal year ended June 30		
		2023	**2022**	**2021**
			(Dollars in thousands)	
University grants and contracts, direct portion	$	593,799	576,415	534,952
University grants and contracts, indirect cost recovery		122,431	113,001	105,887
Foundation gifts, net of eliminations, transferred to the University		42,150	92,873	62,226
Total gifts, grants, and contracts	$	758,380	782,289	703,065

Student tuition and fees were $82 million and $81 million in fiscal years 2023 and 2022, respectively. Fiscal year 2023 marks the tenth year of the OHSU Tuition Promise. Under this initiative, students enrolled in eligible clinical degree programs pay a tuition rate that is fixed for the remainder of their studies, as long as they complete the degree within the normal timeframe specified by the program.

Other revenue increased in fiscal year 2023 by $46 million, or 19.7%, from fiscal year 2022 in part from increases in outpatient pharmaceutical sales. OHSU provides drug treatment to patients through normal retail sales, as well as a specialty pharmacy where patients are able to obtain specialty drugs delivered to their homes for complex conditions such as autoimmune diseases and organ transplants.

Reported in nonoperating revenues (expenses), fiscal year 2023 investment income and fair value of investments was a gain of $119 million, primarily due to strong investment returns. This compared to a loss of $134 million in fiscal year 2022, as the market responded to pressures of inflation, Federal Reserve tightening interest rates, and the war in Ukraine.

State appropriations, reported in other nonoperating revenues (expenses), totaled $63 million in fiscal year 2023 and $41 million in 2022. State appropriations support education in the Schools of Nursing, Dentistry, and Medicine, as well as operations of the Child Development and Rehabilitation Center, the Office of Rural Health, and the Poison Center. In fiscal year 2023, state appropriations include an increase of $20 million for OHSU's 30-30-30 plan to help address the state's urgent healthcare workforce needs by increasing the number of graduates from clinical programs by 30% and increase all OHSU learner diversity to 30% by the year 2030.

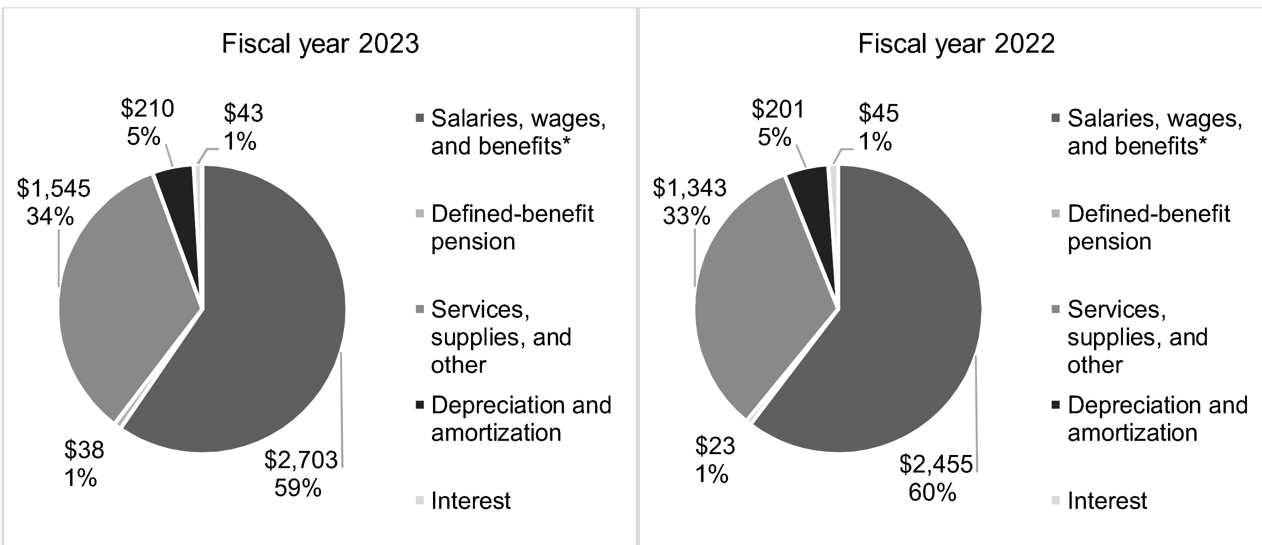
OHSU's financials reflect $23 million and $9 million of FEMA Public Assistance Program funds in fiscal years 2023 and 2022, respectively, and $0 and $34 million in CARES Act and ARPA grants in fiscal years 2023 and 2022, respectively.

Expenses Associated with Core Activities

OHSU's total operating expenses on a combined basis increased by $472 million or 11.6% in fiscal year 2023 to $4.5 billion from $4.1 billion in fiscal year 2022. In fiscal year 2023, expense growth is related to salaries, wages, and benefits, services, supplies and other, and by the defined-benefit pension expense.

Operating Expenses
Fiscal years 2023 and 2022

(Dollars in millions)



* Salaries, wages, and benefits figures include OHSU's proportionate share of the Oregon PERS's net pension expense of $38 million and $23 million in fiscal years 2023 and 2022, respectively.

Salaries, wages, and benefits (excluding the impact of defined-benefit pension expense) comprised approximately 59% of total expenses, increasing by $ 247 million, or 10%, in 2023 and $290 million, or 13%, in 2022, respectively. In fiscal year 2023, expenses included various incentives and higher hospital contract labor costs.

In fiscal year 2023, the PERS defined-benefit pension expense increased by $15 million, or 65%, from fiscal year 2022 due to cumulative 2022 and 2021 asset returns less than assumed, generating actuarial investment losses.

Services, supplies, and other expenses increased $202 million or 15% in fiscal year 2023 and $166 million or 14% in fiscal year 2022, representing the nonlabor costs associated with program growth, spending on pharmaceuticals and medical supplies, and general inflationary pressures impacting all healthcare environments.

Fiscal years 2023 and 2022 also included integrated clinical operations support for Adventist Health Portland at $11 million and $7.7 million, respectively, an affiliate since January 2018, and Tuality (Hillsboro Medical Center) at $23 million and $11 million, respectively, a partner since February 2016.

Depreciation and amortization represent the reduction in value of capital assets with the passage of time. In fiscal year 2023, depreciation and amortization increased by $10 million, or 4.9%, reflecting a return to more normal operations and capital spending, this compared to an increase of $6 million, or 3.2%, in 2022. Fiscal year 2022 saw the adoption of GASB Statement No. 87 (GASB87) and GASB Statement No. 96 (GASB96) which resulted in depreciation, formerly recognized as space, equipment, and software expense.

Interest expense decreased by $2.5 million, or 5.4%, in fiscal year 2023. In the prior fiscal year 2022, OHSU issued the Series 2021A, 2021B-1, 2021B-2, 2021C, and 2022A Bonds. Bond proceeds from the prior year issuance were used to refund several bonds from the previous Series 2016A, 2019B-1, 2019B-2, and 2012A, and also included an additional $385 million for capital improvements for the University, including acquisition of an office building. The decrease in interest expense from prior year is a result of the exclusion of one-time cost of issuance for the bonds issued in prior year, the interest cost savings generated by refunding of previous bonds, and the increased interest cost of the additional debt for capital improvements.

Operating Expenses by Functional Classification

(Dollars in thousands)

		2023	2022	2021
Instruction, research, and public service	$	645,399	589,163	565,922
Clinical activity		3,054,744	2,710,980	2,333,445
Auxiliary activities		3,157	2,976	6,528
Internal service centers		16,805	15,420	15,746
Student services		28,394	26,325	18,260
Academic support		103,838	93,247	108,619
Institutional support		298,559	295,856	205,433
Operations, maintenance, and other		140,931	127,443	129,228
Direct foundation expenditures		52,712	37,377	41,695
Depreciation and amortization		210,435	200,611	194,480
Defined pension expense (benefit), net of contribution		(15,614)	(31,968)	67,092
Total operating expenses	$	4,539,360	4,067,430	3,686,448

Financial Position

The statements of net position present the assets and liabilities, deferred inflows of resources and deferred outflows of resources, and net position of OHSU as of a point in time. Net position, the difference between total assets and deferred outflows as compared to total liabilities and deferred inflows, presents the financial position at the end of the fiscal year and is one of the broadest measures of the financial condition of OHSU, while the change in net position is an indication of whether the overall financial condition has improved or worsened during the year.

The following table summarizes OHSU’s statements of net position for the past two years by major category of assets, liabilities, deferred inflows and outflows, and net position as of June 30, 2023 and 2022.

Condensed Statements of Net Position

(Dollars in thousands)

		2023	2022
Assets:			
Current assets	$	1,312,404	1,227,145
Capital assets		2,231,880	2,181,208
Other noncurrent assets		3,192,144	3,222,712
Total assets		6,736,428	6,631,065
Deferred outflows		185,518	218,704
Total assets and deferred outflows	$	6,921,946	6,849,769
Liabilities:			
Current liabilities	$	637,202	621,758
Noncurrent liabilities		1,843,161	1,800,519
Total liabilities		2,480,363	2,422,277
Deferred inflows		344,621	479,721
Net position:			
Net investment in capital assets		1,215,606	1,205,762
Restricted, expendable		643,863	718,821
Restricted, nonexpendable		340,236	323,982
Unrestricted		1,897,257	1,699,206
Total net position		4,096,962	3,947,771
Total liabilities, deferred outflows, and net position – end of year	$	6,921,946	6,849,769

Assets

The largest components of OHSU's assets are cash and investments and capital assets, or physical plant.

Cash and Investments. During fiscal year 2023, OHSU's unrestricted and restricted cash and investments increased from $3.0 billion to $3.1 billion attributable to operating and investment performance and Foundation activity. Policies set by OHSU and the Foundation dictate how investments are allocated and what risk profiles are assumed. Working capital is primarily invested in short duration, liquid fixed-income assets. Long-term investment strategy, including the investment of endowment funds and the associated spending distribution policy at the OHSU Foundation, is equity oriented, aiming to maximize total return, promote diversification, preserve capital, and provide for cash flow needs of the University.

Consolidated Asset Allocation of
Unrestricted and Restricted Cash and Investments

(Dollars in thousands)

		2023	2022	2021
Unrestricted cash and investments:				
Cash and cash equivalents	$	230,519	268,173	433,534
Fixed income		663,379	780,465	942,161
Public Equity		639,976	447,096	366,662
Private Equity, Marketable Alt., and Other		543,344	523,927	524,907
Subtotal		2,077,218	2,019,661	2,267,264
Restricted cash and investments:				
Cash and cash equivalents		23,934	29,366	33,364
Fixed income		202,660	182,365	158,260
Public Equity		220,983	206,193	172,478
Private Equity, Marketable Alt., and Other		536,150	532,867	502,081
Subtotal		983,727	950,791	866,183
Total	$	3,060,945	2,970,452	3,133,447

The unrestricted portion of cash and investments is represented in the calculation of days cash on hand for OHSU. Days cash on hand decreased from 203 days in 2022 to 185 days in 2023, the effect of a 2.7%

increase in unrestricted operating cash and investments compared to a 12.8% increase in net unrestricted operating expenses.

Days Unrestricted Cash and Investments on Hand

June 30, 2023 and 2022

(Dollars in thousands)

		2023	2022
OHSU without OHSU Foundation:			
Unrestricted cash and investments	$	1,372,178	1,347,851
Less nonoperating cash and investments		(102,554)	(97,165)
Operating cash and investments	$	1,269,624	1,250,686
Unrestricted operating expenses:			
Total operating expenses	$	4,078,657	3,638,824
Less depreciation and amortization		(209,179)	(199,450)
Net unrestricted operating expenses	$	3,869,478	3,439,374
Daily expense	$	10,601	9,423
Days cash on hand		120	133
OHSU plus OHSU Foundation:			
Unrestricted cash and investments	$	2,077,218	2,019,661
Less nonoperating cash and investments		(102,554)	(97,165)
Operating cash and investments	$	1,974,664	1,922,496
Unrestricted operating expenses:			
Total operating expenses	$	4,113,683	3,661,776
Less depreciation and amortization		(210,435)	(200,611)
Net unrestricted operating expenses	$	3,903,248	3,461,165
Daily expense	$	10,694	9,483
Days cash on hand		185	203

The following table presents the days unrestricted cash on hand for OHSU as of fiscal years ended June 30, 2023 and 2022, calculated with the removal of pension adjustments due to the adoption of GASB 68, and net of federal Medicare advance payments (MAP) and FICA loans.

Days Unrestricted Cash and Investments on Hand Pre-GASB 68 Adjustment

(Dollars in thousands)

		2023	2022
OHSU plus OHSU Foundation:			
Operating cash and investments	$	1,974,664	1,922,496
Net unrestricted operating expenses	$	3,903,248	3,461,165
Pension adjustment GASB 68		15,614	31,968
Adjusted net unrestricted operating expenses	$	3,918,862	3,493,133
Daily expense	$	10,737	9,570
Days cash on hand (pre-GASB 68)		184	201
Days cash on hand (pre-GASB 68), net of MAP and FICA loans		184	194

(1) OHSU's proportionate share of the Oregon PERS's adjustment resulted in a net operating gain of $15,614 and $31,968 for fiscal years 2023 and 2022, respectively. Removing the pension adjustment results in days cash on hand of 184 and 201 on a pre-GASB 68 basis for fiscal years 2023 and 2022, respectively.

Capital Assets. Capital investments in patient care, research, education, and outreach are scaled and paced to available funding from operating earnings and philanthropy. Capital assets, net of accumulated depreciation, increased by $51 million and $47 million, respectively, during fiscal years 2023 and 2022. In fiscal year 2023, capital expenditures included the continued construction of the OHSU Hospital Expansion Project along with capital for replacement, infrastructure, right-of-use assets, and new capacities. Lease and subscription-based information technology assets, net of accumulated depreciation, of $105 million and $97 million, during fiscal years 2023 and 2022, respectively, are recorded with capital assets.

Liabilities

Total liabilities increased by $58 million, or 2.4%, in fiscal year 2023 and $17 million, or 0.7%, in fiscal year 2022. In fiscal year 2023, increases in current and noncurrent liabilities were primarily related to accounts payable and accrued expenses, unearned revenue, and pension liability.

Current liabilities consist of the current portion of long-term debt, long-term leases and self-funded insurance, accounts payable and accrued expenses, salaries, wages, and benefits, and unearned revenue. In fiscal year 2023, current liabilities reflected an increase of $15 million due to accounts payable and accrued expenses of $32 million and unearned revenue of $27 million, offset by a reduction in Medicare Advance of $37 million as OHSU repaid the loan in fiscal year 2022. The unearned revenue increase was mostly due to the $25 million OHSU Opportunity Fund agreement, a grant to increase the number of graduates in key healthcare professions programs by thirty percent and ensuring thirty percent of its learners are from underrepresented populations.

Noncurrent liabilities consist of the long-term portion less the current portion of debt, leases, and self-funded insurance, life income agreements, and pension liability. Noncurrent liabilities increased $43 million or 2.4% in fiscal year 2023 due to an increase in the pension liability of $90 million, offset by a reduction in long-term debt and other noncurrent liabilities.

Debt Management. At the close of fiscal year 2023, OHSU had approximately $1,288 million in long-term debt and $93 million in long-term leases, for a total of $1,381 million outstanding. In the previous fiscal year 2022, OHSU had approximately $1,332 million in long-term debt and $88 million in long-term leases, for a total of $1,420 million outstanding. Of the total $1,381 million in long-term debt and long-term leases outstanding at the end of 2023, $1,341 million is considered noncurrent and $40 million is considered current and due within one year. OHSU continues to maintain its Standard & Poor’s and Fitch ratings of AA- and Moody’s rating of Aa3 for its rated bonds.

One measure of the degree of leverage on the University’s statements of net position is the ratio of total long-term debt and leases to net position, shown below. Leverage, according to this metric, decreased from 0.36 in 2022 to 0.34 in 2023.

		2023	2022
		(Dollars in millions)	
Total long-term debt and leases	$	1,381	1,420
Net position		4,097	3,948
Total long-term debt and leases to net position	$	0.34	0.36

Annual Debt Service Coverage. The annual debt service coverage ratio for an entity represents the amount of cash flow available to meet the annual principal and interest payment on debt. Per bond covenants, OHSU's Credit Group must maintain an annual debt service coverage ratio of 1.10 times or greater in accordance with its Master Trust Indenture. OHSU's direct placement bonds have similar annual debt service coverage ratio requirements that must meet or exceed 1.0 or 1.10. The University continues to exceed these minimum requirements with ratios of 3.51 in fiscal year 2023, and 3.81 in fiscal year 2022.

Calculation of Annual Debt Service Coverage Ratio – Unrestricted

(Dollars in thousands)

		2023	2022
Total excess of revenues over expenses, before contributions for capital and other	$	123,618	(175,995)
Add/subtract restricted net loss/gain		68,808	61,061
Unrestricted excess of revenues over expenses		192,426	(114,934)
Adjustments:			
Depreciation and amortization		210,435	200,611
Interest expense		42,798	45,251
Net unrealized (gain) loss in fair value of investments		(76,777)	209,722
Loss on termination of swap agreement		2,766	—
Loss on disposal of assets		(6)	1,972
		179,216	457,556
Income available for debt service	$	371,642	342,622
Annual debt service [1]	$	105,789	90,005
Annual debt service coverage		3.51	3.81

[1] "Annual debt service" is the aggregate amount of principal and interest scheduled to become due and payable on long-term debt and long-term leases during the fiscal year.

The following table presents the annual debt service coverage ratio for fiscal years 2023 and 2022, calculated with the removal of pension adjustments due to the adoption of GASB 68.

Calculation of Annual Debt Service Coverage Ratio – Unrestricted
Pre-GASB 68 Adjustment

(Dollars in thousands)

		2023	2022
Income available for debt service	$	371,642	342,622
Pension adjustment GASB 68		(15,614)	(31,968)
Adjusted income available for debt service	$	356,028	310,654
Annual debt service	$	105,789	90,005
Annual debt service coverage (pre-GASB 68)[2]		3.37	3.45

[2] OHSU's proportionate share of Oregon PERS's adjustment resulted in a net operating gain of $15,614 and $31,968 for fiscal years 2023 and 2022, respectively. Removing the pension adjustment results in an annual debt service coverage ratio of 3.37 and 3.45 on a pre-GASB 68 basis for fiscal years 2023 and 2022, respectively.

Deferred Inflows and Outflows

Under GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, certain deferred outflows are presented below assets and certain deferred inflows are presented below liabilities.

Deferred outflow of resources on the statements of net position represent the consumption of net assets attributable to a future period and are primarily associated with OHSU's obligations for the PERS defined pension plan, other postemployment benefits and debt.

In fiscal year 2023, deferred outflows are $186 million, a decrease of $33 million, primarily due to assumption changes associated with the PERS defined pension obligation. Contributions made post measurement date are also reflected in deferred outflows. In fiscal year 2023, OHSU's contributions were $64 million, which included an additional $10 million in excess contribution above the contractually required $54 million. In fiscal year 2022, OHSU's contributions were $64 million, which included an additional $10 million in excess contribution above the contractually required $54 million.

Also within the deferred outflows is the deferred amortization of derivative instruments. OHSU terminated its fixed payor swap agreement in fiscal year 2023. The balance of the deferred outflow for amortization of derivative instruments was $0 million in 2023 and $5 million in 2022.

Losses and gains on refunding of debt are amortized over the shorter of the life of the new debt or the remaining life of the old debt or the mandatory tender date, when applicable. Absent any refunding activity, these numbers will slowly decline. OHSU has both deferred gains and losses. The deferred loss on refunding of debt of $25 million in 2023 and $30 million in 2022 is reported in the deferred outflows section below assets.

Deferred inflow of resources on the statements of net position represent the acquisition of net assets attributable to a future period and are associated with OHSU's obligations for the PERS defined pension plan, other postemployment benefits, pending funds, and life income agreements.

In fiscal year 2023, deferred inflows are $345 million, a decrease of $135 million, primarily due to the change in defined pension obligation. Deferred inflows related to pension activities for fiscal years 2023 and 2022 were $141 million and $278 million, respectively, representing differences between projected and actual earnings on investments and changes in OHSU's proportionate share.

Net Position

As noted earlier, total net position increased by $149 million, in fiscal year 2023, as compared to a decrease of $150 million in fiscal year 2022. In fiscal year 2023, the increase in net position occurred within net investments in capital assets, restricted and unrestricted. Unrestricted net position, which is 46.3% of OHSU's total net position, increased by $198 million in 2023 due to positive operating income, strong investment returns and federal relief for COVID-19. This compared to a decrease of $53 million in 2022 primarily due to COVID-19 delta and omicron surges, inflationary pressures, labor shortages, and negative investment returns. Restricted net position, which is 24% of OHSU's total net position, decreased by $59 million in 2023 primarily driven by programmatic spending on research and academic programs.

When evaluating OHSU's net position, it is important to note that OHSU's Marquam Hill property is leased from the State for renewable 99-year periods, at a lease payment equal to the debt service on bonds outstanding at the time of OHSU's separation from the Oregon University System. As that debt service is relatively low, the capitalized net present value of those lease payments is significantly less than the fair value of the included land and buildings.

OHSU Missions

OHSU's strategic plan, called OHSU 2025, is built around OHSU's vision: "OHSU will partner to make Oregon a national leader in health and science innovation for the purpose of improving the health and well-being of all Oregonians and beyond."

Six goals – timeless aspirations – form the basis of the plan:

1. Building a diverse, equitable environment where all can thrive and excel.
2. Being the destination for transformational learning.
3. Enhancing health and healthcare in every community.
4. Discovering and innovating to advance science and optimize health worldwide.
5. Partnering with communities for a better world.
6. Ensuring a sustainable foundational infrastructure.

These goals span OHSU's missions, supported by objectives that are focused on identifying new ways to understand disease, treat illness, and train the next generation of scientists and health professionals. They begin with OHSU's commitment to listen to what communities – across Oregon and beyond – need from OHSU, and end with our commitment to the people who will respond to those needs and make this work a reality.

OHSU 2025 reflects not only the breadth and complexity of the state's only academic health center but also the challenges in health and science that OHSU must address. The plan was developed from the ground up with more than 5,000 OHSU members contributing, providing input on OHSU's future picture, shaping the plan's goals, and developing detail around its objectives and tactics.

The following sections highlight achievements for each of the missions.

OHSU Education

A foundation of OHSU's mission is the education and training of dentists, nurses, physicians, physician assistants, other health professionals, and biomedical scientists, through a broad range of undergraduate and graduate programs that provide healthcare and biomedical workforce for Oregon and beyond. Educational programs are conducted on the OHSU campus in Portland, online, and at various locations throughout the State. Collaborative programs enable OHSU to offer a joint Doctor of Pharmacy degree through an affiliation with Oregon State University (OSU). In addition, in partnership with Oregon Institute of Technology (OIT), OHSU offers a joint BS degree in Medical Laboratory Science, a joint BS degree in Emergency Medical Services Management, and a joint Associate of Applied Science degree in Emergency Medical Technology–Paramedic. OHSU also offers a joint Master of Business Administration in Health Care Management with Portland State University (PSU) and has also established a joint School of Public Health with PSU comprising several undergraduate and graduate programs including Bachelor degrees, Graduate Certificates, Master of Science, Master of Public Health, and PhD programs.

As of the fall 2022 term, OHSU had 2870 students enrolled in its various programs (excluding students enrolled in the joint Pharm.D. degree program with OSU, the joint undergraduate programs with OIT and the School of Public Health joint degree students registered by PSU). The following table sets forth the number of students enrolled in OHSU's programs for each of the past three academic years.

(Dollars in thousands)

Fall Headcount Enrollment [a]
For Programs in the Years Indicated

		2022/2023	2021/2022	2020/2021
School of Dentistry:				
Graduate	$	28	28	27
Professional		286	288	291
Subtotal		314	316	318
School of Medicine:				
Undergraduate		18	18	17
Graduate		666	706	753
Professional		572	597	617
Subtotal		1,256	1,321	1,387
School of Nursing:				
Undergraduate		734	765	792
Graduate		51	59	87
Professional		224	227	189
Subtotal		1,009	1,051	1,068
School of Public Health:				
Graduate		291	296	262
Total	$	2,870	2,984	3,035

[a] This table excludes interns, residents, and trainees. This table also excludes students enrolled in the joint Pharm.D. degree program with OSU, the joint undergraduate programs with OIT and the School of Public Health joint degree students registered by PSU.

OHSU Research

OHSU is a national leader in many fields of research, including neuroscience; cancer research; hearing; microbiology; ophthalmology; infectious diseases and immunology; reproductive biology; atomic, molecular, cellular, and tissue imaging; and evidence-based medicine. In the state of Oregon, OHSU research projects received 71% of the grants made by the National Institutes of Health (NIH), with the next largest recipient in Oregon receiving 11%. In FY23, OHSU was ranked 32nd out of the 2,454 entities that received funding from the NIH. Faculty members include 5 members of the National Academy of Sciences and 10 members of the National Academy of Medicine. Researchers at OHSU have developed many of the leading advances in medicine, including the first artificial heart valve, pioneering use of optical coherence tomography, the first percutaneous angioplasty procedure, and the first molecularly targeted cancer therapy (Gleevec®).

OHSU's many institutes are nationally and internationally recognized, including the Knight Cancer Institute, the only National Cancer Institute designated Comprehensive Cancer Center in Oregon; the Vollum Institute, privately endowed and dedicated to basic science research that has led to new treatments for neurological and psychiatric diseases; and the Casey Eye Institute, a world-recognized academic regional eye center that attracts top specialists from around the globe. OHSU's Pacific Northwest Cryo-EM Center is one of three NIH-designated national centers, providing technology and training for an imaging technique that is revolutionizing structural biology. OHSU's West Campus is home to the Vaccine and Gene Therapy Institute, which focuses on serious viral disease threats and programs intended to span the continuum between basic and clinical science, where discoveries are rapidly advanced from the level of molecular and cellular biology through animal models and ultimately into clinical testing, and the Oregon National Primate Research Center, one of the seven National Primate Research Centers supported by the National Institutes of Health. Their world-class translational research programs focus on current, developing, and projected high-priority human medical needs that are projected to increase in importance over the coming decades, including reproductive health, neurological sciences, metabolic health, and genetics, among others.

OHSU actively pursues private and public partnerships on important and innovative research projects to supplement federal funding, with corporate partners such as Thermo Fisher Scientific's Analytical Instrumentals Segment, a leading electronic microscopy company, and other major information technology and life sciences companies, and with academic partners such as Portland State University, Oregon State University, University of Oregon, Pacific Northwest National Laboratory, and Lawrence Berkeley National Laboratory.

Although the COVID-19 pandemic disrupted science at OHSU, as it did around the world, the institution continued to thrive in many areas and accomplished many extraordinary things. Despite the many challenges, OHSU had another strong year; receiving nearly $582 million in externally sponsored awards for fiscal year 2023.

OHSU researchers made significant advances and discoveries that could have lasting impacts on the health and well-being of people across the globe. Below are a few highlights from fiscal year 2023.

New research in a rodent model at OHSU shows that some positive effects of psilocybin, a naturally occurring compound found in "magic mushrooms," may take effect immediately. Researchers say the findings bolster the case for people using psilocybin in conjunction with clinical treatment for conditions like depression and posttraumatic stress disorder. A team of OHSU researchers examined the effect of psilocybin on cognitive flexibility in rats by measuring animals' ability to switch between previously learned strategies. They observed that psilocybin enhances cognitive flexibility. This finding suggests that the combination of psilocybin and clinician intervention, such as psychotherapy, may be effective in treating symptoms of mental illness because of the drug's impact on cognitive flexibility. The study, published in February 2023 in the journal Neuropsychopharmacology, suggests that psilocybin may be particularly effective in treating depression not as a stand-alone pharmacological treatment, but rather in combination with clinical intervention. The team observed, however, that other psychedelics didn't have the same effects as psilocybin. They are currently conducting further investigations into the differences between psilocybin and other psychedelics to better understand what makes psilocybin so special.

(Dollars in thousands)

OHSU researchers and Analog Devices collaborated on a wearable device for seizure detection. OHSU neurologists formed a joint research agreement with semiconductor company Analog Devices, Inc. to conduct a year-long study to determine whether ADI's vital signs monitoring, or VSM, watch can measure key indicators that can be used to detect and predict seizures. The long-term goal of the project is to build machine learning algorithms to better identify a patient's seizures over time and eventually develop predictive software for the watch that will give advance warning to individuals (and caregivers and families) about a forthcoming seizure.

New research in a small songbird reveals differences in how the brain develops between male and female early in the bird's life. The study, developed by OHSU researchers and the Federal University of Rio Grande do Norte in Brazil, was published in the journal Cell Reports. It identifies thousands of genes that are differentially expressed during development in the part of the zebra finch's brain that controls singing among males. The study provides new insights about how genes and hormones differentiate the brains of males and females. The new study zeroed in on an area of the zebra finch brain known to be associated with singing, which is only done by males in this species. In the song-control circuitry of the brain, the researchers found that thousands of genes were expressed differently in males and females. Many of these genes have been linked to cell survival and to differences in the growth of cells and axons forming connections within the brain.

OHSU Healthcare

OHSU is home to Oregon's only major academic health center, which serves a multistate area with tertiary and quaternary healthcare services from its campus in Portland, Oregon, where it operates two hospitals, OHSU Hospital and OHSU Doernbecher Children's Hospital (OHSU Hospital or the Hospital), with 576 licensed beds. During 2023, the OHSU Hospital represented 8.0% of the available beds and 10.8% of the filled beds for the entire State. The OHSU Hospital had an 87% occupancy rate for available beds in 2023, compared to the Oregon statewide average of 64% according to the Oregon Association of Hospitals and Health Systems' Oregon DataBank. As an academic health center, OHSU's professional staff is composed primarily of the faculty of OHSU's School of Medicine. The OHSU Practice Plan (OPP) is the largest organized clinical practice in Oregon. As of June 30, 2023, there were over 1,800 active faculty practice plan members, including physicians, nurse practitioners, physician assistants, and other licensed independent practitioners from across all medical specialties.

	Fiscal year ended June 30			Variance	
OHSU Patient Activity	**2023**	**2022**	**2021**	**2023 v 2022**	**2022 v 2021**
Inpatient admissions	27,446	26,327	25,612	4.3 %	2.8 %
Average length of stay	7.02	6.76	6.66	3.8	1.5
Average daily census	486	464	448	4.7	3.6
Day/observation patients	45,954	41,595	41,327	10.5	0.6
Emergency visits	54,748	50,268	41,997	8.9	19.7
Ambulatory visits	1,139,073	1,102,857	1,103,642	3.3	(0.1)
Surgical cases	35,257	32,273	33,124	9.2	(2.6)
Casemix index	2.52	2.48	2.49	1.6	(0.4)
Outpatient share of activity	56.2 %	57.2 %	55.4 %	(1.7)	3.2
CMI/OP adjusted admissions	157,853	152,389	142,945	3.6	6.6

In addition to its tertiary care focus in Portland, OHSU is working with other healthcare providers noted below to leverage expertise and resources throughout Oregon.

Adventist Health. Adventist Health Portland and OHSU finalized an agreement to integrate their clinical activities and services in the Portland metropolitan area through an affiliation effective January 1, 2018. This agreement makes OHSU and Adventist Health Portland part of the same Portland metropolitan health system, bringing together Adventist's healthcare enterprise that includes a 302-licensed bed medical center, 25 medical clinics, and home care and hospice services in the Portland-Vancouver metro area. Under this affiliation, OHSU and Adventist Health will share a bottom line and operate as a unified system. The agreement does not include OHSU's research and education missions. The other 20 Adventist Health hospitals in the western United States are also excluded from the agreement. Each organization will retain its existing hospital licenses, capital assets, and employees. Each entity will continue to maintain its own mission and culture but together will seek to transform access and the delivery of health to Oregonians through a unified clinical enterprise and shared brand experience.

Tuality Healthcare. On February 1, 2016, OHSU affiliated with Tuality through the execution of a management agreement (the Tuality Agreement) between the organizations. Tuality owns and operates Tuality Community Hospital, a 215-licensed-bed acute care hospital located in Hillsboro, Oregon. Under the Tuality Agreement, OHSU agrees to oversee the unified and integrated clinical enterprises of OHSU and Tuality as a single, integrated economic unit. OHSU and Tuality remain as separate entities, own their own assets and continue to be the licensed operators of their own facilities. Under the Tuality Agreement, OHSU agrees to be responsible for Tuality's operating income and loss, including making cash payments to Tuality in an amount equal to any Tuality operating loss, in the manner specified in the Tuality Agreement. Tuality is a component unit of OHSU as OHSU approves Tuality's annual operating budget. Since Tuality has a separate board of directors and they do not provide services exclusively to OHSU, they are presented as a discretely presented component unit of OHSU. In November 2019, Tuality adopted a new public-facing name, Hillsboro Medical Center.

Columbia Memorial Hospital. OHSU and Columbia Memorial Hospital (CMH) in Astoria, Oregon, have collaborated on programs, including cardiology and cancer, offering chemotherapy, imaging, pharmacy, and other services for individuals on the North Oregon Coast. OHSU and CMH jointly organize and operate an Oncology Collaboration, including a 19,600-square-foot comprehensive cancer treatment center and specialty clinic, with radiation therapy. CMH owns and operates the cancer treatment center, opened in October 2017, under its license while OHSU has provided the professional services and medical direction through OHSU-employed physicians.

OHSU Foundation

OHSU has one designated independent nonprofit foundation – the Oregon Health & Science University Foundation (OHSU Foundation, the Foundation). The Foundation exists to secure private philanthropic support to advance OHSU's vital missions and to invest and manage gifts responsibly to honor donors' wishes.

(Dollars in thousands)

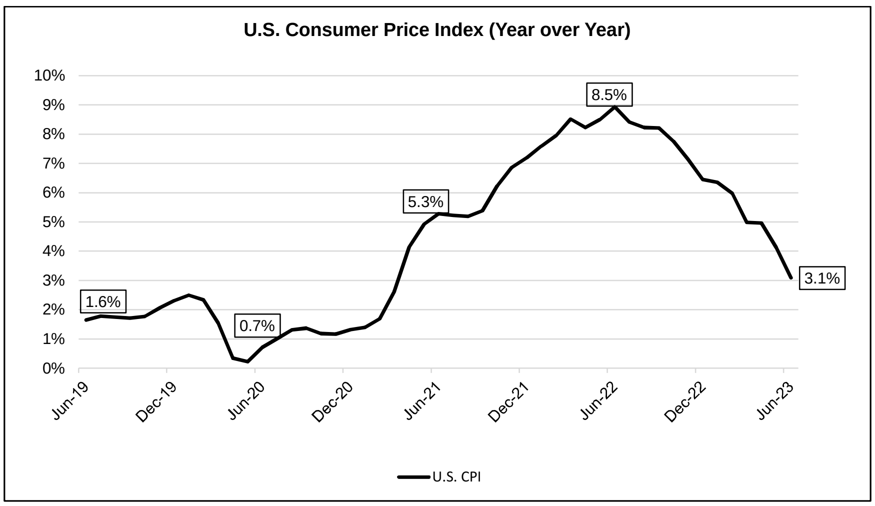
The Foundation is an Oregon nonprofit corporation promoting the charitable, scientific, and educational purposes of OHSU. The Foundation is a component unit of OHSU for financial reporting purposes, but is not part of the OHSU Obligated Group established pursuant to the Master Indenture, which currently consists solely of OHSU. The Foundation has a self-perpetuating board of trustees, on which the OHSU president sits as an ex officio voting member. OHSU Foundation is tax-exempt under Section 501(c)(3) of the Internal Revenue Code.

As OHSU's designated foundation, all development activities conducted by the Foundation must be coordinated with OHSU. In accepting gifts, the Foundation must obtain OHSU approval for all endowments and any gifts that result in new programs. In addition, if the Foundation was dissolved or if the OHSU president were to revoke recognition of the Foundation as an OHSU-designated foundation, the assets of such foundation would, within the limits of legal and fiduciary rights, be distributed to OHSU, its successor in interest, or to another entity recognized by OHSU as an institutional foundation. These interrelated functions and requirements have been further confirmed and implemented in the articles and bylaws of the Foundation. The table below identifies major gifts, which are reported as required under the Council for Advancement and Support of Education (CASE) Reporting Standards and Management Guidelines, which may differ from recognition rules under governmental accounting standards.

Amount	OHSU major gifts description	Fiscal year
$10.3 million	Center for Pancreatic Health gift	2021–22
$14.2 million	HIV and TB vaccine using CMV platform grant	2020–21
$10 million	OHSU-UO Center for Biomedical Data Science gift	2019–20
$25 million	OHSU and Doernbecher Children's Hospital gift	2017–18
$14.7 million	SMMART Trials grant	2017–18
$15 million	Center for Pancreatic Health gift	2016–17
$15 million	Casey Eye Institute gift	2015–16
$12 million	Gary and Christine Rood Family Pavilion gift	2015–16
$500 million	Knight Cancer Institute gift	2014–15
$100 million	Knight Cancer Institute gift	2014–15
$38.8 million	Vaccine and Gene Therapy Institute, Oregon National Primate Research Center, and Behavioral Neuroscience grant	2014–15
$28.9 million	Knight Cancer Institute and OHSU Parkinson Center gift	2013–14
$25 million	Center for Pancreatic Health gift	2013–14
$10 million	Knight Cancer Institute gift	2013–14
$125 million	Gift to create a Cardiovascular Institute at OHSU	2012–13
$25 million	Bob and Charlee Moore Institute for Nutrition gift	2011–12
$10 million	New School of Dentistry gift	2010–11
$100 million	Knight Cancer Institute gift	2008–09

Economic Outlook

Fiscal year 2023 exhibited continued economic and capital market volatility driven by inflationary pressures, global central bank actions, geopolitics, and concerns over a potential recession. Even as the US Federal Reserve increased the range of the Target Federal Funds Rate by 3.5% the US economy still exhibited positive growth momentum as unemployment rates remained low at 3.6%, inflation decelerated significantly, economic growth was positive increasing 2.5% year over year and supply chain disruptions continued to moderate towards the end of the fiscal year. Within the global economy and healthcare, inflation has presented a major challenge. The deceleration of the growth of inflation into fiscal year-end has been a positive dynamic.



In financial markets, the first half of fiscal year 2023 saw mixed performance of risk assets, but a second half rally resulted in global equities returning a strong 16.5% for the full fiscal year. In fixed income, increasing interest rates globally resulted in modestly negative returns with global fixed income declining -2.5%.

The healthcare regulatory environment continues to exhibit substantial policy uncertainty as federal and state agencies and regulators grapple with a difficult operating environment and continued trend of consolidation in the healthcare sector across both providers and payers. The Federal Trade Commission and Antitrust Division within the US Department of Justice is expected to continue to critically evaluate proposed vertical and horizontal integration between providers and payers to maintain and promote a competitive healthcare marketplace.

Results over the past several fiscal years show that OHSU's financial position continues to improve in spite of significant operating environment difficulties, with net position increasing from $3.4 billion at June 30, 2018 to $4.1 billion for the 5-year period ended June 30, 2023. OHSU's financial strength is further recognized by its current credit ratings of Aa3 / AA- / AA- by Moody's, S&P, and Fitch, respectively. The University's financial planning and budget process continues to take a proactive planning approach to the evolving healthcare and economic environment, diligently monitoring, and making operational adjustments as is necessary. In spite of these challenges, OHSU will continue to focus on supporting its people, building community engagement and health equity, improving access and growing strategically, in order to advance the University's missions and build for the future.

OREGON HEALTH & SCIENCE UNIVERSITY
(A Component Unit of the State of Oregon)

Statements of Net Position

June 30, 2023 and 2022

(Dollars in thousands)

		2023	2022
Assets:			
Current assets:			
Cash and cash equivalents	$	236,630	262,472
Short-term investments		22,040	22,574
Current portion of funds held by trustee		30,423	42,305
Patients accounts receivable, net of bad debt allowances of $755 and $1,372 – in 2023 and 2022, respectively		626,072	504,558
Student receivables		24,035	24,351
Grant and contract receivable		82,924	81,631
Current portion of pledges and estates receivable		115,949	121,490
Other receivables, net		69,491	69,009
Inventories, at cost		66,692	64,279
Prepaid expenses		38,148	34,476
Total current assets		1,312,404	1,227,145
Noncurrent assets:			
Capital assets, net of accumulated depreciation		2,231,880	2,181,208
Funds held by trustee – less current portion		235,624	303,469
Other long-term receivables, net of reserves		33,500	33,500
Long-term investments:			
Long-term investments, restricted		970,401	941,206
Long-term investments, unrestricted		1,831,874	1,744,200
Total long-term investments		2,802,275	2,685,406
Prepaid financing costs, net		1,065	1,268
Pledges and estates receivable, net – less current portion		106,197	174,981
Restricted postemployment benefit asset		11,743	10,070
Other noncurrent assets		1,740	14,018
Total noncurrent assets		5,424,024	5,403,920
Total assets		6,736,428	6,631,065
Deferred outflows:			
Deferred amortization of derivative instruments		—	4,843
Loss on refunding of debt		25,395	29,835
Pension obligation		153,221	174,512
Goodwill		174	261
Other Postemployment Benefits (OPEB) obligation		6,728	9,253
Total deferred outflows		185,518	218,704
Total assets and deferred outflows	$	6,921,946	6,849,769

(Continued)

OREGON HEALTH & SCIENCE UNIVERSITY
(A Component Unit of the State of Oregon)

Statements of Net Position

June 30, 2023 and 2022

(Dollars in thousands)

		2023	2022
Liabilities:			
Current liabilities:			
Current portion of long-term debt	$	15,463	23,735
Current portion of long-term leases		24,995	22,580
Current portion of self-funded insurance programs liability		45,397	47,549
Accounts payable and accrued expenses		219,742	187,841
Accrued salaries, wages, and benefits		120,667	127,391
Compensated absences payable		84,185	78,135
Unearned revenue		120,057	92,929
Unearned/Medicare Advance Payment		—	37,246
Other current liabilities		6,696	4,352
Total current liabilities		637,202	621,758
Noncurrent liabilities:			
Long-term debt – less current portion		1,272,736	1,308,089
Long-term leases – less current portion		67,766	65,467
Liability for self-funded insurance programs – less current portion		56,528	55,848
Liability for life income agreements		20,503	20,111
Pension liability		396,378	305,955
Other noncurrent liabilities		29,250	45,049
Total noncurrent liabilities		1,843,161	1,800,519
Total liabilities		2,480,363	2,422,277
Deferred inflows:			
Deferred lease revenue		822	1,538
Gain on refunding of debt		841	1,056
Life income agreements		29,206	32,759
Pending funds		164,306	159,604
Pension obligation		141,040	278,368
Other Postemployment Benefits (OPEB) amounts		8,406	6,396
Total deferred inflows		344,621	479,721
Net position:			
Investments in capital assets		1,215,606	1,205,762
Restricted, expendable		643,863	718,821
Restricted, nonexpendable		340,236	323,982
Unrestricted		1,897,257	1,699,206
Total net position		4,096,962	3,947,771
Total liabilities, deferred inflows, and net position	$	6,921,946	6,849,769

See accompanying notes to financial statements.

OREGON HEALTH & SCIENCE UNIVERSITY
(A Component Unit of the State of Oregon)

Statements of Revenues, Expenses, and Changes in Net Position

Years ended June 30, 2023 and 2022

(Dollars in thousands)

		2023	2022
Operating revenues:			
Patient service revenue, net of bad debt adjustments of $11,716 and $7,963 – in 2023 and 2022, respectively	$	3,337,828	2,845,352
Student tuition and fees, net		81,617	80,886
Gifts, grants, and contracts		758,380	782,289
Other		279,477	233,507
Total operating revenues		4,457,302	3,942,034
Operating expenses:			
Salaries, wages, and benefits		2,702,614	2,455,284
Defined-benefit pension		37,947	23,008
Services, supplies, and other		1,545,566	1,343,276
Depreciation and amortization		210,435	200,611
Interest		42,798	45,251
Total operating expenses		4,539,360	4,067,430
Operating income (loss)		(82,058)	(125,396)
Nonoperating revenues, including state appropriations:			
Investment income and gain (loss) in fair value of investments		119,421	(134,264)
State appropriations		62,690	41,240
COVID-19 relief grants		—	33,514
Other		23,565	8,911
Total nonoperating revenues (expenses), net		205,676	(50,599)
Net income (loss) before contributions for capital and other		123,618	(175,995)
Other changes in net position:			
Contributions for capital and other		8,129	4,877
Nonexpendable donations		17,444	20,821
Total other changes in net position		25,573	25,698
Total increase (decrease) in net position		149,191	(150,297)
Net position – beginning of year		3,947,771	4,098,068
Net position – end of year	$	4,096,962	3,947,771

See accompanying notes to financial statements.

OREGON HEALTH & SCIENCE UNIVERSITY
(A Component Unit of the State of Oregon)

Statements of Cash Flows

Years ended June 30, 2023 and 2022

(Dollars in thousands)

		2023	2022
Cash flows from operating activities:			
Receipts for patient services	$	3,218,658	2,802,768
Receipts from students		81,933	83,560
Receipts of gifts, grants, and contracts		842,294	888,034
Other receipts		264,249	123,537
Payments to employees for services		(2,768,321)	(2,494,525)
Payments to suppliers		(1,519,750)	(1,333,873)
Net cash provided by operating activities		119,063	69,501
Cash flows from noncapital financing activities:			
Federal direct loan proceeds		66,398	64,618
Federal direct loan disbursements		(67,011)	(64,576)
State appropriations		62,690	41,240
CARES Act grants		—	33,514
Nonexpendable donations and life income agreements		39,361	25,857
Net cash provided by noncapital financing activities		101,438	100,653
Cash flows from capital and related financing activities:			
Scheduled principal payments on long-term debt		(64,508)	(36,277)
Interest payments on long-term debt		(58,299)	(64,893)
Proceeds from issuance of long-term debt		—	577,619
Repayment on debt		—	(181,415)
Acquisition of capital assets		(225,632)	(208,586)
Contributions for capital and other		8,129	4,877
Net cash (used in) provided by capital and related financing activities		(340,310)	91,325
Cash flows from investing activities:			
Purchases of investments		(1,147,529)	(2,396,239)
Proceeds from sales and maturities of investments		1,148,835	1,946,039
Interest on investments and cash balances		92,661	15,619
Net cash provided by (used in) investing activities		93,967	(434,581)
Net decrease in cash and cash equivalents		(25,842)	(173,102)
Cash and cash equivalents, beginning of year		262,472	435,574
Cash and cash equivalents, end of year	$	236,630	262,472

OREGON HEALTH & SCIENCE UNIVERSITY
(A Component Unit of the State of Oregon)

Statements of Cash Flows

Years ended June 30, 2023 and 2022

(Dollars in thousands)

		2023	2022
Reconciliation of operating loss to net cash provided by operating activities:			
Operating loss			
Adjustments to reconcile operating loss to net cash provided by	$	(82,058)	(125,396)
operating activities:			
Depreciation and amortization		210,435	200,611
Provision for bad debts		11,716	7,963
Interest expense reported as operating expense		42,798	45,251
Noncash contribution		(3,895)	(5,398)
Defined-benefit pension		(25,614)	(41,969)
Net changes in assets and liabilities:			
Patient accounts receivable		(133,230)	(52,637)
Student receivables		316	2,674
Grant and contracts receivable		(680)	(18,773)
Pledges and estates receivable		74,325	73,249
Other receivables, assets, and deferred outflows		22,018	(28,796)
Inventories		(2,413)	(5,989)
Prepaid expenses		(3,672)	(694)
Accounts payable and accrued expenses		31,901	16,086
Accrued salaries, wages, and benefits		(6,724)	8,143
Compensated absences payable		6,050	1,703
Due to contractual agencies		2,344	2,090
Liability for life income agreements		392	(3,381)
Unearned revenue		27,128	11,098
Medicare Advance Payment		(37,246)	(81,174)
Liability for self-funded insurance programs		(1,472)	15,890
Other noncurrent liabilities and deferred inflows		(13,356)	48,950
Net cash provided by operating activities	$	119,063	69,501
Supplemental schedule of noncash capital and related financing and investing activities:			
Unrealized change in fair value of investments	$	75,896	(192,291)
Gain (loss) on disposal capital assets		6	(1,972)
Obligations acquired under lease agreements		35,469	41,308
Acquisition of right-of-use assets		37,701	38,686

See accompanying notes to financial statements

OREGON HEALTH & SCIENCE UNIVERSITY

Nongovernmental Discretely Presented Component Units

Consolidated Balance Sheets

June 30, 2023 and 2022

(Dollars in thousands)

Assets		**2023**	**2022**
Current assets:			
Common stocks: Mutual funds	$	8,662	10,324
Cash and cash equivalents		49,950	62,023
Short-term investments		6,906	6,061
Patient accounts receivable, net		44,537	40,488
Other receivables		10,978	7,875
Supplies inventory		5,910	4,873
Prepaid expenses and other		2,941	2,129
Estimated receivables for Medicare and Medicaid settlements		—	454
Current portion of assets whose use is limited		1,052	1,033
Total current assets		130,936	135,260
Assets whose use is limited:			
Board-designated funds		31,777	33,041
Under bond indenture agreement – held by Trustee		—	1,909
Donor-restricted – specific purpose		6,147	6,096
Donor-restricted – endowment		2,759	2,855
Required for current liabilities		(1,052)	(1,033)
Total assets whose use is limited		39,631	42,868
Property and equipment:			
Property and equipment, net of accumulated depreciation and amortization		64,399	62,212
Other assets		15,987	7,414
Total assets	$	250,953	247,754

OREGON HEALTH & SCIENCE UNIVERSITY

Nongovernmental Discretely Presented Component Units

Consolidated Balance Sheets

June 30, 2023 and 2022

(Dollars in thousands)

Liabilities and Net Assets	**2023**	**2022**
Current liabilities:		
Accounts payable	$ 62,134	58,795
Accrued payroll and employee benefits	12,448	14,772
Due to related party	13,892	26,139
Deferred revenue	—	2,672
Estimated liabilities for Medicare and Medicaid settlements	5,325	—
Long-term debt due within one year	1,122	1,090
Leases – current liability	1,502	—
Accrued bond interest payable	72	78
Total current liabilities	96,495	103,546
Long-term liabilities:		
Long-term debt, net of amount due within one year	8,850	9,959
Leases – long-term liability	5,403	—
Liability for pension benefits	21,693	29,680
Other long-term liabilities	24,418	23,872
Total long-term liabilities	60,364	63,511
Total liabilities	156,859	167,057
Net assets:		
Net assets without donor restrictions	85,585	71,616
Net assets with donor restrictions	8,509	9,081
Total net assets	94,094	80,697
Total liabilities and net assets	$ 250,953	247,754

See accompanying notes to financial statements

OREGON HEALTH & SCIENCE UNIVERSITY

Nongovernmental Discretely Presented Component Units

Consolidated Statements of Operations

Years ended June 30, 2023 and 2022

(Dollars in thousands)

	2023	2022
Net patient service revenue:		
Patient service revenue (net of contractual allowances and discounts)	$ 270,347	261,998
Total net patient service revenue	270,347	261,998
Other revenue		
OHSU support	22,813	11,051
Other revenue	258,178	220,721
Total other revenue	280,991	231,772
Total revenue	551,338	493,770
Operating expenses:		
Salaries and wages	108,775	100,417
Employee benefits	29,156	24,196
Supplies and other expenses	354,679	317,277
Professional fees	44,125	43,131
Depreciation and amortization	7,641	7,456
Interest	724	707
Total operating expenses	545,100	493,184
Income from operations	6,238	586
Other nonoperating income:		
Realized (loss) income on investments whose use is limited by board designation	(55)	256
Gain on investments in affiliated companies	468	610
Gain (loss) on disposal of property and equipment	2	(72)
Change in net unrealized gains (losses) on investments	1,810	(6,624)
Other operating (loss) revenue	(2,007)	300
Total other income	218	(5,530)
Excess (deficit) of revenue over expenses	6,456	(4,944)
Contributions for property and equipment acquisition	27	25
Pension-related changes	7,486	11,436
Increase in net assets without donor restrictions	$ 13,969	6,517

See accompanying notes to consolidated financial statements

OREGON HEALTH & SCIENCE UNIVERSITY

Nongovernmental Discretely Presented Component Units

Consolidated Statements of Changes in Net Assets

Years ended June 30, 2023 and 2022

(Dollars in thousands)

		2023	2022
Net assets without donor restrictions:			
Excess (deficit) of revenue over expenses	$	6,456	(4,944)
Contributions for property and equipment acquisition		27	25
Pension-related changes		7,486	11,436
Increase (decrease) in net assets without donor restrictions		13,969	6,517
Net assets with donor restrictions:			
Gifts, grants, and bequests		1,159	1,781
Investment income (loss)		346	(1,068)
Net assets released from restrictions		(2,077)	(1,386)
Decrease in net assets with donor restrictions		(572)	(673)
Change in net assets		13,397	5,844
Net assets, beginning of year		80,697	74,853
Net assets, end of year	$	94,094	80,697

See accompanying notes to consolidated financial statements

(1) Organization and Summary of Significant Accounting Policies

(a) Organization

As the only health sciences university and major academic health center in the state of Oregon (the State), Oregon Health & Science University (OHSU or the University) is dedicated to the education and training of healthcare professionals, research, patient care, outreach, and public service. In addition to the School of Medicine, School of Nursing, School of Dentistry, the joint College of Pharmacy with Oregon State University, and the joint School of Public Health with Portland State University, OHSU comprises several other academic and research units, including the Vollum Institute, the Vaccine and Gene Therapy Institute, Oregon National Primate Research Center, OHSU Brain Institute, Oregon Institute of Occupational Health Science, Oregon Clinical and Translational Research Institute, and the Pacific Northwest Center for Cryo-EM. OHSU also comprises several clinical units, including OHSU Hospital (the Hospital), the OHSU Practice Plan (OPP), and the Institute on Development and Disability (IDD). Doernbecher Children's Hospital is a unit of the Hospital serving pediatric patients. The Knight Cancer Institute is the only National Cancer Institute designated cancer center in the State, and the Knight Cardiovascular Institute provides the State's most comprehensive clinical and heart research program. In addition, OHSU operates a captive insurance company domiciled in Arizona for self-insurance purposes, OHSU Insurance Company (INSCO), which is blended in the accompanying financial statements.

Pursuant to an act of the Oregon Legislature (the Act), on July 1, 1995, OHSU was restructured from one of seven component units of the Oregon University System (OUS) to an independent public corporation. OHSU remains a component unit of the State.

The majority of the real property that constitutes OHSU's main campus on Marquam Hill (and certain off-campus properties) in Portland is owned by the State. Pursuant to the Act, the State retained title of such real property and OHSU was granted exclusive care, custody, and control of such real property. To evidence this condition, the State and OHSU entered into a 99-year lease, dated July 1, 1995 (the State Lease), under which the State leased to OHSU all of the State's leasable interest in such real property. Under the terms of the State Lease, the State may terminate the State Lease if, prior to such termination, the State causes the defeasance or discharge of all then-outstanding obligations of OHSU that were issued to finance improvements on the property subject to the State Lease or to refinance obligations of OHSU to the State. Under the State Lease, improvements include completed and partially completed buildings, fixtures, structures, and other improvements constructed on the property subject to the State Lease. In addition, OHSU was granted ownership of all personal property of the University, as it existed prior to the enactment of the Act.

Oregon Health & Science University Foundation is a separately incorporated nonprofit Foundation affiliated with OHSU. The primary purpose of the Foundation is to raise money for OHSU research, scientific, charitable, and educational purposes and to promote support for Doernbecher Children's Hospital. Doernbecher Children's Hospital Foundation, an Oregon nonprofit corporation, merged on January 1, 2021 with OHSU Foundation. Consequently, the financial position and the changes in financial position of the Foundation is blended in the accompanying financial statements.

On February 1, 2016, OHSU affiliated with Tuality Healthcare and subsidiaries (Tuality), doing business as Hillsboro Medical Center, through the execution of a management agreement (the Tuality Agreement) between the organizations. Tuality owns and operates Tuality Community Hospital, a 215-licensed-bed acute care hospital located in Hillsboro, Oregon. Under the Tuality Agreement, OHSU agrees to oversee the unified and integrated clinical enterprises of OHSU and Tuality as a single, integrated economic unit. OHSU and Tuality remain as separate legal entities, own their own assets, and continue to be the licensed operators of their respective facilities. Tuality is a component unit of OHSU as OHSU approves Tuality's annual operating budget. Since Tuality has a separate board of directors and they do not provide services exclusively to OHSU, they are presented as a discretely presented component unit of OHSU.

On January 1, 2020, OHSU partnered with ODS Community Health, Inc. to form OHSU Health IDS, LLC (OHI). OHI is owned 60% by OHSU and 40% by ODS Community Health, Inc. OHI operates as an Integrated Delivery System (IDS) under Health Share of Oregon, a Coordinated Care Organization (CCO) certified by the Oregon Health Authority (OHA) to serve OHP (Medicaid) enrollees in the Portland-metro area. OHI remains a separate legal entity, own their own assets, and maintains its own direct contract with Health Share of Oregon. OHI is a component unit of OHSU as OHSU approves OHI's annual operating budget. Since OHI has a separate board of directors and they do not provide services exclusively to OHSU, they are presented as a discretely presented component unit of OHSU.

(b) Accounting Standards

The accompanying financial statements are prepared in accordance with accounting principles generally accepted in the United States of America using the accrual basis of accounting. OHSU's financial statements and note disclosures are based on all applicable Governmental Accounting Standards Board (GASB) pronouncements and interpretations. OHSU uses proprietary fund accounting.

OHSU prepares and presents its financial information in accordance with GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* (GASB 34), known as the "Reporting Model" statement. GASB 34 established the requirements and reporting model for annual financial statements. GASB 34 requires that financial statements be accompanied by a narrative introduction and analytical overview of the reporting entity in the form of "management's discussion and analysis." This reporting model also requires the use of a direct-method cash flow statement.

OHSU has also adopted GASB Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities – an amendment of GASB Statement No. 34*. This statement establishes accounting and financial reporting standards for public colleges and universities within the financial reporting guidelines of GASB 34.

(c) New Accounting Pronouncements

In June 2022, the GASB issued Statement No. 101, "Compensated Absences," which will be effective for the fiscal year ending June 30, 2025. This Statement will update the recognition and measurement guidance for compensated absences. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. The Statement amends the existing disclosure requirements to allow governments to disclose only the net change in the liability as long as they identify it as a net change.

(d) Financial Reporting Entity

As defined by generally accepted accounting principles, the financial reporting entity consists of OHSU as the primary government and its component units, which are legally separate organizations for which the primary government is financially accountable. Financial accountability is defined as a) appointment of the voting majority of the component units' board, and either (1) the ability to impose will by the primary government or (2) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government, or (b) the component unit is financially dependent on and there is potential for the component unit to provide specific financial benefits to, or impose specific burdens on, the primary government.

Component units are reported as part of the reporting entity under the blended or discrete method of presentation. Blending involves merging the component unit data with the primary government. There are three situations when blending is allowed: (1) when the board of the component unit is substantially the same as that of the primary government and there is a financial benefit or burden relationship between the primary government and the component unit or management of the primary government has operational responsibility for the component unit, (2) when the component unit provides services entirely, or almost entirely, to the primary government or otherwise exclusively, or almost exclusively, benefits the primary government even though it does not provide services directly to it, or (3) the component unit's total debt outstanding, including leases, is expected to be repaid entirely or almost entirely with resources of the primary government. OHSU Foundation and INSCO are considered to be blended component units as they serve the primary government exclusively. All transactions between OHSU and its blended component units are eliminated upon consolidation. Tuality and OHI are presented discretely since they have a separate board of directors and they do not provide services exclusively to OHSU. They are both considered a nonmajor component unit as there are no significant transactions with OHSU and there is not a significant financial benefit/burden relationship with OHSU.

Financial reports for INSCO and OHSU Foundation that include financial statements and required supplementary information are publicly available. These reports, and those of Tuality and OHI are, may be obtained by contacting the management of OHSU.

(e) Basis of Accounting

Basis of accounting refers to the timing of when revenues and expenses are recognized in the accounts and reported in the financial statements. OHSU reports as a proprietary fund within the governmental model. OHSU's financial statements have been prepared using the accrual basis of accounting with the economic resources measurement focus. Under this method of accounting, revenue is recognized when earned and expenses are recorded when liabilities are incurred without regard to receipt or disbursement of cash.

(f) Use of Estimates

The preparation of financial statements in conformity with US generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates in OHSU's financial statements include patient accounts receivable allowances, liabilities related to self-insurance programs, and valuation of pension liabilities.

(g) Cash and Cash Equivalents

OHSU held $176,842 of cash equivalents within cash and cash equivalents at June 30, 2023 and held none at June 30, 2022.

(h) Investments

Investments are carried at fair value. Fair values are determined based on quoted market prices, where available. Investments in joint ventures are recorded using the equity method of accounting. Alternative investments, which are not readily marketable, are carried at estimated fair values as provided by investment managers. OHSU reviews and evaluates the values provided by the investment managers and agrees with the valuation methods and assumptions used in determining the fair value of the alternative investments. These estimated fair values may differ from the values that would have been used had a ready market for those securities existed.

Net unrealized gains and losses are included in the net unrealized gain (loss) in fair value of investments in nonoperating revenues in the statements of revenues, expenses, and changes in net position. Interest, dividends, and realized gains and losses on investments are included in nonoperating revenues as investment income when earned.

(i) Inventories

Inventories consist primarily of supplies and pharmaceutical supplies in organized stores at various locations across the campus and in the Hospital. Inventories are recorded using several different methodologies dependent upon the operational use of the supplies and system capabilities. OHSU utilizes standard-cost and average-cost methodologies to record and report inventory value.

(j) Capital Assets

Capital asset acquisitions (excluding intangible right-to-use lease and subscription IT assets) are stated at cost. Donated items are recorded on the basis of fair market value at the date of donation. OHSU capitalizes equipment additions greater than $5 and capital projects greater than $25. Maintenance, repairs, and minor replacements are expensed as incurred. When properties are retired or otherwise disposed of, the related cost and accumulated depreciation are removed from the respective accounts and any gain or loss on disposition is recorded as other in nonoperating revenue.

The provision for depreciation is determined by the straight-line method at rates calculated to amortize the cost of assets over the shorter of their estimated useful lives or the related lease term as follows: buildings and other improvements, 10 to 40 years; and equipment, 3 to 20 years.

(k) Net Position Classifications

Net position is classified into four net asset categories, in accordance with donor-imposed restrictions:

- Net investment in capital assets represents the depreciated value of capital purchases, net of related debt.
- Net position restricted, expendable, carries externally imposed time or purpose restrictions that expire in the future.
- Net position restricted, nonexpendable, carries externally imposed restrictions that never expire.
- Net position unrestricted carries no externally imposed restrictions.

Investment income earned on donor-restricted endowment funds in excess of the annual spending distribution is accounted for in the expendable restricted net position category.

OHSU first applies restricted resources to an expense where an expense is incurred for a purpose for which both restricted and unrestricted funds are available.

(Dollars in thousands)

A summary of restricted funds by restriction category for fiscal years ended June 30, 2023 and 2022 is as follows:

		2023	2022
Restricted expendable:			
Research	$	339,184	412,421
Academic support		89,324	85,943
Instruction		59,907	62,072
Capital projects and planning		14,119	16,497
Student aid		63,762	63,511
Clinical support		19,033	18,195
Institutional support		5,483	5,817
Defined-benefit OPEB		11,743	10,070
Other		41,308	44,295
	$	643,863	718,821
Restricted nonexpendable:			
Research	$	43,964	43,454
Instruction		89,829	87,026
Academic support		110,287	106,253
Student aid		55,212	49,880
Other		40,944	37,369
	$	340,236	323,982

(l) Endowments

The endowment corpus is accounted for in the restricted, nonexpendable net position category and reported on the statements of net position as restricted long-term investments. The Foundation’s spending policy for endowment funds is determined by the Executive Committee of the Board of Trustees (Executive Committee) and is calculated using a weighted average methodology comprised of an eight quarter moving average of the fair value of the endowment fund adjusted for inflation, and of the previous year’s actual spending distribution adjusted for inflation. The resulting effective spending rate payout is then banded to be between 4.0% and 5.5% each year. The Executive Committee authorized a 4.5% distribution rate to calculate the effective spending rate for the years ended June 30, 2023 and 2022.

The Foundation’s management and investment of donor-restricted endowment funds are subject to the provisions of the Uniform Prudent Management of Institutional Funds Act enacted by the State in January 2008.

The endowment fund investment pool (endowment fund) held by the Foundation is the repository for funds from restricted, nonexpendable contributions where the principal amount cannot be used, but a spending distribution, described below, can be used for the designated purpose. The endowment fund also holds quasi-endowment funds, which have been designated as endowment by the Foundation's board of trustees. All interest, dividends, and changes in fair value on the endowment fund are allocated to the appropriate unrestricted or restricted net position classification as specified by the donor at the time of receipt. Endowment accounts receive spending distributions subject to the Foundation's board of trustees' approved spending policy, which provides a predetermined amount of total return that can be spent for purposes designated by the donor. All expendable income restricted by the donor is carried as restricted, expendable net position until such time as the restriction has been met. At June 30, 2023 and 2022, the fair value of investments in the endowment fund was $950,900 and $896,000, respectively. The fair value of the unspent portion of endowments in excess of corpus at June 30, 2023 and 2022 was $103,800 and $115,000, respectively.

At June 30, 2023 and 2022, accumulated loss of $0.4 million and $0.3 million, respectively, related to endowment accounts with market value below corpus was reflected in nonexpendable restricted net position.

(m) Federal Income Taxes

OHSU, as a division of the State, is not subject to federal income taxes of the Internal Revenue Code, except for unrelated business income.

(n) State Appropriations

The Oregon State Legislature makes an appropriation to OHSU on a biennial basis. The appropriation is recognized as nonoperating revenues over the related appropriation period as applicable eligibility requirements are met.

(o) Research Activity

Restricted grants receivable represent receivables for grant activities on which OHSU has met all applicable eligibility requirements and on which the funds are available from the granting agency. As of June 30, 2023 and 2022, the grants receivable balance was $32,834 and $36,281, respectively, and was included in grant and contract receivables in the accompanying statements of net position. The balance in unearned revenue as of year-end represents amounts advanced for which OHSU has not met all applicable eligibility requirements. As of June 30, 2023 and 2022, the grants unearned revenue balance was $56,990 and $59,339, respectively.

(p) Operating Revenues

OHSU includes patient service revenue, student tuition and fees, gifts, grants and contracts, and other income from sales and services in operating revenues. These revenues are key components of the operations of OHSU.

(Dollars in thousands)

(q) Net Patient Service Revenue

A summary of patient service revenues during the years ended June 30, 2023 and 2022 is as follows:

		2023	2022
Gross patient charges	$	8,059,588	6,963,647
Contractual discounts		(4,710,044)	(4,110,332)
Bad debt adjustments		(11,716)	(7,963)
Net patient service revenues	$	3,337,828	2,845,352

OHSU has agreements with third-party payors that provide for payments at amounts different from established rates. Payment arrangements include prospectively determined rates per discharge, outpatient case rates, reimbursed costs, discounted charges, and per diem payments. Net patient service revenue is reported at the estimated net realizable amounts due and determined to be collectible from patients, third-party payors, and others for services rendered and includes estimates for potential retroactive revenue adjustments under reimbursement agreements with third-party payors. Such estimates are adjusted in future periods as final settlements are determined.

A significant portion of OHSU's services are provided to Medicare, Medicaid, and Oregon Health Plan (OHP) patients under contractual arrangements. Inpatient acute care services rendered by OHSU to Medicare, Medicaid, and OHP program beneficiaries are generally reimbursed at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors (i.e., Medicare severity diagnosis related groups or MS DRGs). Such payments include a capital cost component and may be greater or less than the actual charges for services. Most outpatient services related to Medicare beneficiaries are reimbursed prospectively under the ambulatory payment classifications methodology. Home health services related to Medicare beneficiaries are reimbursed under a prospective payment system methodology. OHSU is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after audits of OHSU's annual cost reports by the Medicare Administrative Contractor and Medicaid.

OHSU partners with the State of Oregon (the State) in an innovative collaboration resulting in significant additional federal funding for Oregon's Medicaid program. Through the Intergovernmental Transfer (IGT) partnership with the State this program reduces OHSU's losses from the Medicaid program and enables support for OHSU's research and education missions. In fiscal years 2023 and 2022, the program generated $268,500 and $166,000, respectively, for its missions.

The laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. As a result, there is at least a reasonable possibility that estimated third-party payor settlements payable, net will change by a material amount in the near term. For the years ended June 30, 2023 and 2022, OHSU received third-party settlements of $4,333 and $1,945, respectively, as a result of final settlements of prior years' cost reports and revisions of estimates for prior years cost report settlements.

(Dollars in thousands)

OHSU has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations to provide medical services to subscribing participants. The basis for payment to OHSU under these agreements includes prospectively determined rates per discharge, discounts from established charges, prospectively determined fee schedules, and certain capitated per member per month payment arrangements.

Significant concentrations of gross patient accounts receivable as of June 30, 2023 and 2022 were approximately as follows:

	2023	2022
Medicare and Medicare managed care contracts	25 %	22 %
Medicaid and OHP	19	19
Commercial and managed care insurance	54	57
Nonsponsored	2	2
	100 %	100 %

(r) *Student Tuition and Fees Revenues*

A summary of student tuition and fees revenues during the years ended June 30, 2023 and 2022 is as follows.

		2023	2022
Gross student tuition	$	98,059	96,276
Tuition discounts		(16,442)	(15,390)
Student tuition and fees revenues, net	$	81,617	80,886

(s) *Charity Care*

OHSU provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its published rates. Because OHSU does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue.

OHSU maintains records to identify and monitor the level of charity care it provides. These records include the amount of charges forgone for services and supplies furnished under its charity care policy. Charity care provided measured as charges forgone and based on established rates was $58,056 and $85,789 in 2023 and 2022, respectively.

(t) Pledges and Estates Receivable

Pledges and estates receivable are recorded as receivables and revenues when all eligibility criteria are met in the appropriate net asset category based upon donor-imposed restrictions and are reported at fair value at the date the promise is received. Pledges are generally received within 5 to 10 years of the date of original commitment. The majority of estates are received within one year. Pledges and estates receivable, less reserves for estimated uncollectible amounts, are discounted to their present value using rates that range from 0.14% to 4.88%.

(u) Life Income Agreements

The Foundation has been named as remainder beneficiary for various life income agreements. Life income agreements provide for contractual payments to designated beneficiaries for a specific period, after which the remaining principal and interest revert to the Foundation. Contributions received under life income agreements are included in long-term investments, restricted, with the corresponding commitment to the beneficiary included in liability for life income agreements in the accompanying statements of net position. The Foundation has investments with a fair value of $51,000 and $51,900 as at June 30, 2023 and 2022, respectively, related to its individually managed life income agreements.

(v) Moda Note Receivable

OHSU has contracts with, and receives patient revenues from, the major health plans in Oregon. OHSU's guiding principle in developing payor provider partnerships is to ensure that Oregonians continue to have access to Oregon's public health sciences university and academic health center and its affiliates and that OHSU has access to major populations of Oregon across its missions of patient care, education, research, and outreach.

Since 2013, OHSU has partnered with Moda Health Plan, Inc. (Moda) to advance population health management. In December 2014, OHSU invested $50,000 in Moda through a 10-year surplus note to help capitalize Moda's Oregon healthcare efforts. The principal balance of this note shall become due and payable in full on December 15, 2024, and the note bears interest on its unpaid principal balance at a rate equal to 4% per annum. Payment of interest and principal is subject to approval by the Oregon insurance commissioner, which is part of the Department of Consumer and Business Services (DCBS). The Oregon insurance commissioner allowed payment of accrued interest to OHSU of $2,000 and $2,000 in fiscal years 2023 and 2022, respectively.

Moda had a large share of Oregon's individual insurance market during the initial years of the Affordable Care Act and had significant receivables due from the federal government under the risk corridor program that was designed to encourage plans to offer individual coverage. At that time, it was uncertain if, or when, the federal government would pay these amounts. In light of uncertain payment of federal risk corridor receivables, higher risk from losses at Moda, and the likelihood that interest payments could have been deferred, OHSU recorded a valuation reserve of $16,500 against the surplus note receivable as of June 30, 2015. In April 2020, the US Supreme Court ruled in favor of Moda Health Plan and other insurers that had sued the federal government for backing out of support under the Affordable Care Act. The justices reversed a lower court's ruling that Congress had suspended the government's obligation to make such payments under the Affordable Care Act.

OHSU reviewed the valuation of the note receivable as of June 30, 2023 and 2022 and has retained the current net valuation of $33,500, which represents 0.8% and 0.9% of the University's total net position as of June 30, 2023 and 2022, respectively.

(w) Leases (Lessee) and Similar Subscription-Based Information Technology (IT) Arrangements

OHSU is a lessee for various noncancelable leases of buildings and equipment. OHSU also has noncancelable subscription IT arrangements (similar to a lease) for the right-to-use information technology hardware and software (subscription IT arrangements).

Short-term Leases and Subscription IT arrangements

For leases and subscription IT arrangements with a maximum possible term of 12 months or less at commencement, OHSU recognizes expense based on the provisions of the lease contract or subscription IT arrangement, respectively.

Leases and Subscription IT arrangements other than short term

For all other leases and subscription IT arrangements (i.e., those that are not short term) whose total discounted minimum payment obligation are greater than $100, OHSU recognizes a lease or subscription IT liability, respectively, and an intangible right-to-use lease asset or subscription IT asset, respectively.

Measurement of Lease Amounts

At lease commencement, OHSU initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability plus any initial direct costs ancillary to placing the underlying asset into service, less any lease incentives received at or before the lease commencement date. Subsequently, the lease asset is amortized into depreciation expense on a straight-line basis over the lease term.

Measurement of Subscription IT Amounts

At subscription commencement, OHSU initially measures the subscription IT liability at the present value of payments expected to be made during the subscription term. Subsequently, the subscription IT liability is reduced by the principal portion of subscription payments made. The subscription IT asset is initially measured as the initial amount of the subscription IT liability less any vendor incentives received at or before the subscription commencement date, plus the capitalizable implementation costs. Subsequently, the subscription IT asset is amortized into depreciation expense on a straight-line basis over the subscription term.

Key Estimates and Judgments

Key estimates and judgments include how the OHSU determines (1) the discount rate it uses to calculate the present value of the expected lease and subscription payments, (2) lease and subscription term, and (3) lease and subscription payments.

- OHSU generally uses its estimated incremental borrowing rate as the discount rate for leases and subscription IT arrangements unless the rate that the lessor/vendor charges is known. OHSU obtains its current incremental borrowing rate from its primary banking institution on a periodic basis. OHSU's incremental borrowing rate for leases and subscription IT arrangements is based on the rate of interest it would need to pay if it issued general obligation bonds to borrow an amount equal to the lease or subscription payments, respectively, under similar terms at the commencement or remeasurement date.
- The lease or subscription term includes the noncancelable period of the lease or subscription IT arrangement, respectively, plus any additional periods covered by either an OHSU or lessor unilateral option to (1) extend for which it is reasonably certain to be exercised, or (2) terminate for which it is reasonably certain not to be exercised. Periods in which both OHSU and the lessor/vendor have an option to terminate (or if both parties have to agree to extend) are excluded from the lease or subscription term.

Remeasurement of Lease and Subscription Amounts

OHSU monitors changes in circumstances that may require remeasurement of a lease or subscription IT arrangement. When certain changes occur that are expected to significantly affect the amount of the lease or subscription IT liability, the liability is remeasured and a corresponding adjustment is made to the lease or subscription IT asset, respectively.

Presentation in Statements of Net Position

Lease and subscription IT assets are reported with capital assets and lease and subscription IT liabilities are reported with long-term leases in the statements of net position.

(2) Cash and Investments

OHSU holds substantially all of its cash, cash equivalents, and investment balances at financial institutions. OHSU's cash is insured by the Federal Deposit Insurance Corporation subject to standard limits. Additionally, a portion of cash and cash equivalents are collateralized deposits as required under the Oregon Revised Statutes (ORS).

(Dollars in thousands)

OHSU's investment policies are approved by the board of directors and are accounted for as prescribed by GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Changes in the fair value of investments are included in nonoperating revenues. The composition of investments at fair value at June 30, 2023 and 2022 is as follows:

		2023	2022
Short-term investments:			
Cash and cash equivalents	$	—	835
US government securities		22,040	21,739
		22,040	22,574
Funds held by trustee, current portion:			
Cash and cash equivalents		30,423	—
Fixed income		—	42,305
		30,423	42,305
Funds held by trustee, less current portion:			
Cash and cash equivalents		45,983	—
US government securities		89,130	135,765
Corporate obligations		100,511	137,845
Other fixed income		—	29,859
		235,624	303,469
Long-term investments – less current portion:			
Cash and cash equivalents		20,819	32,555
US government securities		251,115	306,325
US agency securities		149,820	147,035
Corporate obligations		221,500	243,208
Fixed income		216,881	226,209
Equities		966,071	755,564
Alternative investments		247,116	222,666
Joint ventures and partnerships		656,810	661,846
Real estate investments and other		72,143	89,998
		2,802,275	2,685,406
Total investments, all categories	$	3,090,362	3,053,754

(Dollars in thousands)

The methods used to determine the fair value of financial instruments reflect market participant objectives and are based on the application of a valuation hierarchy. These methods are prescribed by GASB No. 72, *Fair Value Measurement and Application*. The hierarchy is based on the reliability of inputs as follows:

- Level 1 – Valuation is based on quoted prices for identical financial instruments in active markets. OHSU does not adjust the quoted price for Level 1 financial instruments.
- Level 2 – Valuation is based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and independent pricing models or other model-based valuation techniques using observable inputs.
- Level 3 – Certain types of financial instruments are classified as Level 3 within the valuation hierarchy because these financial instruments trade infrequently and, therefore, have little or no price transparency. Valuation is based on unobservable inputs used to measure fair value to the extent that observable inputs are not available.

The following table presents a categorization, based on the foregoing valuation hierarchy, of OHSU's financial instruments measured at fair value as of June 30, 2023:

	Level 1	Level 2	Level 3	Fair value
Cash and cash equivalents	$ —	76,406	—	76,406
US government securities	—	362,285	—	362,285
US agency securities	—	149,820	—	149,820
Domestic equity securities	98,470	—	134	98,604
International equity securities	33,609	—	—	33,609
US corporate securities	—	281,382	—	281,382
Non-US corporate securities	—	40,629	—	40,629
Asset-backed securities	—	56,032	—	56,032
Venture capital and private equity	—	—	28,140	28,140
Mutual funds – fixed income only	164,950	1,150	—	166,100
Municipal bonds	—	3,862	—	3,862
Other fixed income	—	361	11,345	11,706
Alternative Investments	—	—	750	750
Real estate investments and other	1,073	1,101	2,323	4,497
	$ 298,102	973,028	42,692	1,313,822
Investments measured using NAV per share or its equivalent				1,673,986
Equity method investments				102,554
Total assets				$ 3,090,362

(Dollars in thousands)

The following table presents a categorization, based on the foregoing valuation hierarchy, of OHSU's financial instruments measured at fair value as of June 30, 2022:

	Level 1	Level 2	Level 3	Fair value
Cash and cash equivalents	$ —	82,131	—	82,131
US government securities	—	463,830	—	463,830
US agency securities	—	147,035	—	147,035
Domestic equity securities	98,696	—	134	98,830
International equity securities	54,904	—	—	54,904
US corporate securities	—	335,178	—	335,178
Non-US corporate securities	—	45,875	—	45,875
Asset-backed securities	—	74,129	—	74,129
Venture capital and private equity	—	—	21,236	21,236
Mutual funds – fixed income only	166,910	—	—	166,910
Municipal bonds	—	7,312	—	7,312
Other fixed income	—	423	11,628	12,051
Alternative Investments	—	—	731	731
Real estate investments and other	1,088	1,634	4,464	7,186
	$ 321,598	1,157,547	38,193	1,517,338
Investments measured using NAV per share or its equivalent				1,439,251
Equity method investments				97,165
Total assets				$ 3,053,754

There were no transfers of financial instruments between Level 1 or Level 2 classifications either in 2023 or 2022. Changes in Level 3 financial instruments are as follows:

	2023	2022
Balance at beginning of year	$ 38,193	41,472
Contributions	110	1,859
Net realized (losses) gains	(537)	100
Net unrealized (losses) gains	(33)	70
Purchases	28,895	21,971
Sales	(1,969)	(1,418)
Transfer from (to) NAV per share, or its equivalent, classification from sales	(21,967)	(25,861)
Balance at end of year	$ 42,692	38,193

(Dollars in thousands)

Net realized and unrealized gains and losses on financial instruments classified as Level 3 are reported as nonoperating revenues as investment income when earned.

OHSU uses a practical expedient for the estimation of the fair value of investments in funds for which the investment does not have a readily determinable fair value. The practical expedient used by OHSU for certain financial instruments is the NAV per share. Valuations provided by fund administrators for these financial instruments consider variables such as the financial performance of underlying investments, recent sales prices, and other pertinent information. The valuation is adjusted when changes to inputs and assumptions are corroborated by evidence, such as completed or pending third-party transactions in the underlying security and changes in financial results, data, or cash flows. Management or its discretionary investment partner reviews the valuations and assumptions provided by fund administrators for reasonableness and believes that the carrying amounts of these financial instruments are reasonable estimates of fair value.

The following table presents information for investments where either the NAV per share or its equivalent was used to value the investments as of June 30, 2023 and 2022:

	Redemption frequency	Redemption notice period
Domestic equities	Weekly to every two years	3–180 days
Non-US equities	Weekly to every four years	3–180 days
Global equities	Quarterly	3–180 days
Venture capital/private equity	Event-driven	N/A
Marketable alternative investments – nonfixed income	Monthly to every three years	15–180 days
Marketable alternative investments – fixed income only	Monthly	15–35 days
Real estate investments and contracts	Event-driven	N/A

Domestic equities, non-US equities, global equities, and natural resources funds represent investments in equities, both US and international, and may include investments in developed and emerging markets.

(Dollars in thousands)

(3) Investments and Related Policies

(a) Interest Rate Risk

As of June 30, 2023 and 2022, OHSU had the following investments and maturities at fair value:

	2023 Maturity				
	Less than 1 year	1–5 Years	6–10 Years	More than 10 years or none	Total
Cash and cash equivalents	$ 76,406	—	—	—	76,406
US government securities	97,622	156,636	63,281	44,746	362,285
US agency securities	923	8,715	11,447	128,735	149,820
Domestic equity securities	—	—	—	556,833	556,833
International equity securities	—	—	—	409,238	409,238
US corporate securities	110,016	91,713	38,977	40,676	281,382
Non-US corporate securities	2,587	20,996	8,376	8,670	40,629
Asset-backed securities	2,226	21,324	6,183	26,299	56,032
Venture capital and private equity	—	—	—	656,810	656,810
Mutual funds – fixed income only	34,574	51,355	51,775	28,396	166,100
Municipal bonds	96	1,566	1,506	694	3,862
Other fixed income	—	340	21	11,345	11,706
Alternative Investments	—	—	—	247,116	247,116
Real estate investments and other	—	—	—	72,143	72,143
	$ 324,450	352,645	181,566	2,231,701	3,090,362

	2022 Maturity				
	Less than 1 year	1–5 Years	6–10 Years	More than 10 years or none	Total
Cash and money market funds	$ 81,527	598	—	5	82,130
US government securities	151,065	189,133	75,525	48,107	463,830
US agency securities	135	12,155	128,005	6,740	147,035
Domestic equity securities	—	—	—	550,781	550,781
International equity securities	—	—	—	204,784	204,784
US corporate securities	145,094	96,711	43,452	49,921	335,178
Non-US corporate securities	2,977	23,173	10,708	9,018	45,876
Asset-backed securities	4,516	23,308	27,491	18,814	74,129
Joint ventures and partnerships	—	—	—	661,846	661,846
Mutual funds – fixed income only	50,250	45,165	48,497	23,853	167,765
Municipal bonds	313	1,723	1,932	3,345	7,313
Other fixed income	—	310	113	—	423
Alternative investments	—	—	—	222,666	222,666
Real estate investments and other	—	—	—	89,998	89,998
	$ 435,877	392,276	335,723	1,889,878	3,053,754

OHSU held $56,032 and $74,129 of asset-backed securities collateralized primarily by auto loans, credit card receivables, and collateralized mortgage obligations as of June 30, 2023 and 2022, respectively. These securities are valued at their estimated fair values. The valuation of these securities is sensitive to principal prepayments, which may result from a decline in interest rates, and they are sensitive to an increase in average maturity, which may result from interest rate increases that lead to decreasing prepayments.

At June 30, 2023 and 2022, OHSU had certain joint ventures and partnerships, alternative investments, real estate investments, and other investments. These investments may contain elements of both credit and market risk. Such risks may include limited liquidity, absence of regulatory oversight, dependence upon key individuals, and nondisclosure of portfolio composition. Because these investments are not readily marketable, their estimated fair value is subject to uncertainty and, therefore, may differ from the value that would have been used had a ready market for such investments existed. Such differences could be material.

OHSU's investment policies vary based on the investment objectives of the portfolio. The operating and trustee-held portfolios seek to preserve principal with the intent of maximizing total return within appropriate risk parameters. Maturities of securities selected in these portfolios are driven by prevailing market conditions, while considering cash requirements of the organization.

The Foundation investment policies are established based on the investment objectives of the portfolio. The endowment portfolio, which is included in long-term investments in the accompanying statements of net position, seeks to produce a predictable and stable payout stream that increases over time, while achieving growth of corpus. The endowment fund may invest in cash and cash equivalents, fixed-income securities, US and non-US equity securities and other alternative investments. The objective for the current fund is to provide a reliable source of liquidity to meet short-term working capital needs. The current fund may invest in cash, cash equivalents, fixed income securities, equity mutual funds and ETFs, and quasi-endowment within the endowment fund. The duration of the C/F 1–5-year portfolio shall be within a range of 75% to 125% of the Barclay's 1–5 year Government/Credit Bond Index. The charitable gift annuity pool seeks to produce a relatively predictable and stable payout stream that will satisfy the funds distribution obligations while achieving long-term capital appreciation of the overall fund balance. The charitable gift annuity pool may invest in cash and cash equivalents, US and non-US equities, fixed-income, and real estate. Charitable trusts are managed to provide for the distribution of a stated income payment while attempting to achieve reasonable expected total returns. Charitable trust investment objectives and asset allocation guidelines are determined based on the individual circumstances of each trust account. Allowable investments for charitable trusts include cash and cash equivalents, US. and non-US equities, fixed-income, real estate, and commodities.

(b) Credit Risk

The current fund investment policy requires minimum ratings or better from Standard & Poor's, Moody's, or Fitch as follows:

	Minimum Standard & Poor's rating	Minimum Moody's rating	Minimum Fitch rating
US and foreign corporate indebtedness	BBB- or A-2	Baa3 or P-2	BBB- or F-2
Certificates of deposit	BBB- or A-2	Baa3 or P-2	BBB- or F-2
Foreign government, foreign agency, or supranational organization debt	A or A-1	A2 or P-1	A or F-1
Agency mortgage-backed securities	AAA	Aaa	AAA
Commercial mortgage-backed securities	AAA	Aaa	AAA
Asset-backed securities	AAA	Aaa	AAA
Municipal bonds	A	A2	A

At the time of purchase, securities must be rated by at least two of the three rating agencies. If the security is rated by all three agencies, the middle rating will apply. If only two ratings are available, then the lower rating will be used.

If the credit quality of a holding in the current fund declines so that it is below the level required as stated above, a decision will be made by the Investment Committee to hold or sell the security.

Investments in the charitable gift annuity pool shall have a minimum credit quality rating of Baa/BBB or an average credit rating of Baa/BBB for mutual funds or pooled funds and a minimum rating of A-1/P-1 for investments in commercial paper. The charitable trust investments generally have a minimum credit quality rating in investment-grade Baa/BBB bond investments and a minimum rating of A-1/P-1 for investments in commercial paper. However, an individual trust may hold up to 9% of the portfolio in below-investment-grade investments.

(Dollars in thousands)

As of June 30, 2023 and 2022, OHSU had the following investments with credit rating at fair value:

Investment type	Credit rating S&P or equivalent	Total 2023	Total 2022
Cash and money market funds	AAA	$ 76,406	—
	A-1+	—	26,681
	Not rated	—	1,135
	NA	—	54,314
US government securities	AAA	35,375	43,464
	AA+	325,534	279,559
	AA	925	1,867
	AA-	—	10
	A-	410	2,105
	BBB+	—	663
	BBB-	41	304
	NA	—	135,858
US agency securities	AAA	17,658	9,457
	AA+	132,162	137,578
US corporate securities	AAA	11,457	12,178
	AA+	8,073	14,158
	AA	7,458	10,378
	AA-	19,953	22,991
	A+	30,674	42,704
	A	60,162	65,181
	A-	52,277	54,701
	BBB+	24,090	30,076
	BBB	51,126	60,161
	BBB-	10,268	16,372
	BB+	—	300
	BB	2,882	1,758
	B	498	532
	Below B	28	17
	Not rated	391	456
	n/a	2,045	3,215

(Dollars in thousands)

Investment type	Credit rating S&P or equivalent		Total 2023	Total 2022
Non-US corporate securities	AAA	$	6,947	9,070
	AA+		499	1,367
	AA		1,133	668
	AA-		1,345	2,222
	A+		2,199	2,255
	A		5,050	2,618
	A-		7,703	8,770
	BBB+		7,130	6,273
	BBB		5,669	8,550
	BBB-		2,080	824
	BB+		—	2,701
	NA		874	558
Asset-backed securities	AAA		17,122	18,749
	AA+		171	34,357
	AA		4,267	2,905
	A		1,687	720
	BBB+		342	363
	BBB		3,907	1,806
	BBB-		413	—
	BB		3,198	673
	B		1,788	528
	Below B		2,177	1,889
	Not rated		16,994	3,395
	NA		3,966	8,744
Mutual funds – fixed income only	AAA		97,810	98,949
	AA		7,557	8,043
	A		16,424	16,218
	BBB		19,762	21,842
	BB		6,479	7,347
	B		5,064	5,394
	Below B		5,962	4,488
	Not rated		7,042	5,484

(Dollars in thousands)

Investment type	Credit rating S&P or equivalent		Total 2023	Total 2022
Municipal bonds	AAA	$	493	1,529
	AA		2,870	3,229
	AA-		—	1,069
	A+		—	154
	A		437	437
	A-		—	53
	BBB+		—	707
	BBB		11	11
	BB		51	71
	Not rated		—	53
Other fixed income	BBB		44	67
	BB		178	138
	B		124	186
	Below B		15	28
	Not rated		11,345	4
Joint ventures and partnerships	NA		656,810	661,846
Alternative investments	NA		247,116	222,666
Real estate investments and other	NA		72,143	89,998
Domestic equity securities	NA		556,833	550,781
International equity securities	NA		409,238	204,784
		$	3,090,362	3,053,754

(c) Concentration of Credit Risk

The current fund's investment policy limits investments in any issue or issuer as follows:

	Maximum concentration
US and foreign corporate indebtedness	No more than 3% per issuer
Certificates of deposit	No more than 5% per issuer
Foreign government, foreign agency, or supranational organization debt	No more than 5% per issuer
Agency mortgage-backed securities	No more than 15% per cusip
Commercial mortgage-backed securities	No more than 5% per cusip
Asset-backed securities	No more than 5% per cusip
Municipal bonds	No more than 5% per cusip

(Dollars in thousands)

The investment policy relating to the charitable gift annuity pool limit investments in any one issue to a maximum of 5%, except for issues of the US government and its agencies or diversified mutual funds, which may be held without limitation. The investment policy for charitable trusts limits investments in any one issue to a maximum of 5%, except for issues of the US government and its agencies or diversified mutual funds.

As of June 30, 2023 or 2022, OHSU had no investments in excess of the thresholds discussed above.

(d) Foreign Currency Risk

OHSU's investment policies permit investments in international equities and other asset classes, which can include foreign currency exposure. The endowment fund allows for investments in international equities and in non-US dollar-denominated bonds. The current fund allows up to 20% of the portfolio to be invested in non-US sovereign or supranational issues. The charitable gift annuity pool investment policy allows up to 30% of the portfolio to be invested in international equities. The charitable trust investment policy allows up to 32% of the portfolio to be invested in international equities, based on the individual circumstances of each trust account. The following table details the fair value of foreign denominated securities by currency type:

		Value (US dollar)	
Foreign currency		**2023**	**2022**
British sterling pound	$	11,589	11,290
Canadian dollar		187	—
Euro		15,462	17,225
Total	$	27,238	28,515

(4) Due from/to Contractual Agencies

Due from contractual agencies, reflected in patient accounts receivable under current assets in the statements of net position, represents amounts receivable from the State Medicaid Program (Medicaid), the Federal Medicare Program (Medicare), and other contractual agencies. Due to contractual agencies, reflected in other current liabilities in the statements of net position, represents amounts payable to

(Dollars in thousands)

Medicaid, Medicare, and other contractual agencies. A summary of the balances as of June 30, 2023 and 2022 is as follows:

		Due from contractual agencies		Due to contractual agencies		Net, due from (to)	
		June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
Medicaid	$	55,480	20,647	—	—	55,480	20,647
IGT		—	146	(2,021)	(1,960)	(2,021)	(1,814)
Medicare		6,598	—	—	(191)	6,598	(191)
Other contractual agencies		6,644	—	—	(5,386)	6,644	(5,386)
	$	68,722	20,793	(2,021)	(7,537)	66,701	13,256

In 2017, OHSU worked with the state legislature and the Oregon Health Authority to build a program that leverages federal funds for the state's Medicaid program, maintains historical principles of support for OHSU's missions, and simplifies the complexity of prior funding programs between OHSU and the State. The legislature approved the program in the Oregon Health Authority's 2017–2019 budget and Oregon's OHSU IGT Program was approved by the US Centers for Medicare and Medicaid Services (CMS) and implemented on January 1, 2018, with the corresponding funding payments between entities beginning in March 2018. Under this IGT program, OHSU no longer pays the provider tax paid by other hospitals in Oregon. Instead, because OHSU is an Oregon public corporation, it transfers funds directly to the state to be used for Oregon's Medicaid program. The federal government matches funds used in the Medicaid program on approximately a three-to-one basis.

Oregon's Medicaid coordinated care organizations (CCOs) pay OHSU an additional amount per clinical service provided to patients as Quality and Access payments. These additional payments have been approved by CMS and are funded through a combination of OHSU's IGT and federal dollars. The purpose of these funds is to maintain access to the high quality unique academic health center services OHSU provides to Medicaid patients.

During fiscal years 2023 and 2022, respectively, OHSU made IGT of $315,672 and $352,675 to the State of Oregon. The State of Oregon used these dollars, and the corresponding federal match, for payment of Medicaid services throughout Oregon. Oregon's Medicaid CCO's paid OHSU $584,198 and $486,939, in fiscal years 2023 and 2022, respectively, through Quality and Access payments. The Quality and Access Payments and the IGT, are included as a net reduction in the contractual discounts and represents a portion of the Medicaid payment for patient care services. A net benefit of the program, including funding from other federal and state sources, allows the University to have resources available to support OHSU's missions. During the years ended June 30, 2023 and 2022, the University was able to provide support for its missions of $268,500 and $166,000, respectively.

(Dollars in thousands)

(5) Capital Assets

Capital assets for fiscal years ended June 30, 2023 and 2022 are listed by category below:

	2023	2022
Land and land improvements	$ 84,835	84,835
Buildings and other improvements	3,033,056	2,969,181
Equipment	1,222,779	1,166,596
Construction in progress	219,524	120,952
Accumulated depreciation	(2,433,216)	(2,257,736)
Total capital assets, net excluding lease and subscription IT assets	2,126,978	2,083,828
Lease and subscription IT assets, net (note 13(g))	104,902	97,380
Total capital assets, net as reported in the statement of net position	$ 2,231,880	2,181,208

The following is a summary of capital assets for the fiscal years ended June 30, 2023 and 2022:

	Balance June 30, 2022	Increases	Decreases	Balance June 30, 2023
Capital assets not depreciated:				
Land and land improvements	$ 84,835	—	—	84,835
Construction in progress	120,952	165,881	(67,309)	219,524
Total capital assets not depreciated	205,787	165,881	(67,309)	304,359
Other capital assets:				
Buildings and other improvements	2,969,181	63,875	—	3,033,056
Equipment	1,166,596	63,185	(7,002)	1,222,779
Total other capital assets	4,135,777	127,060	(7,002)	4,255,835

(Dollars in thousands)

	Balance June 30, 2022	Increases	Decreases	Balance June 30, 2023
Less accumulated depreciation:				
Buildings and other improvements	$ (1,342,998)	(108,271)	(4,340)	(1,455,609)
Equipment	(914,738)	(69,414)	6,545	(977,607)
Total accumulated depreciation	(2,257,736)	(177,685)	2,205	(2,433,216)
Other capital assets, net	1,878,041	(50,625)	(4,797)	1,822,619
Total capital assets, net	$ 2,083,828	115,256	(72,106)	2,126,978
Lease and subscription IT assets, net (note 13(g))				104,902
Total capital assets, net as reported in the statement of net position				$ 2,231,880

	Balance June 30, 2021	Increases	Decreases	Balance June 30, 2022
Capital assets not depreciated:				
Land and land improvements	$ 82,303	2,532	—	84,835
Construction in progress	114,969	183,134	(177,151)	120,952
Total capital assets not depreciated	197,272	185,666	(177,151)	205,787
Other capital assets:				
Buildings and other improvements	2,857,836	112,388	(1,043)	2,969,181
Equipment	1,134,725	87,683	(55,812)	1,166,596
Total other capital assets	3,992,561	200,071	(56,855)	4,135,777
Less accumulated depreciation:				
Buildings and other improvements	(1,238,264)	(105,418)	684	(1,342,998)
Equipment	(895,582)	(73,462)	54,306	(914,738)
Total accumulated depreciation	(2,133,846)	(178,880)	54,990	(2,257,736)
Other capital assets, net	1,858,715	21,191	(1,865)	1,878,041
Total capital assets, net	$ 2,055,987	206,857	(179,016)	2,083,828

(Continued)

(Dollars in thousands)

	Balance June 30, 2021	Increases	Decreases	Balance June 30, 2022
Lease and subscription IT assets, net (note 13(g))				$ 97,380
Total capital assets, net as reported in the statement of net position				$ 2,181,208

(6) Compensated Absences Payable

Vacation pay for classified employees is generally earned at 8 to 24 hours per month, depending on the length of service and classification, with a maximum accrual of up to 364 hours per employee and a maximum payment upon separation of up to 364 hours. A maximum of 96 to 288 hours of vacation can be earned per year, depending on the length of service and classification. Vacation/PTO pay for unclassified employees is earned at 14.67 to 17.33 hours per month, with a maximum accrual of 256 hours. The maximum payment of unused vacation/PTO hours for unclassified employees at termination is 80 hours at a 50% payment rate. There are a few exceptions, such as that the previous Management Service employees who transitioned to Unclassified Administrative on July 8, 1996 will be paid up to 250 hours unused accrued vacation at 100% pay rate. Eligible employees may have the opportunity to cash-out unused accrued vacation hours, up to 100 hours per year based on their representational group. Employees under the House Officers representation group are granted front-loaded vacation banks.

Sick leave is recorded as an expense when paid. Sick leave for employees is generally earned at the rate of 8 hours per month and a maximum of 96 hours per year, with no restrictions on maximum hours accrued. Employees in the following groups earn sick leave at the rate of 1 hour for 30 hours worked: resource, flex, temporary, unclassified below 0.5FTE, OHSU student, non-OHSU student, and graduate assistant.

There are two representational groups setup with time off accruals based on the academic year: Graduate Researchers United (GRU) and House Officers Union (HOU). PTO for GRU represented employees is earned at the rate of 13.33 hours per month, with a maximum of 160 hours per year. These hours can be used for time off and sick leave. No cash-out of unused PTO GRU is available. GRU represented employees can carryover 10 days from one academic year to another. House Officers are granted 160 hours of vacation and 120 hours sick leave, front-loaded at the beginning of the academic year. Sick leave hours unused by the HOU represented employees during the academic year will carry over to the following appointment year. Vacation cash-out is not allowed for HOU represented employees and sick leave hours are not paid at separation.

In recognition of Juneteenth, employees have been granted 8 hours paid leave pro rated by FTE.

(7) Retirement Plans

The University, excluding blended component units, offers various pension plans to all qualified employees: the State's Public Employees Retirement System (PERS), which includes a cost-sharing, defined-benefit plan, and a defined-contribution plan (individual account plan – IAP), the University Pension Plan (UPP), and the Clinical Retirement Plan (CRP).

(a) Defined-Benefit Pension Plan Descriptions

PERS is a cost-sharing, multiemployer retirement system available to units of state government, political subdivisions, community colleges, and school districts, containing multiple actuarial pools. Plan assets may be used to pay the benefits of the employees of any employer that provides pensions through the plan. As of the June 30, 2022 measurement date, there were 898 participating employers.

PERS is administered in accordance with ORS Chapter 238, Chapter 238A, and Internal Revenue Code Section 401(a). The State's legislature has delegated authority to the Public Employees Retirement Board (PERS Board) to administer the system. The PERS Board is composed of five trustees who administer retirement (service and disability), death, and retiree health insurance benefits. All members of the PERS Board are appointed by the governor and confirmed by the state senate. The governor designates the chairperson. Statute specifies PERS Board membership must be three people with experience in business management, pension management, or investing who are not members of the PERS system; one person who is either an employee of the state in a management position or a person who holds an elective office in the governing body of a participating public employer other than the state; and one person representing public employees and retirees.

The State's PERS issues a publicly available financial report that includes financial statements and required supplementary information, including a 10-year historical trend information showing the accumulation of sufficient assets to pay benefits when due. Copies of the State's PERS's Annual Comprehensive Financial Report (ACFR) and Actuarial Valuations may be obtained from the PERS website at *https://www.oregon.gov/pers/EMP/Pages/Actuarial-Financial-Information.aspx.*

PERS comprises three separate defined-benefit groups: PERS Tier 1, PERS Tier 2, and Oregon Public Service Retirement Plan (OPSRP).

(i) Benefits Provided

The following describes the benefits provided through the PERS plan:

(1) PERS Tier 1/PERS Tier 2

(a) The Tier 1/Tier 2 plans are closed to new members hired on or after August 29, 2003.

(b) Members are provided retirement, disability, and death benefits.

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(c) Vesting occurs if either of the following conditions are met, unless the account is withdrawn:

1. An active member in each of 5 calendar years

2. Reached at least 55 years of age while working in a qualifying position (age 50 for police and fire members).

(d) The retirement allowance is payable monthly for life. It may be selected from 13 retirement benefit options. These options include survivorship benefits and lump-sum refunds.

(e) The basic benefit is based on years of service and final average salary. A percentage (2.00% for police and fire employees, 1.67% for general employees) is multiplied by the number of years of service and the final average salary. Benefits may also be calculated under either a formula plus annuity (for members who were contributing before August 21, 1981) or a money match computation if a greater benefit results.

(f) Normal retirement age for general members is age 58 for Tier 1 and age 60 for Tier 2, or any age with 30 years or more of retirement credit. Normal retirement age for police and fire members is age 55, or age 50 with 25 years or more of retirement credit. Benefits are reduced if normal retirement age is not attained.

(g) Annual Cost of Living Adjustments (COLA) of up to 2% annually for service time accrued before October 1, 2013; COLA for service time after that date uses a lower rate. Service time accrued in both periods is “blended.”

(2) PERS OPSRP

(a) The OPSRP plan is open to members hired on or after August 29, 2003.

(b) Members are provided retirement, disability, and death benefits.

(c) Vesting occurs if either of the following conditions are met, unless the account is withdrawn:

1. Completion of at least 600 hours of service in each of five calendar years

2. Reached normal retirement age as an active member on that date.

(d) The retirement allowance is payable monthly for life.

(e) The basic benefit is based on years of service and final average salary. A percentage (1.8% for police and fire employees, 1.5% for general employees) is multiplied by the number of years of service and the final average salary.

(f) Normal retirement age for general members is age 65, or age 58 with 30 years or more of retirement credit. Normal retirement age for police and fire members is age 60, or age 53 with 25 years or more of retirement credit. Benefits are reduced if normal retirement age is not attained.

(g) Annual COLA of up to 2% annually for service time accrued before October 1, 2013; COLA for service time after that date uses a lower rate. Service time accrued in both periods is "blended."

(ii) Contributions

PERS funding policy provides for monthly employer contributions at actuarially determined rates. These contributions, expressed as a percentage of covered payroll, are intended to accumulate sufficient assets to pay benefits when due. This funding policy applies to the PERS defined-benefit plan and the other postemployment benefits (OPEB) plans.

The employer contribution rate for active employees is established by the PERS Board based upon actuarial valuations, which are performed once every two years to determine the level of employer contributions. Employer contribution rates during the period were based on the December 31, 2019 actuarial valuation. The rates were based on a percentage of payroll and first became effective July 1, 2021. The employer contribution rate for PERS Tier 1 and Tier 2 was 17.53% from July 1, 2021 to June 30, 2023. The employer contribution rate for OPSRP was 13.34% (OPSRP Police and Fire, 17.70%) from July 1, 2021 to June 30, 2023.

The State and certain schools, community colleges, and political subdivisions have made lump-sum payments to establish side accounts and their rates have been reduced. OHSU made $10,000 lump-sum payments to PERS during fiscal years 2023 and 2022, respectively. Amounts contributed post measurement date, including fiscal years 2023 and 2022 side account contributions of $10,000, are recorded as deferred outflows in the amount of $63,913 and $63,754 for the years ended June 30, 2023 and 2022, respectively. In fiscal year 2022, OHSU participated in the Employer Incentive Fund (EIF), a program that provided a 25% match on qualifying employer lump-sum payments. OHSU will recognize the $2,500 match payment as state appropriations in fiscal year 2024.

The defined-benefit pension plan contributions can be found in the required supplementary information.

(iii) Net Pension Liability

OHSU's proportionate share of the net pension liability for PERS as of June 30, 2023 and 2022 is $396,378 and $305,955, respectively, utilizing a June 30, 2022 and 2021 measurement date, respectively. The net pension liability for the June 30, 2023 and 2022 fiscal year-end was determined based on the results of the December 31, 2020 and 2019 actuarial valuation rolled forward to the respective measurement dates using standard actuarial procedures.

The basis for OHSU's proportion is actuarially determined by comparing OHSU's projected long-term contribution effort to the PERS cost-sharing, multiple-employer defined-benefit pension plan with the total projected long-term contribution effort of all participating employers. OHSU's proportionate share was 2.59% for the June 30, 2022 measurement date and 2.56% for the June 30, 2021 measurement date.

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of PERS, and additions to/deductions from PERS' fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

(iv) Proportionate Share of Pension Expense and Deferrals Related to Pensions

OHSU's pension expense for the years ended June 30, 2023 and 2022 was $37,947 and $23,008, respectively. The pension expense, which is considered period interest cost, service cost, amortization of deferred outflows and inflows, and changes in benefit terms, has increased since prior year and is included in salaries, wages, and benefits in the statements of revenues, expenses, and changes in net position.

In July 2021, the assumed rate of return on investments was reduced from 7.20% to 6.90%. The new assumed rate was also used in the actuarial valuation, which established the employer contribution rates for the 2021-23 biennium.

(Dollars in thousands)

Deferred outflows of resources and deferred inflows of resources for pensions were related to the following sources as of the fiscal years ended June 30, 2023 and 2022:

	Deferred outflow of resources		Deferred inflow of resources	
	2023	2022	2023	2022
Differences between expected and actual experience	$ 19,241	28,639	(2,472)	—
Changes of assumptions	62,194	76,591	(568)	(805)
Net difference between projected and actual earnings on pension plan investments	—	—	(70,865)	(226,496)
Changes in proportionate share	4,370	—	(33,275)	(50,333)
Differences between contributions and OHSU's proportionate share of system contributions	3,503	5,528	(33,860)	(734)
Total (prior to post-MD contributions)	89,308	110,758	(141,040)	(278,368)
Contributions subsequent to the measurement date	63,913	63,754	—	—
Gross deferred outflow (inflow) of resources	$ 153,221	174,512	(141,040)	(278,368)

The contributions made subsequent to the measurement date of $63,913 will be recognized as a reduction in the net pension liability during the year ending June 30, 2024.

(Dollars in thousands)

Remaining amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Fiscal year ending		Deferred outflow (inflow) of resources
2024	$	(13,751)
2025		(21,398)
2026		(40,443)
2027		26,216
2028		(2,356)
Total	$	(51,732)

(v) *Actuarial Methods and Assumptions*

The following methods and assumptions were used in developing total pension liability reported as of June 30, 2023 and 2022:

Actuarial methods and Assumptions	2023	2022
Valuation date	December 31, 2020	December 31, 2019
Measurement date	June 30, 2022	June 30, 2021
Experience study report	2020, published July 2021 Based on data for the experience period January 1, 2017 to December 31, 2020	2018, published July 2019 Based on data for the experience period January 1, 2015 to December 31, 2018
Actuarial assumptions:		
Actuarial cost method	Entry age normal	Entry age normal
Inflation rate	2.40 %	2.40 %
Long-term expected rate of return	6.90	6.90
Discount rate	6.90	6.90
Projected salary increases	3.40	3.40
Cost of Living Adjustments (COLA)	Blend of 2% COLA and graded COLA (1.25%/0.15%) in accordance with *Moro* case decision; blend based on service	Blend of 2% COLA and graded COLA (1.25%/0.15%) in accordance with *Moro* case decision; blend based on service

(Dollars in thousands)

Actuarial methods and Assumptions	2023	2022
Mortality	***Healthy retirees and beneficiaries:*** Pub-2010 Healthy retiree, sex distinct, generational with Unisex, Social Security Data Scale, with job category adjustment and set-backs as described in the valuation. ***Active members:*** Pub-2010 Employee, sex distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation. ***Disabled retirees:*** Pub-2010 Disabled retirees, sex distinct, generational with Unsex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation.	***Healthy retirees and beneficiaries:*** Pub-2010 Healthy retiree, sex distinct, generational with Unisex, Social Security Data Scale, with job category adjustment and set-backs as described in the valuation. ***Active members:*** Pub-2010 Employee, sex distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation. ***Disabled retirees:*** Pub-2010 Disabled retirees, sex distinct, generational with Unsex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation.

Actuarial valuations of an ongoing plan involve estimates of the value of projected benefits and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Experience studies are performed as of December 31 of even numbered years. The 2020 experience study, used in developing total pension liability measured as of June 30, 2022, was based on the data for the experience period January 1, 2017 to December 31, 2020.

(vi) Discount Rate

The discount rate used to measure the total pension liability for the fiscal years ended June 30, 2023 and 2022 was 6.90% and 6.90%, respectively. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for PERS was applied to all periods of projected benefit payments to determine the total pension liability. The impact of a 1.00% decrease and increase in the discount rate on the net pension liability is as follows:

Discount Rate Sensitivity – Net Pension Liability

(Dollars in thousands)

OHSU's proportionate share		1% Decrease	Current discount rate	1% Increase
June 30, 2023	$	702,942	396,378	139,798
June 30, 2022		600,822	305,955	59,258

(vii) Investments

The Oregon State Treasury is the investment officer for the State. Investment standards are established in ORS 293.726 and require funds to be managed as a prudent investor would do. The Oregon Investment Council (OIC) establishes policies for the investment and reinvestment of moneys in the Oregon Public Employees Retirement Fund (OPERF).

ORS 293.701 defines the investment funds over which OIC has responsibility. Included is the OPERF, which comprises the defined-benefit pension plan, the individual account program, and the other postemployment benefit plans. OIC establishes policies for the investment and reinvestment of moneys in the investment funds as well as the acquisition, retention, management, and disposition of investments in the investment funds. OIC is also responsible for providing an examination of the effectiveness of the investment program.

(Dollars in thousands)

(1) *Assumed Asset Allocation*

The following table illustrates both the assumed and actual asset allocation. Deferred outflows of resources and deferred inflows of resources for pensions were related to the following sources as of the measurement date June 30, 2022:

OIC Target and Actual Investment Allocation as of June 30, 2022*

Asset class/strategy	OIC policy low range	OIC policy high range	OIC target allocation	Asset class/strategy	Actual allocation[2]
Debt securities	15.0 %	25.0 %	20.0 %	Debt securities	19.8 %
Public equity	25.0	35.0	30.0	Public equity	21.2
Real estate	7.5	17.5	12.5	Real estate	13.6
Private equity	15.0	27.5	20.0	Private equity	28.0
Risk parity	—	3.5	2.5	Risk Parity	2.0
Real assets	2.5	10.0	7.5	Real Assets	7.9
Diversifying strategies	2.5	10.0	7.5	Diversifying Strategies	4.9
Opportunity portfolio[1]	—	5.0	—	Opportunity portfolio[1]	2.6
Total			100.0 %	Total	100.0 %

[1] Opportunity portfolio is an investment strategy, and it may be invested up to 5% of total Fund assets.

[2] Based on the actual investment value at June 30, 2022.

(Dollars in thousands)

The following table illustrates both the assumed and actual asset allocation. Deferred outflows of resources and deferred inflows of resources for pensions were related to the following sources as of the measurement date June 30, 2021:

OIC Target and Actual Investment Allocation as of June 30, 2021*

Asset class/strategy	OIC policy low range	OIC policy high range	OIC target allocation	Asset class/strategy	Actual allocation[2]
Debt securities	15.0 %	25.0 %	20.0 %	Debt securities	20.8 %
Public equity	27.5	37.5	32.5	Public equity	29.4
Real estate	9.5	15.5	12.5	Real estate	10.5
Private equity	14.0	21.0	17.5	Private equity	25.1
Risk parity	—	2.5	2.5	Risk Parity	2.4
Alternatives portfolio[3]	7.5	17.5	15.0	Alternatives portfolio[3]	9.5
Opportunity portfolio[1]	—	5.0	—	Opportunity portfolio[1]	2.3
Total			100.0 %	Total	100.0 %

1 Opportunity portfolio is an investment strategy, and it may be invested up to 5% of total plan net position.

2 Based on the actual investment value at June 30, 2021.

3 In October 2021, the alternative portfolio was split into real assets and diversifying strategies.

* The OIC target allocations are based on OIC asset classes as determined by each manager's primary investment type, not the financial statement classification of individual holdings. The target allocation amounts do not include deferred compensation plan investments. The actual investment allocation is based on the financial statement investment classifications, including deferred compensation plan investments. Risk parity is included with the alternatives portfolio.

(2) Long-Term Expected Rate of Return

To develop an analytical basis for the selection of the long-term expected rate of return assumption, the PERS Board reviews long-term assumptions developed by the consulting actuary's capital market assumptions team and the OIC investment advisers. The table below shows the actuary's assumptions for each of the asset classes in which the plan was invested at that time based on the OIC long-term target asset allocation. The OIC's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions and includes adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

(Dollars in thousands)

Asset class	2023 Target allocation[1]	2023 Compound annual return (Geometric)	Asset class	2022 Target allocation[2]	2022 Compound annual return (Geometric)
Global Equity	30.62 %	5.85 %	Global Equity	30.62 %	5.85 %
Private Equity	25.50	7.71	Private Equity	25.50	7.71
Core Fixed Income	23.75	2.73	Core Fixed Income	23.75	2.73
Real Estate	12.25	5.66	Real Estate	12.25	5.66
Master Limited Partnerships	0.75	5.71	Master Limited Partnerships	0.75	5.71
Infrastructure	1.50	6.26	Infrastructure	1.50	6.26
Commodities	0.63	3.10	Commodities	0.63	3.10
Hedge Fund of Funds – Multistrategy	1.25	5.11	Hedge Fund of Funds – Multistrategy	1.25	5.11
Hedge Funds Equity – Hedge	0.63	5.31	Hedge Funds Equity – Hedge	0.63	5.31
Hedge Funds – Macro	5.62	5.06	Hedge Funds – Macro	5.62	5.06
US Cash	(2.50)	1.76	US Cash	(2.50)	1.76
Assumed Inflation – Mean	—	2.40	Assumed Inflation – Mean	—	2.40
	100.00 %			100.00 %	

[1] Based on the OIC Statement of Investment Objectives and Policy Framework for the Oregon Public Employees Retirement Fund, revised as of June 2, 2021

[2] Based on the OIC Statement of Investment Objectives and Policy Framework for the Oregon Public Employees Retirement Fund, revised as of April 24, 2019

(b) Other Retirement Plans

In addition to the PERS defined-benefit retirement plan, OHSU has two defined-contribution plans – the UPP and the CRP.

Effective July 1, 1996, OHSU established the UPP. The UPP is a defined-contribution plan, which is available as an alternate to PERS for employees who are not eligible for the CRP. Employees become fully vested in employer contributions over a three- to four-year period (depending on collective bargaining agreements) or upon reaching age 50. Contribution levels are determined by the collective bargaining agreements for union represented employees and the board of directors of OHSU for noncollective bargaining employees. In fiscal years 2023 and 2022, all employer contributions to the plan were 6% of salary.

For Oregon Nurse Association (ONA) represented employees and noncollective bargaining employees, which includes faculty, research, and unclassified administrative participating in the UPP; OHSU offers a 6% employee contribution, which is employer paid and is fully vested at the time of the contribution.

(Dollars in thousands)

For employees who are members of the OPP who work in a qualifying position, OHSU offers participation in the CRP. The CRP is an employer-paid, defined-contribution plan, and contributions to this plan are fully vested at the time of the contribution. A variable contribution rate is used for employees enrolled prior to January 1, 2009. After January 1, 2009, a 12% contribution rate is used.

		2023	2022
UPP:			
Employer contribution	$	68,709	56,342
Employee contribution [1]		23,301	23,153
	$	92,010	79,495
CRP:			
Employer contribution	$	40,899	37,927
	$	40,899	37,927

[1] Of the employees' share, the employer paid $23,301 and $23,153 related to noncollective bargaining employees and ONA-represented employees in fiscal years 2023 and 2022, respectively.

OHSU offers all eligible employees, full and part time, an option to participate in one of two tax-deferred savings plans through the University Voluntary Savings Program. The 403(b) Plan is often referred to as a tax-deferred investment plan while the 457(b) Plan is referred to as a deferred compensation plan. Both plans offer a variety of investment options. The contribution and investment earnings under these plans are tax deferred, which may be accumulated by the employee for distribution at a future date. ONA-represented, research and unclassified administrative employees hired July 1, 2017 or later, and enrolled in the UPP, are eligible for a 403(b) match paid by the employer, otherwise, all other contributions to these plans are made by the employee and are fully vested at the time of the contribution.

The Foundation has defined-contribution plans available for substantially all employees. The plans are funded through the purchase of a group annuity contract with an insurance company at a discretionary amount equal to 12% of eligible compensation. Contributions are fully vested after five years. The Foundation contributed $1,100 and $1,100 for the purchase of retirement annuities during the fiscal years ended June 30, 2023 and 2022, respectively.

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(Dollars in thousands)

(8) Postemployment Benefits Other than Pensions (OPEB)

OHSU administers a single-employer, defined-benefit healthcare plan for qualified employees and postemployment healthcare for retiring employees eligible to receive medical coverage. Additionally, for eligible PERS members, PERS administers the Retirement Health Insurance Account (RHIA) cost-sharing, multiple-employer defined-benefit OPEB plan.

(a) Single-Employer, Defined-Benefit Plans

(i) Plan Description

OHSU provides retiree health program coverage to current and future retirees of OHSU who qualify for retirement. Members who terminate prior to retirement eligibility or are not participating in the plan at retirement are not eligible to participate in the program. The employee must be actively enrolled in an OHSU medical plan at the time of separation from OHSU.

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

(ii) Employees Covered by Benefit Terms

The plan provides access for retiring employees to OHSU's employee medical plans at the same premium rates assessed to active employees. As of the measurement date of October 1, 2022, the following employees were covered by the benefit terms.

	October 1	
	2022	**2021**
Active employees	15,304	15,304
Retired members and others, receiving benefits	125	125
Total participants	15,429	15,429

(iii) Benefit Payments

Benefit payments made for the fiscal years ended June 30, 2023 and 2022 were $664 and $649, respectively.

(iv) Total OPEB Liability

The total OPEB liability as of the reporting date June 30, 2023 and 2022 is $21,064 and $24,127, respectively. The total OPEB liability was determined by an actuarial valuation as of October 1, 2021, calculated based on the discount rate and actuarial assumptions below, and was then projected forward to the measurement date. The liability is included in other noncurrent liabilities in the accompanying statements of net position.

(Dollars in thousands)

(v) Actuarial Assumptions and Other Inputs

The following methods and assumptions were used in developing the total OPEB liability.

Fiscal year ended	June 30, 2023	June 30, 2022
Valuation date	October 1, 2021	October 1, 2021
Measurement date	October 1, 2022	October 1, 2021
Reporting date	June 30, 2023	June 30, 2022
Experience study report	2018 Oregon PERS Experience Study Based on January 1, 2015 to December 31, 2018	2018 Oregon PERS Experience Study Based on January 1, 2015 to December 31, 2018
Inflation	2.40 %	2.40 %
Discount rate*	4.02 %	2.26 %

* The discount rate was based on the Bond Buyer General Obligation 20-Bond Municipal Index.

(vi) Expense and Deferred (Inflows)/Outflows of Resources Related to OPEB

The OPEB expense, which is considered concurrent period interest cost, service cost, amortization of deferred outflows and inflows, and effect of plan changes, was $2,933 and $3,448 for the fiscal year ended June 30, 2023 and 2022, respectively.

As of June 30, 2023 and 2022, the deferred inflows and outflows of resources were as follows:

	Deferred outflow of resources		Deferred inflow of resources	
	2023	2022	2023	2022
Differences between expected and actual experience	$ 1,945	2,422	—	—
Changes of assumptions	3,970	5,378	(5,825)	(2,580)
Total (prior to post-MD contributions)	5,915	7,800	(5,825)	(2,580)
Contributions subsequent to the measurement date	664	649	—	—
Gross deferred outflow (inflow) of resources	$ 6,579	8,449	(5,825)	(2,580)

The contributions made subsequent to the measurement date of $664 will be recognized as a reduction in the total OPEB liability during the year ending June 30, 2024.

(b) Cost-Sharing, Multiple-Employer Defined-Benefit Plans

(i) Plan Description

ORS 238.420 established the RHIA. RHIA is a cost-sharing, multiple-employer OPEB plan for 904 participating employers. The plan was closed to new entrants hired on or after August 29, 2003.

The State's PERS issues a publicly available financial report that includes financial statements and required supplementary information, including a 10-year historical trend information showing the accumulation of sufficient assets to pay benefits when due. Copies of the Oregon Public Employees Retirement System's Comprehensive Annual Financial Report and Actuarial Valuations may be obtained from the PERS Web site at: www.oregon.gov/pers/Pages/Financials/Actuarial-Financial-Information.aspx.

(ii) Benefits Provided

The plan authorizes a payment of up to sixty dollars from RHIA toward the monthly cost of health insurance for eligible PERS members.

(iii) Contributions

Contributions are advance-funded on an actuarially determined basis. The contractually required contributions for retiree healthcare liabilities for the period July 1, 2021 through June 30, 2023 are 0.05% for Tier One and Tier Two member-covered salaries to amortize the unfunded actuarial accrued liability. These rates were based on the December 31, 2019 actuarial valuation.

Contributions to the OPEB plan from OHSU were $57 and $81 for the years ended June 30, 2023 and 2022, respectively. Employees are not required to contribute to the OPEB plan.

(iv) OPEB Asset, OPEB Expense (Income), and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At fiscal years ended June 30, 2023 and 2022, OHSU reported an asset of $11,743 and $10,070 for its proportionate share of the net OPEB asset, respectively. The net OPEB asset was measured as of June 30, 2020 and 2019 and the total OPEB asset used to calculate the net OPEB asset was determined by an actuarial valuation as of December 31, 2019 and 2018, respectively. OHSU's proportion of the net OPEB asset was based on a projection of OHSU's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating members, actuarially determined. At the June 30, 2022 and 2021 measurement date, OHSU's proportionate share was 3.30% and 2.93%, respectively.

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(Dollars in thousands)

The OPEB expense (income), which is considered concurrent period interest cost, service cost, amortization of deferred outflows and inflows, and effect of plan changes, was ($2,198) and ($1,665), for the years ended June 30, 2023 and 2022, respectively. As of June 30, 2023 and 2022, the deferred inflows and outflows of resources were as follows:

		Deferred outflow of resources		Deferred inflow of resources	
		2023	**2022**	**2023**	**2022**
Differences between expected and actual experience	$	—	—	(318)	(280)
Changes of assumptions		92	198	(391)	(150)
Net difference between projected and actual earnings on investments		—	—	(896)	(2,393)
Changes in proportionate share		—	525	(976)	(993)
Total (prior to post-MD contributions)		92	723	(2,581)	(3,816)
Contributions subsequent to the measurement date		57	81	—	—
Gross deferred outflow (inflow) of resources	$	149	804	(2,581)	(3,816)

The contributions made subsequent to the measurement date of $57 will be recognized as a reduction in the total OPEB liability during the year ending June 30, 2024.

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(Dollars in thousands)

(v) Actuarial Assumptions and Other Inputs

The total OPEB asset (liability) in the December 31, 2020 and 2019 actuarial valuations were determined using the following actuarial assumptions, applied to all periods included in the measurement.

Fiscal year ended	June 30, 2023	June 30, 2022
Valuation date	December 31, 2020	December 31, 2019
Measurement date	June 30, 2022	June 30, 2021
Reporting date	June 30, 2023	June 30, 2022
Experience study report	2020, published July 20, 2021 Based on data for the experience period January 1, 2017 to December 31, 2020	2018, published July 24, 2019 Based on data for the experience period January 1, 2015 to December 31, 2018
Actuarial assumptions:		
Actuarial cost method	Entry age normal	Entry age normal
Inflation rate	2.40%	2.40%
Long-term expected rate of return	6.90%	6.90%
Discount rate	6.90%	6.90%

(9) Long-Term Debt, Bonds, and Right-to-Use Lease Liabilities

Long-term debt and long-term leases at June 30, 2023 and 2022 is as follows:

	2023	2022
Revenue bonds:		
Series 2012A	$ —	13,800
Series 2015C	100,000	100,000
Series 2016B	199,835	199,835
Series 2017A	65,460	65,460
Series 2019A	117,840	124,440
Series 2019B-2	150	150
Series 2019C	65,045	65,045
Series 2021A	338,380	338,380
Series 2021B-1	45,990	45,990
Series 2021B-2	45,970	45,970
Series 2021C	11,585	11,585

(Dollars in thousands)

		2023	2022
Direct placement and direct purchase revenue bonds:			
Series 2017B	$	50,000	50,000
Series 2019D		50,000	50,000
Series 2022A		46,150	56,495
Other debt:			
State of Oregon DSPA and TIC Agreements		24,421	25,241
City of portland local improvement district agreements		7,686	9,541
Line of credit		—	—
Unamortized bond premiums and discounts		115,628	127,474
Financed purchases		4,059	2,418
Long-term leases[a]		92,761	88,047
		1,380,960	1,419,871
Less: Current portion of long-term debt and long-term leases		(40,458)	(46,315)
Noncurrent long-term debt and long-term leases	$	1,340,502	1,373,556

(a) The Foundation recorded lease liabilities and subscription IT liabilities of $11,148 and $11,840 during the fiscal years ended June 30, 2023 and 2022, respectively.

(a) Revenue Bonds

2012A Revenue Bonds (Refunded and Matured)

OHSU Series 2012A Revenue Bonds (2012A Bonds) have been refunded and matured. The 2012A Bonds had an outstanding principal amount due of $0 and $13,800 as of June 30, 2023 and 2022, respectively. The amount of debt considered as defeased in substance was $0 and $56,495 as of June 30, 2023 and 2022, respectively.

In fiscal year 2022, several 2012A Bonds were refunded on April 5, 2022 for a total principal amount of $56,495. Bond proceeds from the issuance of the direct purchase OHSU Series 2022A Revenue Refunding Bonds were used in the refunding. At the time of refunding, projected remaining debt service payments, including principal and interest, was $64,873 under the old refunded bonds and is $59,083 under the new bonds issued, a decrease of $5,790. The estimated economic gain or net present value savings for OHSU, at the time of refunding, was $5,524. While the refunding resulted in an economic gain for OHSU, no deferred accounting gain or loss was generated from the transaction. Funds were deposited into an irrevocable escrow account to provide for future payments of principal and interest for these bonds up to the redemption date of July 1, 2022.

In fiscal year 2023, OHSU redeemed $56,495 of the 2012A Bonds on July 1, 2022 through funds accumulated in the irrevocable escrow account. The funds held in escrow for refunding of the 2012A Bonds was $0 and $57,667 as of June 30, 2023 and 2022. In addition, OHSU paid a principal amount of $13,800 on July 1, 2022 for a separate 2012A Bond maturity. The 2012A Bonds have been removed from long-term debt.

2015C Revenue Bonds

OHSU Series 2015C Revenue Bonds (2015C Bonds) are taxable fixed rate bonds with an outstanding principal amount of $100,000 as of June 30, 2023. The 2015C Bonds have a maturity date of July 1, 2045, and require semiannual interest payments at a coupon rate of 5.0%. Proceeds from the 2015C Bonds were used for general public corporation or other public purposes, including, but not limited to, financing capital expenses, noncapital expenses, and costs related to the issuance of the bonds. The 2015C Bonds are limited obligations of OHSU and are secured by OHSU's gross revenues. The 2015C Bonds are not general obligation bonds and are payable solely from revenue pledged.

2016B Revenue Bonds

OHSU Series 2016B Revenue Bonds (2016B Bonds) are tax-exempt fixed rate bonds with an outstanding principal amount of $199,835 as of June 30, 2023. The 2016B Bonds have maturities due beginning July 1, 2028 through July 1, 2046 requiring semiannual interest payments with coupon rates ranging from 2.5% to 5.0%. The 2016B Bonds were issued to advance refund the Series 2009A Bonds and for capital improvements related to the construction of an ambulatory care tower and as a prerequisite to the receipt of state matching grant funds for the construction of a new Knight Cancer Research Building. The 2016B Bonds are limited obligations of OHSU and are secured by OHSU's gross revenues. The 2016B Bonds are not general obligation bonds and are payable solely from revenue pledged.

2017A Revenue Bonds

OHSU Series 2017A Revenue Bonds (2017A Bonds) are tax-exempt fixed rate bonds with an outstanding principal amount of $65,460 as of June 30, 2023. The 2017A Bonds have maturities due beginning July 1, 2033 through July 1, 2046 requiring semiannual interest payments with coupon rates ranging from 3.5% to 5.0%. The Series 2017A Bonds were issued for capital improvements related to the construction of an ambulatory care tower and as a prerequisite to the receipt of State matching grant funds for the construction of a new Knight Cancer Research Building. The 2017A Bonds are limited obligations of OHSU and are secured by OHSU's gross revenues. The 2017A Bonds are not general obligation bonds and are payable solely from revenue pledged.

2019A Revenue Bonds

OHSU Series 2019A Revenue Bonds (2019A Bonds) are tax-exempt fixed rate bonds with an outstanding principal amount of $117,840 as of June 30, 2023. The 2019A Bonds have remaining maturities due July 1, 2023 through July 1, 2049, requiring semiannual interest payments with coupon rates ranging from 3.0% to 5.0%. The 2019A Bonds were issued as part of a financing transaction used to refund several prior bond series, to pay for capital improvements for the University, and to pay for costs of issuance for the bonds. The 2019A Bonds are limited obligations of OHSU and are secured by OHSU's gross revenues. The 2019A Bonds are not general obligation bonds and are payable solely from revenue pledged.

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2019B-2 Revenue Bonds (Partially Refunded)

OHSU Series 2019B-2 Revenue Bonds (2019B-2 Bonds) were partially refunded on December 21, 2021. Several 2019B-2 Bonds were refunded for a total principal amount of $48,970, following acceptance of stated amounts in a bond tender offer and exchange. Not all bonds were tendered, and there remains an outstanding principal amount of $150 as of June 30, 2023. The remaining 2019B-2 Bonds are tax-exempt put bonds with maturities due beginning July 1, 2040 through July 1, 2042, that have a first optional redemption date of November 1, 2024, and a mandatory purchase date of February 1, 2025. The 2019B-2 Bonds require semiannual debt service payments at a coupon rate of 5.0%. The 2019B-2 Bonds were issued as part of a financing transaction used to refund several prior bond series and to pay for capital improvements for the University, and to pay for costs of issuance for the bonds. The 2019B-2 Bonds are limited obligations of OHSU and are secured by OHSU's gross revenues. The 2019B-2 Bonds are not general obligation bonds and are payable solely from revenue pledged.

2019C Revenue Bonds

OHSU Series 2019C Revenue Bonds (2019C Bonds) are taxable fixed rate bonds with an outstanding principal amount of $65,045 as of June 30, 2023. The 2019C Bonds have maturities due beginning July 1, 2023 through July 1, 2032, and require semiannual interest payments with coupon rates ranging from 2.2% to 3.0%. The 2019C Bonds were issued as part of a financing transaction used to refund several prior bond series, to pay for capital improvements for the University, and to pay for costs of issuance for the bonds. The 2019C Bonds are limited obligations of OHSU and are secured by OHSU's gross revenues. The 2019C Bonds are not general obligation bonds and are payable solely from revenue pledged.

2021A Revenue Bonds

OHSU Series 2021A Revenue Bonds (2021A Bonds) are tax-exempt fixed rate bonds with an outstanding principal amount of $338,380 as of June 30, 2023. The 2021A Bonds have maturities due beginning July 1, 2033 through July 1, 2051, and require semiannual interest payments with coupon rates ranging from 3.0% to 5.0%. The 2021A Bonds were issued as part of a financing transaction used to refund several prior bond series, to pay for capital improvements for the University including acquisition of an office building, and to pay for costs of issuance for the bonds. The 2021A Bonds are limited obligations of OHSU and are secured by OHSU's gross revenues. The 2021A Bonds are not general obligation bonds and are payable solely from revenue pledged.

2021B-1 Revenue Bonds

OHSU Series 2021B-1 Revenue Bonds (2021B-1 Bonds) are tax-exempt long-term rate bonds with an outstanding principal amount of $45,990 as of June 30, 2023. The 2021B-1 Bonds have maturities due beginning July 1, 2040 through July 1, 2046, and require semiannual interest payments with coupon rates of 5.0%. The 2021B-1 Bonds have a first optional redemption date of November 1, 2029, and an initial long-term rate mandatory purchase date of February 1, 2030. The 2021B-1 Bonds were issued as part of a financing transaction used to refund several prior bond series, to pay for capital improvements for the University including acquisition of an office building, and to pay for costs of issuance for the bonds. The 2021B-1 Bonds are limited obligations of OHSU and are secured by OHSU's gross revenues. The 2021B-1 Bonds are not general obligation bonds and are payable solely from revenue pledged.

2021B-2 Revenue Bonds

OHSU Series 2021B-2 Revenue Bonds (2021B-2 Bonds) are tax-exempt long-term rate bonds with an outstanding principal amount of $45,970 as of June 30, 2023. The 2021B-2 Bonds have maturities due beginning July 1, 2040 through July 1, 2046, and require semiannual interest payments with coupon rates of 5.0%. The 2021B-2 Bonds have a first optional redemption date of November 1, 2031, and an initial long-term rate mandatory purchase date of February 1, 2032. The 2021B-2 Bonds were issued as part of a financing transaction used to refund several prior bond series, to pay for capital improvements for the University including acquisition of an office building, and to pay for costs of issuance for the bonds. The 2021B-2 Bonds are limited obligations of OHSU and are secured by OHSU's gross revenues. The 2021B-2 Bonds are not general obligation bonds and are payable solely from revenue pledged.

2021C Revenue Bonds

OHSU Series 2021C Revenue Bonds (2021C Bonds) are tax-exempt long-term rate bonds with an outstanding principal amount of $11,585 as of June 30, 2023. The 2021C Bonds have maturities due beginning July 1, 2040 through July 1, 2042, and require semiannual interest payments with coupon rates of 4.0%. The 2021C Bonds have a first optional redemption date of November 1, 2028, and an initial long-term rate mandatory purchase date of February 1, 2029. The 2021C Bonds were issued as part of a financing transaction used to refund several prior bond series, to pay for capital improvements for the University including acquisition of an office building, and to pay for costs of issuance for the bonds. The 2021C Bonds are limited obligations of OHSU and are secured by OHSU's gross revenues. The 2021C Bonds are not general obligation bonds and are payable solely from revenue pledged.

(b) Direct Placement and Direct Purchase Bonds

2017B Revenue Bonds

OHSU Series 2017B Revenue Bonds (2017B Bonds) are tax-exempt fixed rate direct placement bonds with an outstanding principal amount of $50,000 as of June 30, 2023. The 2017B Bonds were issued for capital improvements related to the construction of an ambulatory care tower and as a prerequisite to the receipt of state matching grant funds for the construction of a new Knight Cancer Research Building. The 2017B Bonds are subject to event of default provisions that may cause the full outstanding amount to become immediately due and payable at the discretion of the bondholder representative. Event of default provisions are extensive with certain provisions subjective in nature based on materiality. Some notably event of default provisions included, but not limited to, are if the University fails to pay principal or interest on any bond when due, if the University makes any material misrepresentation in connection to the agreement, and if the University fails to meet the debt covenants requiring financial disclosures. The 2017B Bonds are limited obligations of OHSU and are secured by OHSU's gross revenues. The 2017B Bonds are not general obligation bonds and are payable solely from revenue pledged.

2019D Revenue Refunding Bonds

OHSU Series 2019D Revenue Bonds (2019D Bonds) were converted to tax-exempt fixed rate direct purchase rate bonds from taxable fixed rate direct purchase rate bonds on April 5, 2022. The 2019D Bonds have an outstanding principal amount of $50,000 as of June 30, 2023. The 2019D Bonds were originally issued to refund a portion of the OHSU Series 2012E Revenue Bonds on an advance refunding basis. The 2019D Bonds are subject to event of default provisions that may cause the full outstanding amount to become immediately due and payable at the discretion of the bondholder representative. Event of default provisions are extensive with certain provisions subjective in nature based on materiality. Some notably event of default provisions included, but not limited to, are if the University fails to pay principal or interest on any bond when due, if the University makes any material misrepresentation in connection to the agreement, and if the University fails to meet the debt covenants requiring financial disclosures. The 2019D Bonds are limited obligations of OHSU and are secured by OHSU's gross revenues. The 2019D Bonds are not general obligation bonds and are payable solely from revenue pledged.

2022A Revenue Refunding Bonds

OHSU Series 2022A Revenue Bonds (2022A Bonds) were issued on April 5, 2022 as tax-exempt direct purchase rate bonds with a par amount of $56,495. The 2022A Bonds have an outstanding principal amount of $46,150 as of June 30, 2023. The 2022A Bonds were issued to refund on a current basis a portion of the OHSU Series 2012A Revenue Bonds. The 2022A Bonds are subject to event of default provisions that may cause the full outstanding amount to become immediately due and payable at the discretion of the bondholder representative. Event of default provisions are extensive with certain provisions subjective in nature based on materiality. Some notably event of default provisions included, but not limited to, are if the University fails to pay principal or interest on any bond when due, if the University makes any material misrepresentation in connection to the agreement, and if the University fails to meet the debt covenants requiring financial disclosures. The 2022A Bonds are limited obligations of OHSU and are secured by OHSU's gross revenues. The 2022A Bonds are not general obligation bonds and are payable solely from revenue pledged.

(c) Other Debt

OHSU Portion of State of Oregon Article XI-F(1) Debt (Pursuant to DSPA and TIC Agreements)

OHSU has agreements with the Oregon State Board of Higher Education (on behalf of the State of Oregon) pursuant to which OHSU makes semiannual payments to the State in amounts sufficient to pay, when due, principal, interest, and other charges with respect to debt incurred by the State for the benefit of OHSU. This debt is commonly referred to as Article XI-F(1) debt and the agreements between OHSU and the State are commonly referred to as the Debt Service Payment Agreement (DSPA) and the Tenancy in Common Agreement (TIC).

In 1995, OHSU became an independent public corporation pursuant to an act of the Oregon Legislative Assembly (the Act). Pursuant to the Act, OHSU assumed liability for outstanding indebtedness of the State previously incurred for the benefit of OHSU. To evidence this obligation, OHSU and the Oregon State Board of Higher Education (on behalf of the State of Oregon) entered into the DSPA.

In 2011, OHSU entered into a joint construction project with the Oregon State Board of Higher Education to build the Robertson Life Sciences Building (previously referred to as the Collaborative Life Sciences Building) on OHSU's Schnitzer Campus located in Portland's South Waterfront to be jointly owned, developed, and operated collaboratively with Portland State University and Oregon State University. As partial consideration for OHSU's receipt of 50% undivided percentage interest in the tenancy in common of the Robertson Life Sciences Building, OHSU entered into the TIC in which OHSU agreed to pay to the State for a portion of the debt issued by the State to fund the construction of the project.

Pursuant to the DSPA and TIC, OHSU has an obligation to the State, and the State is the bond issuer. From time to time, the State has refinanced its bonds, some of which has affected the underlying bonds that were assigned to the DSPA and TIC. The total amount outstanding for the State of Oregon Article XI-F(1) debt assigned to OHSU under the DSPA and TIC as of June 30, 2023 and 2022 are $24,421 and $25,241. These balances are included in long-term debt in the statements of net position. Payments under the terms of the DSPA and TIC by OHSU represents full satisfaction of any legal obligation related to such outstanding indebtedness.

City of Portland Local Improvement District Agreements

OHSU initially entered into various local improvement district agreements (LIDs) with the City of Portland, Oregon during fiscal years 2007 and 2008 for real improvements to Portland's South Waterfront District. During fiscal year 2012, OHSU entered into additional LIDs with the City of Portland for real improvements to the same Portland South Waterfront District. All outstanding LIDs debt is scheduled to be repaid in semiannual installments, with maturities through fiscal year 2029 and interest rates ranging between 4.19% and 4.71%. The total outstanding amount of principal as of June 30, 2023 and 2022 are $7,686 and $9,541, respectively, and have been included in long-term debt in the statements of net position.

(Dollars in thousands)

(d) Line of Credit

OHSU has a single line of credit available with U.S. Bank National Association for an aggregate principal amount not to exceed $100,000. Interest is payable on a monthly basis and interest rates are variable based on the monthly SOFR rate and an applicable margin. As of June 30, 2023, OHSU has not drawn on its line of credit.

Pursuant to the Third Amendment to Credit Agreement (Third Amendment) dated May 2, 2023, the Third Amendment made changes, including, without limitation, extending the Maturity Date of the Line of Credit to May 1, 2024 and requiring OHSU to cause the aggregate amount of all loans and all other unpaid obligations to Bank under the line of credit and related documents to be zero ($0) for at least twenty (20) consecutive days during each calendar year.

The line of credit is subject to event of default provisions that would cause the full outstanding amount to become immediately due and payable. Event of default provisions are extensive with certain provisions subjective in nature based on materiality. Some notably event of default provisions included, but not limited to, are if the University fails to pay principal or interest on the loan when due, if the University makes any material misrepresentation in connection to the agreement, and if the University fails to meet the debt covenants requiring financial disclosures.

(e) Unamortized Bond Premiums and Discounts

OHSU has issued bonds at a premium and bonds at a discount. The premium and discount are amortized over the original life of the bond or through the bond mandatory tender date as applicable. The unamortized balances are included in long-term debt in the statements of net position. The unamortized net premium balances as of June 30, 2023 and 2022 are $115,628 and $127,474, respectively.

(f) Interest Rate Swap Agreement

The balances of OHSU’s swap agreement with Wells Fargo Bank, N.A. as of June 30, 2023 and 2022 were as follows:

		Notional		Fair value	
		2023	**2022**	**2023**	**2022**
Wells Fargo swap	$	—	70,200	—	(4,565)
	$	—	70,200	—	(4,565)

OHSU terminated its fixed payor swap agreement with Wells Fargo Bank, N.A. on February 8, 2023. The termination payment of $1,000 owed by OHSU in connection with the termination of such fixed payor swap agreements was paid from its own funds.

(Dollars in thousands)

Prior to termination, the swap had a $70,200 notional amount that would decline over time and terminate on July 1, 2042. Under the previously held swap agreement with Wells Fargo Bank, N.A., OHSU made fixed rate payments of 2.506% and receives a variable rate payment computed as 70.00% of the London Interbank Offered Rate. Total net cash payments, including the one-time termination payment, made to the swap counterparty was $1,144 and $1,595 during the years ended June 30, 2023 and 2022, respectively.

Upon termination, the balances for the swap liability, companion debt instrument and deferred amortization of debt instruments associated with the swap were removed from OHSU's statements of net position. The unrealized gain and loss associated with the swap was also removed from OHSU's statements of revenue, expenses, and changes in net position. In order to remove these balances, the amounts were recorded against realized gain and loss. The net result was a realized loss of $2,766 at the time of termination.

(h) Summary of Principal and Interest Payments

Principal and interest payments under the outstanding long-term debt and long-term lease obligations are as follows:

		Principal	Interest	Total
Year(s) ending June 30:				
2024	$	40,458	49,143	89,601
2025		44,044	47,469	91,513
2026		40,285	45,961	86,246
2027		38,897	44,571	83,468
2028		32,186	43,262	75,448
2029–2033		170,399	198,923	369,322
2034–2038		162,747	165,831	328,578
2039–2043		198,264	124,614	322,878
2044–2048		299,077	69,705	368,782
2049–2053		238,975	17,006	255,981
	$	1,265,332	806,485	2,071,817

(Dollars in thousands)

(i) Changes in Long-Term Liabilities

Changes in OHSU's total long-term liabilities during the fiscal years ended June 30, 2023 and 2022 is summarized below:

	June 30, 2022 balance	Increases	Decreases	June 30, 2023 Current portion	June 30, 2023 Noncurrent portion	Total
Liability for self-funded insurance programs	$ 103,397	37,298	(38,770)	45,397	56,528	101,925
Liability for life income agreements	20,111	2,496	(2,104)	—	20,503	20,503
Long-term debt	1,329,406	—	(45,266)	13,881	1,270,259	1,284,140
Long-term financed purchase	2,418	3,147	(1,506)	1,582	2,477	4,059
ROU lease liability	88,047	35,503	(30,789)	24,995	67,766	92,761
Other noncurrent liabilities	45,049	21,436	(37,235)	—	29,250	29,250
Pension liability	305,955	405,974	(315,551)	—	396,378	396,378
	$ 1,894,383	505,854	(471,221)	85,855	1,843,161	1,929,016

	June 30, 2021 balance	Increases	Decreases	June 30, 2022 Current portion	June 30, 2022 Noncurrent portion	Total
Liability for self-funded insurance programs	$ 87,507	44,027	(28,137)	47,549	55,848	103,397
Liability for life income agreements	23,492	949	(4,330)	—	20,111	20,111
Long-term debt	967,756	575,945	(214,295)	23,076	1,306,330	1,329,406
Long-term financed purchase	2,202	1,666	(1,450)	659	1,759	2,418
ROU lease liability	70,923	39,151	(22,027)	22,580	65,467	88,047
Other noncurrent liabilities	88,133	26,175	(69,259)	—	45,049	45,049
Pension liability	595,311	179,979	(469,335)	—	305,955	305,955
	$ 1,835,324	867,892	(808,833)	93,864	1,800,519	1,894,383

(Dollars in thousands)

(10) Life Income Fund – Annuities

Assets contributed as life income agreements are recorded at their fair value. The present value of estimated future payments to beneficiaries of annuity agreements is recorded as a liability. The present values of these estimated payments were determined on the basis of published actuarial factors for the ages of the respective annuity beneficiaries. Differences between the assets contributed and the expected payments to be made to beneficiaries have been recorded as donations in the year established.

Life income contributions, including gifts, grants, and contracts in the accompanying statements of revenues, expenses, and changes in net position, are as follows for the fiscal years ended June 30, 2023 and 2022:

	2023		
	Agreements	Asset	Liability
Charitable remainder unitrusts	2	$ 6	2
Charitable gift annuities	4	335	207
Total	6	$ 341	209

	2022		
	Agreements	Asset	Liability
Charitable remainder unitrusts	1	$ 3	1
Charitable gift annuities	7	230	288
Life estate agreements	1	397	103
Total	9	$ 630	392

The assets and corresponding liabilities related to life income agreements are included in long-term investments, restricted, and the liability for life income agreements in the accompanying statements of net position.

Total life income instruments held at June 30, 2023 and 2022 are as follows:

	2023		
	Agreements	Asset	Liability
Charitable remainder unitrusts	39	$ 16,764	5,281
Charitable lead unitrusts	3	21,522	8,713
Charitable gift annuities	157	9,990	5,689
Life estate agreements	3	1,604	820
Total	202	$ 49,880	20,503

(Dollars in thousands)

	2022		
	Agreements	Asset	Liability
Charitable remainder unitrusts	43	$ 18,750	5,303
Charitable lead unitrusts	3	21,455	7,973
Charitable gift annuities	166	10,026	5,920
Life estate agreements	4	2,767	915
Total	216	$ 52,998	20,111

Ten charitable gift annuities, included above, with a total gift value of $3.0 million, have been reinsured with insurance carriers in order to reduce liability exposure. Under the reinsurance contracts, the insurance carrier pays the future beneficiary payments. To the extent, the insurance carriers are unable to perform under the contract, the foundation would be responsible for payment.

(11) Funds Held in Trust by Others

The Foundation is the named beneficiaries of 39 and 38 trusts held by outside trustees as of June 30, 2023 and 2022, respectively. The reported fair market value of trust assets held by others was $51,400 and $50,900 for the years ended June 30, 2023 and 2022, respectively. The Foundation records contributions as trust distributions occur. Trust distributions of $2,200 and $2,100 were recorded as contributions during the fiscal years ended June 30, 2023 and 2022, respectively.

(12) Pledges and Estates Receivables

The Foundation had the following pledges and estates receivable as of June 30, 2023 and 2022:

	2023	2022
Pledges maturing within 1 year	$ 122,888	121,843
Pledges maturing within 2–10 years	93,990	174,489
	216,878	296,332
Less allowance for uncollectible pledges	(621)	(856)
	216,257	295,476
Less discount for net present value (rates of 0.14% to 4.88%)	(3,468)	(5,785)
Total net pledges receivable	212,789	289,691

(Dollars in thousands)

		2023	2022
Estates receivable	$	10,400	7,151
Less allowance for uncollectible estates		(17)	(8)
Less discount for net present value (rates of 0.22% to 0.98%)		(1,026)	(363)
Total net estates receivable		9,357	6,780
Total pledges and estates receivable	$	222,146	296,471

(13) Commitments and Contingencies

(a) Liability for Self-Funded Insurance Programs

Coverage for professional liability, patient general liability, and automobile liability is provided through OHSU's solely owned captive insurance company, OHSU Insurance Company. Current coverage limits are $4,650 per claim with an annual aggregate of $20,000 for professional liability and $3,000 per claim for general liabilities.

Coverage for the directors' and officers' liability and employment practices liability deductible is also provided through OHSU Insurance Company. Current coverage limits for claims made on or after July 1, 2014 are $1,000 for each and every claim.

Coverage for the cyber liability deductible is also provided through OHSU Insurance Company. The coverage limit for cyber liability is $250 for each and every claim.

Excess coverage and reinsurance is provided by a variety of insurers for claims that may exceed these limits. Coverage is written on a claims-made basis.

OHSU has contracted with independent actuaries to estimate the ultimate costs of settlement related to the coverage provided by OHSU Insurance Company. The liabilities are discounted at 3.5% in 2023 and 1.5% in 2022 and, in management's opinion, provide an adequate reserve for loss contingencies.

In December 2007, the Oregon Supreme Court found unconstitutional certain provisions of the Oregon Tort Claims Act (OTCA) that limited OHSU's liability for the acts of its employees and agents in large damages cases.

(Dollars in thousands)

Effective July 1, 2009, the OTCA was amended by Senate Bill 311 for events occurring on or after December 28, 2007. The new OTCA limits are as follows:

Date of event		New OTCA limit (per claim)	Occurrence aggregate
07/01/2010–06/30/2011	$	1,600	3,200
07/01/2011–06/30/2012		1,700	3,400
07/01/2012–06/30/2013		1,800	3,600
07/01/2013–06/30/2014		1,900	3,800
07/01/2014–06/30/2015		2,000	4,000
07/01/2015–06/30/2016		2,048	4,096
07/01/2016–06/30/2017		2,074	4,147
07/01/2017–06/30/2018		2,118	4,236
07/01/2018–06/30/2019		2,182	4,363
07/01/2019–06/30/2020		2,247	4,494
07/01/2020–06/30/2021		2,308	4,615
07/01/2021–06/30/2022		2,348	4,695
07/01/2022–06/30/2023		2,418	4,836

The impact of this decision has been included in the liability for self-funded insurance programs in the accompanying financial statements.

In September 2013, a judgment was awarded against OHSU in a professional liability case that was in excess of the OTCA, which limits OHSU's and other Oregon public body's liability for the acts of its employees and agents. OHSU disbursed the sum of $3,000, the amount of the tort cap in place at the date of the event. In May 2016, the Oregon Supreme Court affirmed the OTCA in this case.

Effective January 1, 2017, OHSU Insurance Company affiliated with a newly formed Oregon limited liability company called OHSU Project Co., LLC (a controlled affiliate of OHSU), which comprises OHSU and other nonaffiliated healthcare providers and systems, referred to as members. The operating agreement of OHSU Project Co., LLC asserts that OHSU's membership interest or voting power with respect to OHSU Project Co., LLC may not constitute less than ten percent (10%) of the outstanding membership interests. OHSU's membership interest was 34.8% and 36.8% as of June 30, 2023 and 2022, respectively.

The OHSU Project Co., LLC's sole purpose is to purchase casualty stop-loss insurance from OHSU Insurance Company for the benefit of its members. Each provider is entitled to coverage equal to its percentage membership interest in the limited liability company. The contracted payor effectuated the health insurance products entering into a provider-networking contract with OHSU Project Co., LLC.

INSCO provides to OHSU Project Co., LLC medical aggregate excess of loss coverage for its share of the medical loss ratio (MLR) risk and cedes a portion of the risk to Swiss Re. Should MLR deteriorate sufficiently so as to trigger the risk ceded to Swiss Re, then Swiss Re will be liable for 90% of OHSU Project Co., LLC's risk share, subject to a maximum liability of $1,500 with the 10% retention staying with OHSU Insurance Company.

On January 1, 2006, workers compensation coverage for all employees was placed with the SAIF Corporation in accordance with statutory requirements. The State Accident Insurance Fund also provides Employers Liability coverage in the amount of $500, without retention. The State Accident Insurance Fund policy was written as a paid loss retrospective plan until July 1, 2017 at which time it converted its coverage to a guaranteed cost plan. This paid premium is an estimate and varies with audited payroll. In addition, the State Accident Insurance Fund bills monthly for the prior year's claims paid losses (2006 to June 2017), adding a 16.5% loss conversion factor to the paid loss costs. Six months after the policy term, and every 12 months thereafter, a retrospective evaluation is completed (for years 2006 to June 2017) to determine any additional amounts to be paid, including outstanding reserves, for claims relating to the policy year.

(b) Unemployment Compensation

Unemployment compensation claims are administered by the Oregon Employment Division pursuant to Oregon Revised Statutes. The estimated amount of future benefits payments to claimants and the resulting liability to OHSU have been reflected as accrued salaries, wages, and benefits in the accompanying statements of net position.

(c) Employee Health Programs

OHSU is self-insured for its risk of loss related to costs to insure its employees for medical, dental, and vision coverage. OHSU has utilized a third-party actuary to assist in the estimation of its liability for the employee health programs related to claims payable and those claims incurred but not yet paid or reported of approximately $30,455 and $30,536 as of June 30, 2023 and 2022, respectively. These amounts are included in current portion of self-funded insurance program liabilities in the accompanying statements of net position.

(d) Labor Organizations

As of fiscal year-end June 30, 2023, approximately 54.1% of OHSU's employees are represented by labor organizations: 15.0% of OHSU's employees are nurses represented by the ONA, 39.0% of OHSU's employees are represented by the AFSCME, and less than 1.0% of OHSU's employees are represented by the OHSU Police Association. The current contract with ONA expired on June 30, 2023. The current contract with AFSCME expires on June 30, 2025. The current contract with the OHSU Police Association expires on June 30, 2024.

(e) Construction Contracts

OHSU had outstanding commitments on unexpended construction contracts totaling approximately $4,216 and $52,107 at June 30, 2023 and 2022, respectively. These commitments will be primarily funded from gifts, grants, funds held by trustee, and other investment accounts.

(f) Legal Proceedings

The healthcare industry and academic medical centers are subject to numerous laws and regulations of federal, state, and local governments. These laws and regulations include, but are not limited to, laws and regulations related to licensure, accreditation, government health program participation, reimbursement for patient services, Medicare and Medicaid fraud and abuse, and laws and regulations governing the conduct of federally funded research, research involving human and animal subjects, and other facets of research. Government monitoring and enforcement activity continues with respect to possible violations of fraud and abuse laws and regulations and other laws and regulations applicable to healthcare providers and healthcare institutions, including academic medical centers. Violations of these laws and regulations could result in expulsion from government healthcare programs, together with the imposition of significant fines and penalties and repayments for patient services previously billed. Management believes OHSU is in compliance with applicable fraud and abuse laws and regulations, as well as other applicable government laws and regulations.

OHSU's compliance with the referenced laws and regulations may be subject to current or future government review and interpretation, as well as regulatory actions unknown or unasserted at this time.

OHSU is involved in litigation and is periodically the subject of regulatory inquiries in the normal course of its business. In past years, OHSU was subject to several federal healthcare audits as a part of national initiatives targeting large numbers of hospitals and academic medical centers and was the subject of government-issued subpoenas and postpayment reviews concerning specific OHSU billing practices. OHSU responded to these audits, subpoenas, and reviews, and these matters were resolved or are expected to be resolved without material adverse effect on OHSU's financial position, changes in financial position, or liquidity.

(g) Leases (lessee) and Similar Subscription Based Information Technology Arrangements

As discussed in note 1(w), OHSU is a lessee for various noncancelable leases of buildings and equipment. OHSU also has noncancelable subscription arrangements (similar to a lease) for the right-to-use various information technology hardware and software (subscription IT arrangements).

(Dollars in thousands)

Intangible right-to-use lease and subscription IT assets

A summary of lease and subscription IT asset activity during the year ended June 30, 2023 is as follows:

	Balance June 30, 2022	Additions	Remeasurements	Deductions	Balance June 30, 2023
Lease assets:					
Buildings and equipment	$ 93,234	9,566	12,047	(7,335)	107,512
Less accumulated amortization:					
Buildings and equipment	(25,995)	(12,263)	(164)	—	(38,422)
Total lease assets, net	67,239	(2,697)	11,883	(7,335)	69,090
Subscription IT assets	40,655	10,651	11,846	(1,020)	62,132
Less accumulated amortization:					
Subscription IT assets	(10,514)	(14,350)	(3,634)	2,178	(26,320)
Subscription IT assets, net	30,141	(3,699)	8,212	1,158	35,812
Total lease and subscription IT assets, net	$ 97,380	(6,396)	20,095	(6,177)	104,902

A summary of lease and subscription IT asset activity during the year ended June 30, 2022 is as follows:

	Balance June 30, 2021	Additions	Remeasurements	Deductions	Balance June 30, 2022
Lease assets:					
Buildings and equipment	$ 75,048	20,991	402	(3,207)	93,234
Less accumulated amortization:					
Buildings and equipment	(14,317)	(14,867)	—	3,189	(25,995)
Total lease assets, net	60,731	6,124	402	(18)	67,239
Subscription IT assets	20,812	20,665	(54)	(768)	40,655
Less accumulated amortization:					
Subscription IT assets	(3,633)	(6,857)	—	(24)	(10,514)
Subscription IT assets, net	17,179	13,808	(54)	(792)	30,141
Total lease and subscription IT assets, net	$ 77,910	19,932	348	(810)	97,380

(Dollars in thousands)

Lease and subscription IT liabilities

A summary of changes in the related lease and subscription IT liabilities during the year ended June 30, 2023 is as follows:

	Balance June 30, 2022	Additions	Remeasurements	Deductions	Balance June 30, 2023	Amounts Due within one year
Lease liabilities and subscription IT liabilities	$ 88,047	35,503	(1,256)	(29,533)	92,761	24,995

A summary of changes in the related lease and subscription IT liabilities during the year ended June 30, 2022 is as follows:

	Balance June 30, 2021	Additions	Remeasurements	Deductions	Balance June 30, 2022	Amounts Due within one year
Lease liabilities and subscription IT liabilities	$ 70,923	39,151	414	(22,441)	88,047	22,552

Future annual lease payments are as follows:

	Principal amount	Interest amount	Total
Year ending June 30:			
2024	$ 12,959	2,502	15,461
2025	11,175	2,016	13,191
2026	10,262	1,573	11,835
2027	9,509	1,166	10,675
2028	6,379	811	7,190
2029–2033	11,351	1,759	13,110
2034–2038	4,420	485	4,905
2039–2043	564	26	590
2044–2048	97	3	100
	$ 66,716	10,341	77,057

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(Dollars in thousands)

Future annual subscription IT payments are as follows:

		Principal amount	Interest amount	Total
Year ending June 30:				
2024	$	12,036	913	12,949
2025		6,349	542	6,891
2026		3,690	318	4,008
2027		3,002	155	3,157
2028		300	25	325
2029–2033		668	20	688
	$	26,045	1,973	28,018

Variable Lease and Subscription Payments

Variable lease and subscription payments, other than those payments that depend on an index or rate or are fixed in substance, are excluded from the measurement of the lease and subscription IT liability. Such amounts are recognized as lease expense or subscription expense, respectively, in the period in which the obligation for those payments is incurred.

OHSU makes variable lease payments related to maintenance, support, utility, and insurance costs to its lessors. The amounts recognized as outflows (expense) for variable lease payments not included in the measurement of the lease liabilities were $2,581 and $2,330 during the years ended June 30, 2023 and 2022, respectively.

Lease and Subscription Commitments

As of June 30, 2023, OHSU had committed to no leases or IT subscriptions not yet commenced.

(h) Tuality Health Affiliation

On February 1, 2016, OHSU affiliated with Tuality Healthcare (Tuality) through the execution of a management agreement (the Tuality Agreement) between the organizations. Under the Tuality Agreement, OHSU agrees to oversee the unified and integrated clinical enterprises of OHSU and Tuality as a single, integrated economic unit. OHSU and Tuality remain as separate entities, own their own assets, and continue to be the licensed operators of their own facilities. Per the agreement, OHSU has guaranteed Tuality's operating income and will provide operating cash flow support. The initial term of the Tuality Agreement is 20 years and it may be renewed or extended by written agreement of the parties. The Tuality Agreement is subject to termination in the event of material breaches of the agreement or for certain other reasons specified in the Tuality Agreement.

After February 1, 2016, OHSU guarantees operating income support in the following manner: to the extent Tuality incurs an operating loss for any fiscal year, OHSU will provide operating support in the form of a cash payment to Tuality in an amount equal to the operating loss, which will result in Tuality's operating income being equal to zero. OHSU may recoup prior payments for operating support from Tuality's positive operating cash flow generated in future fiscal years as specified in the Tuality Agreement. For fiscal years 2023 and 2022, operating income support amounted to $22,813 and $11,051, respectively.

During the first five years of the agreement, if Tuality's operating cash flow, defined in the Tuality Agreement as operating income plus depreciation less regular principal payments on long-term debt and less capital spending, was negative, OHSU provided Tuality a capital advance in the form of a cash payment to bring Tuality's operating cash flow to a balance of zero. The capital advance was recorded on Tuality's financial statements as a payable to OHSU, and on OHSU's financial statements as a receivable from Tuality, subject to any required reserves for estimates of collectibility. Such capital advances do not bear interest and is repayable by Tuality to OHSU from positive operating cash flow generated in future fiscal years under general guidelines specified in the Tuality Agreement. The total note receivable as of June 30, 2023 was $19,591. In light of uncertain operating income, in the near term and the likelihood that cash flow available for repayment will be deferred into future years, OHSU recorded a valuation reserve of $19,591 against the note receivable under other noncurrent assets as of June 30, 2021.

(i) Adventist Health

On January 1, 2018, OHSU and Adventist Health entered into a Health System agreement, an operating agreement and an academic affiliation agreement. Under this affiliation, OHSU and Adventist Health will operate as a unified clinical system with a shared bottom line. The affiliation applies to OHSU's Portland-area clinical services and activities and Adventist Health Portland, which includes the 302-bed Adventist Health Portland Medical Center and its 34 affiliated clinics and home care and hospice services in the Portland-Vancouver metro area. The other 19 Adventist Health hospitals in the western United States are excluded from the agreements. Each organization will retain its existing hospital licenses, capital assets, and employees and will not join each other's master trust indenture obligated group or otherwise guarantee each other's outstanding debt.

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Each entity will continue to maintain its individual mission and culture but will together strive to transform access and the delivery of healthcare to Oregonians through a unified clinical enterprise and shared brand experience. A board of managers comprising representatives from each organization has been created to oversee the system.

The initial term of the Adventist agreement is 20 years and it may be renewed or extended by written agreement of the parties, and the agreement is subject to termination in the event of material breaches or for certain other reasons specified in the agreement.

OHSU and Adventist Health's allocation amount is determined by multiplying the consolidated Metro Health System net operating results by such party's proportional allocation percentage, including the amount of such party's total capital charges (for the same period for which such allocation amount is determined). The result shall equal the party's net share of the Metro Health System earnings before interest, depreciation, and amortization (EBIDA).

OHSU and Adventist's net share for each period shall be compared to each party's actual metro clinical enterprise adjusted EBIDA for the same period. OHSU and Adventist Health agree that if a party's net share for a period is less than such party's metro clinical enterprise adjusted EBIDA for such period, such party shall pay to the other party the amount of the difference (net share payment). OHSU and Adventist agree that if a party's net share for a period is more than such party's metro clinical enterprise adjusted EBIDA for the same period, such party shall receive from the other party a payment in the amount of the difference (net share receivable).

For fiscal years 2023 and 2022, support payments to/(from) Adventist amounted to $10,740 and $7,662, respectively. In order to optimize healthcare provider coverage and accessibility within the Portland metropolitan area, OHSU also paid $2,355 and $721 for physician recruitments.

(14) Subsequent Events

On August 16, 2023, OHSU and Legacy Health executed a nonbinding letter of intent setting forth proposed terms by which the Parties would affiliate to create a combined healthcare system under OHSU as the combined system's sole corporate parent. The business combination is anticipated to occur in 2024, subject to the development of a definitive agreement and regulatory approvals.

(Dollars in thousands)

(15) Blended Component Units

Condensed combining statements for OHSU and its blended component units are shown below:

			2023		
	University	INSCO	OHSU Foundation	Eliminations/ reclassifications	Total combined
Assets:					
Current assets	$ 1,182,004	22,780	179,046	(71,426)	1,312,404
Noncurrent assets:					
Capital assets, net of accumulated depreciation	2,219,372	—	12,508	—	2,231,880
Other noncurrent assets	1,464,270	73,647	1,654,227	—	3,192,144
Total noncurrent assets	3,683,642	73,647	1,666,735	—	5,424,024
Total assets	4,865,646	96,427	1,845,781	(71,426)	6,736,428
Deferred outflows	185,518	—	—	—	185,518
Total assets and deferred outflows	$ 5,051,164	96,427	1,845,781	(71,426)	6,921,946
Liabilities:					
Current liabilities	$ 625,583	1,150	81,895	(71,426)	637,202
Noncurrent liabilities	1,756,148	53,113	33,900	—	1,843,161
Total liabilities	2,381,731	54,263	115,795	(71,426)	2,480,363
Deferred inflows	151,109	—	193,512	—	344,621
Net position:					
Net investment in capital assets	1,214,245	—	1,361	—	1,215,606
Restricted, expendable	—	—	643,863	—	643,863
Restricted, nonexpendable	—	—	340,236	—	340,236
Unrestricted	1,304,079	42,164	551,014	—	1,897,257
Total net position	2,518,324	42,164	1,536,474	—	4,096,962
Total liabilities, deferred inflows, and net position	$ 5,051,164	96,427	1,845,781	(71,426)	6,921,946

(Dollars in thousands)

	2022				
	University	**INSCO**	**OHSU Foundation**	**Eliminations/ reclassifications**	**Total combined**
Assets:					
Current assets	$ 1,106,741	22,672	169,618	(71,886)	1,227,145
Noncurrent assets:					
Capital assets, net of accumulated depreciation	2,168,018	—	13,190	—	2,181,208
Other noncurrent assets	1,462,758	74,709	1,685,245	—	3,222,712
Total noncurrent assets	3,630,776	74,709	1,698,435	—	5,403,920
Total assets	4,737,517	97,381	1,868,053	(71,886)	6,631,065
Deferred outflows	218,704	—	—	—	218,704
Total assets and deferred outflows	$ 4,956,221	97,381	1,868,053	(71,886)	6,849,769
Liabilities:					
Current liabilities	$ 610,625	1,147	81,872	(71,886)	621,758
Noncurrent liabilities	1,713,813	52,831	33,875	—	1,800,519
Total liabilities	2,324,438	53,978	115,747	(71,886)	2,422,277
Deferred inflows	287,358	—	192,363	—	479,721
Net position:					
Net investment in capital assets	1,204,412	—	1,350	—	1,205,762
Restricted, expendable	87,870	—	630,951	—	718,821
Restricted, nonexpendable	—	—	323,982	—	323,982
Unrestricted	1,052,143	43,403	603,660	—	1,699,206
Total net position	2,344,425	43,403	1,559,943	—	3,947,771
Total liabilities, deferred inflows, and net position	$ 4,956,221	97,381	1,868,053	(71,886)	6,849,769

(Dollars in thousands)

Condensed combining information related to revenues, expenses, and changes in net position for the years ended June 30, 2023 and 2022 is as follows:

	2023				
	University	INSCO	OHSU Foundation	Eliminations/ reclassifications	Total combined
Operating revenues:					
Patient service revenue	$ 3,337,828	—	—	—	3,337,828
Student tuition and fees, net	81,617	—	—	—	81,617
Gifts, grants, and contracts	815,435	—	72,940	(129,995)	758,380
Other revenue	274,777	22,596	2,298	(20,194)	279,477
Total operating revenues	4,509,657	22,596	75,238	(150,189)	4,457,302
Operating expenses:					
Salaries, wages, and benefits	2,685,085	—	17,529	—	2,702,614
Defined-benefit pension	37,947	—	—	—	37,947
Services, supplies, and other	1,527,048	24,318	141,572	(147,372)	1,545,566
Depreciation and amortization	209,179	—	1,256	—	210,435
Interest	42,798	—	—	—	42,798
Total operating expenses	4,502,057	24,318	160,357	(147,372)	4,539,360
Operating income (loss)	7,600	(1,722)	(85,119)	(2,817)	(82,058)
Nonoperating revenues (expenses):					
Investment income and change in fair value of investments	76,075	483	42,863	—	119,421
State appropriations	62,690	—	—	—	62,690
Other	22,222	—	1,343	—	23,565
Total nonoperating revenues (expenses), net	160,987	483	44,206	—	205,676
Net income (loss) before other changes in net position	168,587	(1,239)	(40,913)	(2,817)	123,618
Other changes in net position:					
Contributions for capital and other	5,312	—	—	2,817	8,129
Nonexpendable donations	—	—	17,444	—	17,444
Total other changes in net position	5,312	—	17,444	2,817	25,573
Total increase (decrease) in net position	173,899	(1,239)	(23,469)	—	149,191
Net position – beginning of year	2,344,425	43,403	1,559,943	—	3,947,771
Net position – end of year	$ 2,518,324	42,164	1,536,474	—	4,096,962

(Dollars in thousands)

	2022				
	University	INSCO	OHSU Foundation	Eliminations/ reclassifications	Total combined
Operating revenues:					
Patient service revenue	$ 2,845,352	—	—	—	2,845,352
Student tuition and fees, net	80,886	—	—	—	80,886
Gifts, grants, and contracts	775,015	—	112,184	(104,910)	782,289
Other revenue	243,132	22,840	1,666	(34,131)	233,507
Total operating revenues	3,944,385	22,840	113,850	(139,041)	3,942,034
Operating expenses:					
Salaries, wages, and benefits	2,439,450	—	15,834	—	2,455,284
Defined-benefit pension	23,008	—	—	—	23,008
Services, supplies, and other	1,338,657	20,401	129,181	(144,963)	1,343,276
Depreciation and amortization	199,450	—	1,161	—	200,611
Interest	45,251	—	—	—	45,251
Total operating expenses	4,045,816	20,401	146,176	(144,963)	4,067,430
Operating income (loss)	(101,431)	2,439	(32,326)	5,922	(125,396)
Nonoperating revenues (expenses):					
Investment income and change in fair value of investments	(94,685)	(7,151)	(32,428)	—	(134,264)
State appropriations	41,240	—	—	—	41,240
CARES Act grant	33,514	—	—	—	33,514
Other	7,354	—	1,557	—	8,911
Total nonoperating revenues (expenses), net	(12,577)	(7,151)	(30,871)	—	(50,599)
Net income (loss) before other changes in net position	(114,008)	(4,712)	(63,197)	5,922	(175,995)
Other changes in net position:					
Contributions for capital and other	10,799	—	—	(5,922)	4,877
Nonexpendable donations	—	—	20,821	—	20,821
Total other changes in net position	10,799	—	20,821	(5,922)	25,698
Total increase (decrease) in net position	(103,209)	(4,712)	(42,376)	—	(150,297)
Net position – beginning of year	2,447,634	48,115	1,602,319	—	4,098,068
Net position – end of year	$ 2,344,425	43,403	1,559,943	—	3,947,771

(Dollars in thousands)

Condensed combining information related to cash flows for the years ended June 30, 2023 and 2022 is as follows:

	2023				
	University	INSCO	OHSU Foundation	Eliminations/ reclassifications	Total combined
Net cash provided by (used in) operating activities	$ 132,055	1,378	(14,370)	—	119,063
Net cash provided by noncapital financing activities	85,080	—	16,358	—	101,438
Net cash used in capital and related financing activities	(339,043)	—	(1,267)	—	(340,310)
Net cash provided by (used in) investing activities	85,283	(6,545)	15,229	—	93,967
Net change in cash and cash equivalents	(36,625)	(5,167)	15,950	—	(25,842)
Cash and cash equivalents, beginning of year	213,635	5,515	43,322	—	262,472
Cash and cash equivalents, end of year	$ 177,010	348	59,272	—	236,630

	2022				
	University	INSCO	OHSU Foundation	Eliminations/ reclassifications	Total combined
Net cash provided by (used in) operating activities	$ 16,341	11,479	41,681	—	69,501
Net cash provided by noncapital financing activities	93,146	—	7,507	—	100,653
Net cash provided by (used in) capital and related financing activities	93,483	—	(2,158)	—	91,325
Net cash provided by (used in) investing activities	(378,199)	(9,314)	(47,068)	—	(434,581)
Net change in cash and cash equivalents	(175,229)	2,165	(38)	—	(173,102)
Cash and cash equivalents, beginning of year	388,864	3,350	43,360	—	435,574
Cash and cash equivalents, end of year	$ 213,635	5,515	43,322	—	262,472

Required Supplementary Information (Unaudited)
Schedule of Proportionate Share of the Net Pension Liability and Related Ratios

(Dollar amounts in thousands)

Defined-benefit pension plan[1]		2023	2022	2021	2020	2019	2018
OHSU's proportion of the net pension liability (rounded)		2.59 %	2.56 %	2.73 %	2.91 %	3.01 %	3.51 %
OHSU's proportionate share of the net pension liability	$	396,378	305,955	595,311	503,720	456,006	424,000
Covered payroll		346,723	330,673	340,369	330,868	323,343	337,473
OHSU's proportionate share of the net pension liability as a percentage of covered payroll		114.32 %	92.52 %	174.90 %	152.24 %	141.03 %	125.64 %
Plan fiduciary net position as a percentage of the total pension liability		84.50 %	87.60 %	75.80 %	80.20 %	82.10 %	83.10 %

[1] Ten-year trend information w ill be presented prospectively.

Required Supplementary Information (Unaudited)
Schedule of Defined-Benefit Pension Plan Contributions

(Dollars in thousands)

Year ended June 30[1]		2023	2022	2021	2020	2019	2018
Contractually required contributions	$	53,913	53,754	48,333	50,841	37,919	37,087
Contributions in relation to the contractually required contributions		63,913	63,754	58,333	60,841	47,919	47,087
Contribution excess	$	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)
OHSU's covered payroll	$	369,176	346,723	330,673	340,369	330,868	323,343
Contributions as a percentage of covered payroll		17.31 %	18.39 %	17.64 %	17.88 %	14.48 %	14.56 %

[1] Ten-year trend information w ill be presented prospectively.

See accompanying independent auditors' report.

OREGON HEALTH & SCIENCE UNIVERSITY

Combining Schedules of Net Position

June 30, 2023 with comparative totals for June 30, 2022

(Dollars in thousands)

Assets	Hospital	Other University	Total University	Foundation	Eliminations/ Reclassifications	2023	2022
Current assets:							
Cash and cash equivalents	$ 290,068	(112,710)	177,358	59,272	—	236,630	262,472
Short-term Investments	—	22,040	22,040	—	—	22,040	22,574
Current portion of funds held by trustee	22,339	8,084	30,423	—	—	30,423	42,305
Patients accounts receivable, net of bad debt allowances of $755 and $1,372 – in 2023 and 2022, respectively	623,943	2,129	626,072	—	—	626,072	504,558
Student receivables	—	24,035	24,035	—	—	24,035	24,351
Grant and contract receivable	—	82,924	82,924	—	—	82,924	81,631
Current portion of pledges and estates receivable	—	—	—	115,949	—	115,949	121,490
Other receivables, net	57,065	80,254	137,319	3,075	(70,903)	69,491	69,009
Inventories, at cost	64,464	2,228	66,692	—	—	66,692	64,279
Prepaid expenses	18,168	19,230	37,398	750	—	38,148	34,476
Total current assets	1,076,047	128,214	1,204,261	179,046	(70,903)	1,312,404	1,227,145
Noncurrent assets:							
Capital assets, net of accumulated depreciation	1,218,478	1,000,894	2,219,372	12,508	—	2,231,880	2,181,208
Funds held by trustee – less current portion	235,624	—	235,624	—	—	235,624	303,469
Other long-term receivables, net of reserves	—	33,500	33,500	—	—	33,500	33,500
Long-term investments:							
Long-term investments, restricted	—	69,879	69,879	900,522	—	970,401	941,206
Long-term investments, unrestricted	1,026,931	159,175	1,186,106	645,768	—	1,831,874	1,744,200
Total long-term investments	1,026,931	229,054	1,255,985	1,546,290	—	2,802,275	2,685,406
Prepaid financing costs, net	769	296	1,065	—	—	1,065	1,268
Pledges and estates receivable – less current portion	—	—	—	106,197	—	106,197	174,981
Restricted postemployment benefit asset	—	11,743	11,743	—	—	11,743	10,070
Other noncurrent assets	—	—	—	1,740	—	1,740	14,018
Interest in the Foundations	—	1,536,474	1,536,474	—	(1,536,474)	—	—
Total noncurrent assets	2,481,802	2,811,961	5,293,763	1,666,735	(1,536,474)	5,424,024	5,403,920
Total assets	3,557,849	2,940,175	6,498,024	1,845,781	(1,607,377)	6,736,428	6,631,065
Deferred outflows:							
Deferred amortization of derivative instruments	—	—	—	—	—	—	4,843
Loss on refunding of debt	20,248	5,147	25,395	—	—	25,395	29,835
Pension obligation	—	153,221	153,221	—	—	153,221	174,512
Goodwill	174	—	174	—	—	174	261
Other Postemployment Benefits (OPEB) obligation	—	6,728	6,728	—	—	6,728	9,253
Total deferred outflows	20,422	165,096	185,518	—	—	185,518	218,704
Total assets and deferred outflows	$ 3,578,271	3,105,271	6,683,542	1,845,781	(1,607,377)	6,921,946	6,849,769

(Continued)

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Schedule 1

OREGON HEALTH & SCIENCE UNIVERSITY

Combining Schedules of Net Position

June 30, 2023 with comparative totals for June 30, 2022

(Dollars in thousands)

Liabilities	Hospital	Other University	Total University	Foundation	Eliminations/ Reclassifications	2023	2022
Current liabilities:							
Current portion of long-term debt	$ 9,340	6,123	15,463	—	—	15,463	23,735
Current portion of long-term leases	17,089	7,236	24,325	670	—	24,995	22,580
Current portion of self-funded insurance programs liability	—	45,397	45,397	—	—	45,397	47,549
Accounts payable and accrued expenses	140,866	68,736	209,602	10,140	—	219,742	187,841
Accrued salaries, wages, and benefits	39,632	81,035	120,667	—	—	120,667	127,391
Compensated absences payable	51,414	32,771	84,185	—	—	84,185	78,135
Unearned revenue	13,749	106,308	120,057	—	—	120,057	92,929
Unearned/Medicare Advance Payment	—	—	—	—	—	—	37,246
Other current liabilities	6,038	476	6,514	71,085	(70,903)	6,696	4,352
Total current liabilities	278,128	348,082	626,210	81,895	(70,903)	637,202	621,758
Noncurrent liabilities:							
Long-term debt – less current portion	976,389	296,347	1,272,736	—	—	1,272,736	1,308,089
Long-term leases – less current portion	43,138	14,150	57,288	10,478	—	67,766	65,467
Liability for self-funded insurance programs – less current portion	—	56,528	56,528	—	—	56,528	55,848
Liability for life income agreements	—	—	—	20,503	—	20,503	20,111
Pension liability	—	396,378	396,378	—	—	396,378	305,955
Other noncurrent liabilities	—	26,331	26,331	2,919	—	29,250	45,049
Total noncurrent liabilities	1,019,527	789,734	1,809,261	33,900	—	1,843,161	1,800,519
Total liabilities	1,297,655	1,137,816	2,435,471	115,795	(70,903)	2,480,363	2,422,277
Deferred inflows:							
Deferred lease revenue	625	197	822	—	—	822	1,538
Gain on refunding of debt	461	380	841	—	—	841	1,056
Life income agreements	—	—	—	29,206	—	29,206	32,759
Pending funds	—	—	—	164,306	—	164,306	159,604
Pension obligation	—	141,040	141,040	—	—	141,040	278,368
Other Postemployment Benefits (OPEB) obligation	—	8,406	8,406	—	—	8,406	6,396
Total deferred inflows	1,086	150,023	151,109	193,512	—	344,621	479,721
Net position:							
Investments in capital assets	445,452	770,154	1,215,606	—	—	1,215,606	1,205,762
Restricted, expendable	—	643,863	643,863	558,889	(558,889)	643,863	718,821
Restricted, nonexpendable	—	340,236	340,236	340,236	(340,236)	340,236	323,982
Unrestricted	1,834,078	63,179	1,897,257	637,349	(637,349)	1,897,257	1,699,206
Total net position	2,279,530	1,817,432	4,096,962	1,536,474	(1,536,474)	4,096,962	3,947,771
Total liabilities, deferred inflows, and net position	$ 3,578,271	3,105,271	6,683,542	1,845,781	(1,607,377)	6,921,946	6,849,769

See accompanying independent auditors' report.

OREGON HEALTH & SCIENCE UNIVERSITY

Consolidated Statements of Revenues, Expenses, and Changes in Net Position

Years ended June 30, 2023 and 2022

(Dollars in thousands)

	Hospital	Other University	Total University	Foundation	Eliminations/ Reclassifications	2023	2022
Operating revenues:							
Patient service revenue, net of bad debt adjustments of $11,716 and $7,963 – in 2023 and 2022, respectively	$ 2,808,149	529,679	3,337,828	—	—	3,337,828	2,845,352
Student tuition and fees, net	—	81,617	81,617	—	—	81,617	80,886
Gifts, grants, and contracts	29,541	785,894	815,435	72,940	(129,995)	758,380	782,289
Sales, service, and other	217,346	57,987	275,333	2,298	1,846	279,477	233,507
State support – appropriations	2,892	59,798	62,690	—	(62,690)	—	—
State support – directed payment, net of OHSU transfer	(211,000)	211,000	—	—	—	—	—
State support – directed payment, rebalance	(57,500)	57,500	—	—	—	—	—
Total operating revenues	2,789,428	1,783,475	4,572,903	75,238	(190,839)	4,457,302	3,942,034
Operating expenses:							
Salaries, wages, and benefits	1,284,828	1,400,257	2,685,085	17,529	—	2,702,614	2,455,284
Defined-benefit pension	—	37,947	37,947	—	—	37,947	23,008
Services, supplies, and other	1,242,556	287,143	1,529,699	141,198	(125,331)	1,545,566	1,343,276
Depreciation and amortization	117,471	91,708	209,179	1,256	—	210,435	200,611
Interest	32,011	10,413	42,424	374	—	42,798	45,251
Total operating expenses	2,676,866	1,827,468	4,504,334	160,357	(125,331)	4,539,360	4,067,430
Operating income (loss)	112,562	(43,993)	68,569	(85,119)	(65,508)	(82,058)	(125,396)
Nonoperating revenues, incl. state appropriations:							
Investment income and gain (loss) in fair value of investments	74,542	2,016	76,558	42,863	—	119,421	(134,264)
State appropriations	—	—	—	—	62,690	62,690	41,240
COVID-19 relief grants	—	—	—	—	—	—	33,514
Other	22,795	(573)	22,222	1,343	—	23,565	8,911
Total nonoperating revenues (expenses), net	97,337	1,443	98,780	44,206	62,690	205,676	(50,599)
Net income (loss) before contributions for capital and other	209,899	(42,550)	167,349	(40,913)	(2,818)	123,618	(175,995)
Other changes in net position:							
Contributions for capital and other	5,505	(193)	5,312	—	2,817	8,129	4,877
Change in interest in the Foundations	—	(23,470)	(23,470)	—	23,470	—	—
Nonexpendable donations	—	—	—	17,444	—	17,444	20,821
Total other changes in net position	5,505	(23,663)	(18,158)	17,444	26,287	25,573	25,698
Total increase (decrease) in net position	215,404	(66,213)	149,191	(23,469)	23,469	149,191	(150,297)
Net position – beginning of year	2,064,126	1,883,645	3,947,771	1,559,943	(1,559,943)	3,947,771	4,098,068
Net position – end of year	$ 2,279,530	1,817,432	4,096,962	1,536,474	(1,536,474)	4,096,962	3,947,771

See accompanying independent auditors' report.

PUBLIC

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Schedule 3

OREGON HEALTH & SCIENCE UNIVERSITY

Nongovernmental Discretely Presented Component Units

Consolidated Balance Sheets

June 30, 2023 and 2022

(Dollars in thousands)

Assets		Tuality Healthcare and Subsidiaries	OHSU Health IDS	Combined 2023	Combined 2022
Current assets:					
Common stocks: Mutual funds	$	—	8,662	8,662	10,324
Cash and cash equivalents		7,944	42,006	49,950	62,023
Short-term investments		393	6,513	6,906	6,061
Patient accounts receivable, net		44,537	—	44,537	40,488
Other receivables		6,496	4,482	10,978	7,875
Supplies inventory		5,910	—	5,910	4,873
Prepaid expenses and other		2,908	33	2,941	2,129
Estimated receivables for Medicare and Medicaid settlements		—	—	—	454
Current portion of assets whose use is limited		1,052	—	1,052	1,033
Total current assets		69,240	61,696	130,936	135,260
Assets whose use is limited:					
Board-designated funds		31,777	—	31,777	33,041
Pending trade receivable		—	—	—	1,909
Donor-restricted – specific purpose		6,147	—	6,147	6,096
Donor-restricted – endowment		2,759	—	2,759	2,855
Required for current liabilities		(1,052)	—	(1,052)	(1,033)
Total assets whose use is limited		39,631	—	39,631	42,868
Property and equipment:					
Property and equipment, net of accumulated depreciation and amortization		64,399	—	64,399	62,212
Other assets		7,800	8,187	15,987	7,414
Total assets	$	181,070	69,883	250,953	247,754

(Continued)

OREGON HEALTH & SCIENCE UNIVERSITY

Nongovernmental Discretely Presented Component Units

Consolidated Balance Sheets

June 30, 2023 and 2022

(Dollars in thousands)

Liabilities and Net Assets		Tuality Healthcare and Subsidiaries	OHSU Health IDS	Combined 2023	Combined 2022
Current liabilities:					
Accounts payable	$	8,968	53,166	62,134	58,795
Accrued payroll and employee benefits		12,448	—	12,448	14,772
Due to related party		10,681	3,211	13,892	26,139
Deferred revenue		—	—	—	2,672
Estimated liabilities for Medicare and Medicaid settlements		5,325	—	5,325	—
Long-term debt due within one year		1,122	—	1,122	1,090
Operating leases – current liability		1,502	—	1,502	—
Accrued bond interest payable		72	—	72	78
Total current liabilities		40,118	56,377	96,495	103,546
Long-term liabilities:					
Long-term debt, net of amount due within one year		8,850	—	8,850	9,959
Operating leases – long-term liability		5,403	—	5,403	—
Liability for pension benefits		21,693	—	21,693	29,680
Other long-term liabilities		24,418	—	24,418	23,872
Total long-term liabilities		60,364	—	60,364	63,511
Total liabilities		100,482	56,377	156,859	167,057
Net assets:					
Net assets without donor restrictions		72,079	13,506	85,585	71,616
Net assets with donor restrictions		8,509	—	8,509	9,081
Total net assets		80,588	13,506	94,094	80,697
Total liabilities and net assets	$	181,070	69,883	250,953	247,754

See accompanying notes to consolidated financial statements.

Schedule 4

OREGON HEALTH & SCIENCE UNIVERSITY

Nongovernmental Discretely Presented Component Units

Consolidated Statements of Operations

Years ended June 30, 2023 and 2022

(Dollars in thousands)

	Tuality Healthcare and Subsidiaries	OHSU Health IDS	Combined 2023	Combined 2022
Patient service revenue	$ 270,347	—	270,347	261,998
Other revenue:				
OHSU support	22,813	—	22,813	11,051
Other revenue	10,416	247,762	258,178	220,721
Total other revenue	33,229	247,762	280,991	231,772
Total revenue	303,576	247,762	551,338	493,770
Operating expenses:				
Salaries and wages	108,775	—	108,775	100,417
Employee benefits	29,156	—	29,156	24,196
Supplies and other expenses	113,134	241,545	354,679	317,277
Professional fees	44,125	—	44,125	43,131
Depreciation and amortization	7,641	—	7,641	7,456
Interest	724	—	724	707
Total operating expenses	303,555	241,545	545,100	493,184
Income from operations	21	6,217	6,238	586
Other nonoperating income:				
Realized income on investments whose use is limited by board designation	(55)	—	(55)	256
Gain on investments in affiliated companies	468	—	468	610
Gain (loss) on disposal of property and equipment	2	—	2	(72)
Change in net unrealized (losses) gains on investments	1,810	—	1,810	(6,624)
Other operating revenue (loss)	—	(2,007)	(2,007)	300
Total other income (loss)	2,225	(2,007)	218	(5,530)
Excess (deficit) of revenue over expenses	2,246	4,210	6,456	(4,944)
Contributions for property and equipment acquisition	27	—	27	25
Pension-related changes	7,486	—	7,486	11,436
Increase in net assets without donor restrictions	$ 9,759	4,210	13,969	6,517

See accompanying notes to consolidated financial statements.

Schedule 5

OREGON HEALTH & SCIENCE UNIVERSITY

Nongovernmental Discretely Presented Component Units

Consolidated Statements of Changes in Net Assets

Years ended June 30, 2023 and 2022

(Dollars in thousands)

		Tuality Healthcare and Subsidiaries	OHSU Health IDS	Combined 2023	Combined 2022
Net assets without donor restrictions:					
Excess (Deficit) of revenue over expenses	$	2,246	4,210	6,456	(4,944)
Contributions for property and equipment acquisition		27	—	27	25
Pension-related changes		7,486	—	7,486	11,436
Increase in net assets without donor restrictions		9,759	4,210	13,969	6,517
Net assets with donor restrictions:					
Gifts, grants, and bequests		1,159	—	1,159	1,781
Investment income (loss)		346	—	346	(1,068)
Net assets released from restrictions		(2,077)	—	(2,077)	(1,386)
Decrease in net assets with donor restrictions		(572)	—	(572)	(673)
Change in net assets		9,187	4,210	13,397	5,844
Net assets, beginning of year		71,401	9,296	80,697	74,853
Net assets, end of year	$	80,588	13,506	94,094	80,697

See accompanying notes to consolidated financial statements.

Supplemental Materials I:
Financial Statements for Legacy Health for the Most Recent Five Fiscal Years

LEGACY HEALTH

Consolidated Financial Statements and Other Financial Information

March 31, 2019 and 2018

(With Independent Auditors’ Report Thereon)

LEGACY HEALTH

Table of Contents

KPMG LLP
Suite 3800
1300 South West Fifth Avenue
Portland, OR 97201

Independent Auditors' Report

The Board of Directors
Legacy Health

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Legacy Health, which comprise the consolidated balance sheets as of March 31, 2019 and 2018, and the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Legacy Health as of March 31, 2019 and 2018, and the results of their operations and their cash flows for the years then ended, in accordance with U.S. generally accepted accounting principles.

KPMG LLP is a Delaware limited liability partnership and the U.S. member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Emphasis of Matter

As discussed in Note 1 to the consolidated financial statements, in 2019, Legacy Health adopted new accounting guidance in accordance with Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606),* and ASU No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities (Topic 958).* Our opinion is not modified with respect to these matters.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplemental information included in the consolidating schedule of balance sheet information and consolidating schedule of operations information on pages 33 through 34 is presented for the purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

The consolidated financial and statistical highlights on page 35 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the consolidated financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

KPMG LLP

Portland, Oregon
June 20, 2019

LEGACY HEALTH

Consolidated Balance Sheets

March 31, 2019 and 2018

(Dollars in thousands)

Assets		2019	2018
Current assets:			
Cash and cash equivalents	$	89,257	67,256
Short-term investments		10	31,158
Accounts receivable from patients, net		279,663	254,574
Settlements receivable from third-party payors, net		26,423	12,438
Other receivables		70,623	52,770
Inventories		23,710	23,390
Prepaid expenses		14,843	14,064
Total current assets		504,529	455,650
Assets limited as to use		140,854	157,328
Property, plant, and equipment, net		810,959	840,329
Noncurrent investments		938,425	867,443
Investments in unconsolidated affiliates		211,255	172,188
Other assets		35,863	36,250
Total assets	$	2,641,885	2,529,188
Liabilities and Net Assets			
Current liabilities:			
Accounts payable	$	54,845	53,745
Accrued wages, salaries, and benefits		151,092	131,319
Accrued interest		6,060	6,244
Other current liabilities		67,253	61,688
Current portion of long-term debt		22,390	11,532
Total current liabilities		301,640	264,528
Long-term debt, less current portion		553,531	577,067
General and professional claims liability		43,245	41,482
Pension liability		113,876	103,660
Other liabilities		47,771	43,486
Total liabilities		1,060,063	1,030,223
Net assets:			
Without donor restrictions, controlling		1,498,395	1,414,039
Without donor restrictions, noncontrolling		20,614	20,918
With donor restrictions		62,813	64,008
Total net assets		1,581,822	1,498,965
Total liabilities and net assets	$	2,641,885	2,529,188

See accompanying notes to consolidated financial statements.

LEGACY HEALTH

Consolidated Statements of Operations

Years ended March 31, 2019 and 2018

(Dollars in thousands)

		2019	2018
Operating revenues:			
Net patient service revenue	$	2,066,673	1,979,603
Capitation revenue		47,638	39,435
Other revenue		105,057	98,832
Total operating revenues		2,219,368	2,117,870
Operating expenses:			
Wages, salaries, and benefits		1,315,479	1,248,477
Supplies		334,103	328,045
Professional fees		52,940	54,482
Purchased services		129,186	131,102
Purchased medical services		43,183	27,406
Utilities, insurance, and other expenses		169,625	161,957
Depreciation		98,945	102,867
Interest and amortization		16,535	18,536
Total operating expenses		2,159,996	2,072,872
Income from operations		59,372	44,998
Nonoperating income (loss):			
Investment income, net		54,381	67,996
Other, net		(10,248)	(12,817)
Total nonoperating income		44,133	55,179
Excess of revenues over expenses		103,505	100,177
Change in pension liability		(19,365)	4,579
Net assets released from restriction		2,832	8,598
Distributions to joint venture partners		(2,920)	(2,528)
Other		—	(19)
Change in net assets without donor restrictions	$	84,052	110,807

See accompanying notes to consolidated financial statements.

LEGACY HEALTH

Consolidated Statements of Changes in Net Assets

Years ended March 31, 2019 and 2018

(Dollars in thousands)

	Without donor restrictions, controlling	Without donor restrictions, noncontrolling	With donor restrictions	Total net assets
Balance, March 31, 2017	$ 1,305,306	18,844	64,934	1,389,084
Excess of revenues over expenses	97,374	2,803	—	100,177
Change in pension liability	4,579	—	—	4,579
Restricted contributions and grants	—	—	9,981	9,981
Net assets released from restriction	8,598	—	(15,380)	(6,782)
Investment gain, net	—	—	4,454	4,454
Distributions to joint venture partners	(1,799)	(729)	—	(2,528)
Other	(19)	—	19	—
Change in net assets	108,733	2,074	(926)	109,881
Balance, March 31, 2018	1,414,039	20,918	64,008	1,498,965
Excess of revenues over expenses	101,135	2,370	—	103,505
Change in pension liability	(19,365)	—	—	(19,365)
Restricted contributions and grants	—	—	7,348	7,348
Net assets released from restriction	2,832	—	(7,369)	(4,537)
Investment gain, net	—	—	(1,174)	(1,174)
Distributions to joint venture partners	(246)	(2,674)	—	(2,920)
Other	—	—	—	—
Change in net assets	84,356	(304)	(1,195)	82,857
Balance, March 31, 2019	$ 1,498,395	20,614	62,813	1,581,822

See accompanying notes to consolidated financial statements.

LEGACY HEALTH

Consolidated Statements of Cash Flows

Years ended March 31, 2019 and 2018

(Dollars in thousands)

		2019	2018
Cash flows from operating activities:			
Change in net assets	$	82,857	109,881
Adjustments to reconcile change in net assets to net cash provided by operating activities:			
Net distributions to noncontrolling partners		2,674	729
Depreciation and amortization		106,043	109,075
Loss on disposal of assets		186	215
Change in net realized and unrealized gains on investments		(46,372)	(61,862)
Restricted contributions		8	(1,115)
Equity earnings from joint ventures and investment companies, net		(14,251)	(16,404)
Pension and other post retirement adjustments		19,365	(4,579)
Change in certain current assets and current liabilities		(33,086)	1,791
Change in certain long-term operating assets and liabilities		(2,817)	4,181
Net cash from operating activities		114,607	141,912
Cash flows from investing activities:			
Purchase of property, plant, and equipment		(77,115)	(91,147)
Proceeds from sale of assets		38	45
Change in funds held by trustee		15,211	18,853
Change in other long-term assets		1,366	(806)
Investment in joint ventures		(32,400)	(30,650)
Distributions from joint ventures and investment companies		6,925	3,479
Purchases of investments		(966,733)	(45,037)
Sales of investments		973,931	46,094
Net cash from investing activities		(78,777)	(99,169)
Cash flows from financing activities:			
Proceeds from issuance of long-term debt		297	544
Refund of deferred financing costs		—	9
Repayment of long-term debt		(11,444)	(19,944)
Distributions to noncontrolling partners		(2,674)	(729)
Proceeds from restricted contributions		(8)	1,115
Net cash from financing activities		(13,829)	(19,005)
Increase in cash and cash equivalents		22,001	23,738
Cash and cash equivalents, beginning of year		67,256	43,518
Cash and cash equivalents, end of year	$	89,257	67,256
Supplemental disclosures of cash flow information:			
Cash paid for interest (net of amount capitalized)	$	18,294	20,958
Change in amounts accrued for property, plant, and equipment, net		(1,313)	88

See accompanying notes to consolidated financial statements.

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(1) Organization and Summary of Significant Accounting Policies

(a) Organization and Basis of Consolidation

Legacy Health (Legacy), an Oregon nonprofit corporation, is an integrated healthcare delivery system providing various healthcare-related services. The consolidated financial statements include Legacy and its direct affiliates, which are organized primarily as nonprofit corporations under the laws of the State of Oregon or Washington, and include the following:

Legacy Emanuel Hospital & Health Center
Legacy Good Samaritan Hospital and Medical Center
Legacy Meridian Park Hospital
Legacy Mount Hood Medical Center
Silverton Health
Legacy Salmon Creek Hospital
Legacy Visiting Nurse Association and Affiliates
Managed HealthCare Northwest, Inc. (MHN)
Legacy Health System Insurance Company (LHSIC)
Legacy USP Surgery Centers, LLC (LUSC)

The consolidated financial statements also include the accounts of affiliated foundations (Emanuel Medical Center Foundation and Randall Children's Hospital Foundation, Good Samaritan Foundation, Meridian Park Medical Foundation, Mt. Hood Medical Center Foundation, Silverton Health Foundation, and Salmon Creek Hospital Foundation). All significant inter-affiliate accounts and transactions have been eliminated.

On June 1, 2016, Legacy became the sole corporate member of Silverton Health (SH) and affiliates, assuming their operations and assets, in exchange for the assumption of their liabilities and outstanding debt obligations. Among the requirements of the affiliation agreement are for Legacy to operate SH's hospital and additional health facilities for 10 years, invest $57,600 within 8 years to grow and improve patient care services at SH (of which $16,734 has been invested as of March 31, 2019) and provide the Silverton Health Foundation with a contribution of $3,000.

(b) Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates include implicit and explicit price concessions on patient accounts receivable, self-insured liabilities, and pension obligations.

(c) Income Taxes

Legacy has been recognized as exempt from federal income taxes, except on unrelated business income, under Section 501(a) of the Internal Revenue Code (IRC) as an organization described in Section 501(c)(3) and further described as a public charitable organization under Section 509(a)(3). Substantially all of Legacy's direct affiliates have been granted exemptions from federal income tax under Section 501(a) of the IRC as charitable organizations described in Section 501(c)(3), except MHN, LHSIC, and LUSC. During 2019 and 2018, Legacy did not record any liability for uncertain tax benefits.

(d) Income from Operations

Income from operations excludes certain items that Legacy deems to be outside the scope of its primary business. These nonoperating activities include investment income, rental activities, and research activities.

(e) Excess of Revenues Over Expenses

The performance indicator is excess of revenues over expenses. Changes in net assets without donor restrictions that are excluded include certain changes in funded status of pension plans and net assets released from restriction for the purchase of property, plant, and equipment.

(f) Fair Value Measurements

Accounting Standards Codification Topic 820, *Fair Value Measurement*, establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

- Level 1 inputs include quoted prices (unadjusted) in active markets for identical assets and liabilities.
- Level 2 inputs include inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability.

The level in the fair value hierarchy within which a fair value measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement. Investments valued utilizing net asset value (NAV) as a practical expedient are excluded from the hierarchy.

(g) Net Patient Service Revenue

Net patient service revenue is reported at the amount that reflects the consideration to which Legacy expects to be entitled in exchange for providing patient care. These amounts are due from patients, third-party payors (including health insurers and government programs), and others and includes variable consideration for retroactive revenue adjustments due to settlement of audits, reviews, and investigations. Generally, Legacy bills patients and third-party payors several days after the services are performed and/or the patient is discharged from the facility. Revenue is recognized as performance obligations are satisfied.

Revenue for performance obligations satisfied over time is recognized based on actual goods or services provided. Generally, performance obligations satisfied over time relate to patients in Legacy's hospitals receiving inpatient acute care services. Revenue for performance obligations satisfied at a point in time is recognized when goods or services are provided and Legacy does not believe it is required to provide additional goods or services to the patient. The timing of revenue and recognition of substantially all services is at the time services are rendered.

Legacy determines the transaction price based on standard charges for goods and services provided, reduced by contractual adjustments provided to third-party payors, discounts provided to uninsured patients in accordance with Legacy's policy, and/or implicit price concessions provided to uninsured patients. Legacy determines its estimates of contractual adjustments and discounts based on contractual agreements, its discount policy, and historical experience. Legacy determines its estimate of implicit price concessions based on its historical collection experience with this class of patients.

Agreements with third-party payors typically provide for payments at amounts less than established charges. Payment arrangements with major third-party payors may be based on prospectively determined rates, reimbursed cost, discounted charges, per diem payments, and other methods.

Settlements with third-party payors for retroactive adjustments due to audits, reviews, or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor, and Legacy's historical settlement activity and are adjusted in future periods as adjustments become known or as years are settled or are no longer subject to such audits, reviews, and investigations. In 2019 and 2018, Legacy recorded an increase (decrease) to net patient service revenue of approximately $20,659 and $(292), respectively, relating to settlement of prior years' reimbursement from Medicare and Medicaid programs.

Generally, patients who are covered by third-party payors are responsible for related deductibles and coinsurance. Legacy also provides services to uninsured patients and offers those uninsured patients a discount from standard charges. Legacy estimates the transaction price for patients with deductibles and coinsurance and from those who are uninsured based on historical experience and current market conditions. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to patient service revenue in the period of the change. Subsequent changes that are determined to be the result of an adverse change in the patient's ability to pay are recorded as bad debt expense. Bad debt expense for the years ended December 31, 2019 and 2018 was not significant.

Consistent with Legacy's mission, Legacy provides care without charge or at amounts less than its established rates to patients who meet certain criteria under its financial assistance policy. Therefore, Legacy has determined it has provided price concessions to uninsured patients and patients with uninsured balances. The implicit price concessions included in estimating the transaction price represent the difference between amounts billed to patients and the amounts Legacy expects to collect based on its collection history with those patients who have been determined to qualify for financial assistance.

(h) Capitation Revenue

Capitation revenue is received on a prepaid basis and is recognized as revenue during the month for which the enrolled member is entitled to healthcare services. Capitation revenue received for future months is recorded as unearned revenue.

(i) Cash and Cash Equivalents

Cash equivalents include investments in highly liquid investments with original maturities of three months or less.

(j) Inventories

Inventories are stated at the lower of average cost, as determined by the first-in, first-out method or market.

(k) Property, Plant, and Equipment

Property, plant, and equipment are stated at cost. Donated items are reported at fair market value on the date of donation. Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of acquiring those assets.

Impairment of property, plant, and equipment is assessed when there is evidence that events or changes in circumstances have made recovery of the net carrying value of assets unlikely.

Depreciation is determined by the straight-line method, which allocates cost equally over the estimated useful life. Average useful lives are as follows: buildings and improvements, 27 years; equipment and software, 7 years; and land improvements, 14 years. Leased assets that have been capitalized are amortized over the term of the lease or the useful life of the asset, whichever is shorter. Leased asset amortization is reported as part of depreciation expense.

(l) Assets Limited as to Use, Investments, and Investment Income

Short-term investments include corporate and government obligation securities, which are included in managed, low duration portfolios. The maturities of these related securities can exceed one year. Management anticipates the securities will be liquidated within the next year. These investments are considered trading securities.

Assets limited as to use include assets held by trustees under indenture agreements of $128,924 and $144,135 as of March 31, 2019 and 2018, respectively, as well as designated assets set aside by the board of directors to provide funding for certain community health projects and assets restricted for capital acquisition.

Noncurrent investments, which are accounted for as a trading portfolio, include investments in equity securities with readily determinable fair values, funds accounted for at NAV as a practical expedient, and investments in debt securities and are recorded at fair value in the consolidated balance sheets.

Investments in unconsolidated affiliates include investments in joint ventures over which Legacy does not exercise control and are accounted for using the equity method of accounting.

Investment income or loss is included in revenues in excess of expenses unless the income or loss is restricted by donor or law. Unrealized gains and losses on investments are included in investment income.

(m) Net Assets with Donor Restrictions and Donor-Restricted Gifts

Net assets with donor restrictions include those whose use has been limited by donors to a specific time period or purpose or has been restricted by donors to be maintained in perpetuity. Income from net assets with donor restrictions is accounted for in accordance with donor instructions.

Unconditional promises to give cash and other assets to Legacy are reported at fair value at the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value at the date the condition is satisfied or the gift is received. Gifts or grants are reported as restricted contributions if they are received with donor or grantor stipulations that limit the use of the donated assets. When the terms of a donor or grantor restriction are met, net assets with donor restrictions may be reclassified as net assets without donor restrictions and reported in the consolidated statements of operations or consolidated statements of changes in net assets as net assets released from restriction. Donor-restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions.

(n) Charitable Gift Annuities

Legacy has certificates of authority from the State of Oregon and the State of Washington to receive transfers of money or property upon agreement to pay an annuity. A charitable gift annuity is an arrangement between a donor and Legacy in which the donor contributes assets to Legacy in exchange for Legacy's agreement to pay a fixed amount for a specified period of time to the donor or other individuals and organizations as designated by the donor (annuitant). Upon execution of such an arrangement, Legacy recognizes the assets received at fair value and an annuity payment liability at the present value of future cash flows expected to be paid. Contribution revenue is recognized based upon the difference between these two amounts based on donor intent for the proceeds. In subsequent periods, payments to the annuitant reduce the annuity liability. Adjustments to the annuity liability to reflect amortization of the discount, changes in life expectancy, and death of the annuitant are recognized as other operating expenses. The annuity liability included in other current liabilities in the consolidated balance sheets as of March 31, 2019 and 2018 was $80 and $47, respectively. The annuities are not issued by an insurance company and are not subject to regulation by the State of Oregon or protected by an insurance guaranty association.

Although Legacy is exempt under Oregon Revised Statute 731.039 from the requirement to maintain a separate and distinct trust fund adequate to meet the actuarially determined future payments of the charitable gift annuities, Legacy does maintain trust accounts with a bank for all gift annuities. The amounts under trust were $169 and $103 as of March 31, 2019 and 2018, respectively. These marketable securities are comprised of cash, cash equivalents, and other fixed income instruments.

(o) New Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers*, to clarify the principles for recognizing revenue and to improve financial reporting by creating common revenue recognition guidance for U.S. generally accepted accounting principles and International Financial Reporting Standards. Effective April 1, 2018, Legacy adopted ASU No. 2014-09 using the full retrospective method of transition. This ASU converged and replaced existing revenue recognition. As a result of implementing ASU No. 2014-09, certain patient activity for which collection is uncertain no longer meets the criteria for revenue recognition. Accordingly, the provision for uncollectible accounts after the adoption date is significantly reduced with a corresponding reduction to net patient service revenue as this activity was previously reported through March 31, 2018 as the provision for uncollectible accounts in Legacy's consolidated statements of operations. Such patient activity is now classified as an implicit price concession. Other aspects of Legacy's implementation of ASU No. 2014-09 impacting net patient service revenue include judgments regarding collection analyses and estimates of variable consideration and the addition of certain qualitative and quantitative disclosures, and these are reflected in note 1(g). The adoption of ASU No. 2014-09 in relation to other applicable revenue activity had no material impact on the consolidated financial statements.

In February 2016, the FASB issued ASU No. 2016-02, *Leases*, which requires lessees to recognize a lease liability and a right of use asset for all lease obligations with exception for short-term leases. The lease liability will represent the lessee's obligation to make lease payments arising from the lease measured on a discounted basis and the right of use asset will represent the lessee's right to use or control the use of a specified asset for a lease term. The new standard is effective for Legacy on April 1, 2019. Management estimates that the additional lease liabilities and right of use assets to be approximately $47,000.

In August 2016, the FASB issued ASU No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, with the intent to reduce diversity in reporting practice, reduce complexity, and enhance understandability of not-for-profit (NFP) financial statements. This ASU contains the following key aspects: (A) reduces the number of net asset classes presented from three to two: with donor restrictions and without donor restrictions; (B) requires all NFPs to present expenses by their functional and their natural classifications in one location in the financial statements; (C) requires NFPs to provide quantitative and qualitative Information about management of liquid resources and availability of financial assets to meet cash needs within one year of the balance sheet date; and (D) retains the option to present the statement of cash flows using either the direct or indirect method. Legacy adopted ASU No. 2016-14 for the period beginning April 1, 2018.

In June 2018, the FASB issued ASU No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The ASU is intended to clarify and improve current guidance about whether a transfer of assets (or the reduction, settlement, or cancellation of liabilities) is a contribution or an exchange transaction. Legacy adopted ASU No. 2018-08 for the period beginning April 1, 2018 and there was no material change to Legacy's financial statements upon adoption.

In August 2018, the FASB issued ASU No. 2018-15, *Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement that is a Service Contract*. The ASU provides guidance for determining when fees paid in a cloud computing arrangement (hosting arrangement) includes a software license such that an intangible asset is recognized for the license and amortized. The new standard is effective for Legacy on April 1, 2021. Legacy is currently evaluating the extent of the impact of the adoption of ASU No. 2018-15.

(Dollars in thousands)

In March 2017, the FASB issued ASU No. 2017-07, *Compensation – Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Pension Cost*. Legacy adopted the ASU for the period beginning April 1, 2018 and recorded nonoperating income of $2,535 for reductions in net periodic benefit costs of the Legacy Employee Retirement Plan. This amount is included in “Other, net” in the nonoperating section of the statements of operations for the year ended March 31, 2019.

(p) Reclassifications

Certain reclassifications have been made to prior year amounts to conform to the current year presentation.

(2) Net Patient Service Revenue

The composition of accounts receivable from patients and net patient service revenue as of and for the years ended March 31 were as follows:

	Accounts receivable from patients, net		Net patient service revenue	
	2019	2018	2019	2018
Medicare	27.5 %	24.3 %	29.7 %	28.7 %
Medicaid	13.7	13.8	20.3	20.5
Blue Cross	17.3	15.7	16.8	15.6
Private pay	4.3	4.8	0.3	0.3
Other	37.2	41.4	32.9	34.9
	100.0 %	100.0 %	100.0 %	100.0 %

The composition of net patient revenue based on service lines for the years ended as of March 31 was as follows:

	2019	2018
Hospital	88.1 %	88.1 %
Physician services	8.8	8.4
Hospice	0.7	0.9
Referral lab	1.7	1.8
Other	0.7	0.8
	100.0 %	100.0 %

(Dollars in thousands)

(3) Benefits to the Community

The board of directors allocates funds for health initiatives and programs capable of impacting the health of the community either by prevention or health improvement. Contributions made to community-sponsored initiatives were $620 and $567 in 2019 and 2018, respectively.

In addition to funding selected community health initiatives, Legacy provides services to the community both for people in need and to enhance the health status of the broader community as part of its charitable mission. The following tables represent the estimated cost of providing certain services to the community, along with a description of selected activities sponsored by Legacy:

	March 31, 2019			
	In-kind costs	Costs of service	Offsetting revenue	Net cost
Services for people in need:				
Charity care	$ —	48,189	—	48,189
Medicaid	—	529,325	319,621	209,704
Medicare	—	783,113	605,238	177,875
Other government programs	—	22,011	17,176	4,835
	—	1,382,638	942,035	440,603
Benefits to the community:				
Medical education and research	—	25,739	7,649	18,090
Community health services	—	4,099	342	3,757
Community benefit activities	234	60	—	294
Donations to charitable organizations	396	2,325	—	2,721
Community health fund contributions	—	620	—	620
	630	32,843	7,991	25,482
	$ 630	1,415,481	950,026	466,085
Percentage of total operating expenses				21.6 %

(Dollars in thousands)

	March 31, 2018				
		In-kind costs	Costs of service	Offsetting revenue	Net cost
Services for people in need:					
Charity care	$	—	49,236	—	49,236
Medicaid		—	550,892	327,580	223,312
Medicare		—	739,213	596,284	142,929
Other government programs		—	21,644	18,719	2,925
		—	1,360,985	942,583	418,402
Benefits to the community:					
Medical education and research		—	24,574	7,795	16,779
Community health services		—	4,072	296	3,776
Community benefit activities		361	65	—	426
Donations to charitable organizations		290	2,945	—	3,235
Community health fund contributions		—	567	—	567
		651	32,223	8,091	24,783
	$	651	1,393,208	950,674	443,185
Percentage of total operating expenses					21.4 %

(a) Services for People in Need

In support of its mission, Legacy provides medically necessary patient care services that are discounted or free of charge to persons who have insufficient resources and/or who are uninsured. The criteria for charity care is determined based on eligibility for insurance coverage, household income, qualified assets, catastrophic medical events, or other information supporting a patient's inability to pay for services provided. Specifically, Legacy provides an uninsured discount of 35% to patients. Additional discounts, on a sliding scale, are available to patients whose household income is less than 400% of the federal poverty level. For patients whose household income is at or below 300% of the federal poverty level, a full subsidy is available. In addition to the household income criteria, the patients' qualified assets (e.g., 25% of household assets) and other catastrophic or economic circumstances are considered in determining eligibility for charity care. During 2019 and 2018, Legacy provided charity care benefiting patients associated with 65,210 and 73,556 patient accounts, respectively.

In addition to charity care, Legacy provides services under various states' Medicaid programs for low-income patients, to Medicare beneficiaries, and to beneficiaries under other government programs (such as TRICARE). The cost of providing services to these beneficiaries exceeds the reimbursement from these programs. The cost of services is determined based on the relationship of costs (excluding the provision for uncollectible accounts and costs associated with medical education, research, community health services, and other contributions) to billed charges.

Legacy also employs financial counselors and social workers who assist patients in obtaining coverage for their healthcare needs. This includes assistance with workers' compensation, motor vehicle accident policies, COBRA, veterans' assistance, and public assistance programs, such as Medicaid. This program assists many patients in obtaining coverage through a third party, reducing the patients' financial responsibility. The costs associated with this program were $1,202 and $1,407 in 2019 and 2018, respectively.

(b) Benefits to the Community

Medical education and research includes, among other initiatives, the unreimbursed cost of nursing education, graduate medical education, and research.

Community health services include classes provided to the community at minimal or no cost, health education for children and parents with young families, resource centers, support groups, health screenings, senior wellness, volunteer programs, caregiver respite, and support for parish nursing programs.

Community benefit activities include activities that develop community health programs and partnerships.

Donations to charitable organizations include direct support provided to community organizations through cash or in-kind donations to enhance those organizations' missions of supporting health and human services, civic and community causes, and business development efforts.

In-kind contributions provided by Legacy include facility space, staff availability for training and education opportunities, supplies, and professional services in collaboration with charitable, educational, and government organizations throughout its community.

(c) Other Benefits

In furtherance of its mission, Legacy also commits significant time and resources to endeavors and critical services that meet unfilled community needs. Many of these activities are sponsored with the knowledge that they will not be self-supporting or financially viable. Such programs include mental and behavioral health; primary care clinics in underserved neighborhoods; free patient transportation; lodging, meals, and medications for transient patients when needed; participation in blood drives; and the provision of educational opportunities for students interested in pursuing medical-related careers.

Legacy also provides additional benefits to the community through the advocacy of community service by employees. Employees of Legacy serve numerous organizations through board representation, membership in associations, and other related activities.

Legacy pays taxes associated with various states' local business and occupation taxes and property taxes that local and state governments use to fund healthcare, civil, and education services to the community. Legacy paid $7,676 and $7,446 in local and state taxes in 2019 and 2018, respectively.

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(Dollars in thousands)

(4) Liquidity and Availability

As of March 31, 2019, Legacy had a working capital of $202,889 and average days (based on normal expenditures) cash on hand of 180.6. As part of Legacy's liquidity management plan, cash in excess of daily requirements are invested in cash equivalents and short-term investments. Noncurrent investments are classified as such as management does not intend to use them in the next year; however, they are sufficiently liquid that they would be available if needed. Financial assets available for general expenditures within one year of the balance sheet date consist of the following:

		2019
Cash and cash equivalents	$	89,257
Short-term investments		10
Accounts receivable from patients, net		279,663
Other receivables		70,623
Noncurrent investments		938,425
	$	1,377,978

(5) Investments

Legacy invests in different classes of securities for a variety of financial assets, including short-term investments, assets limited as to use, and noncurrent investments. The composition of these investments is as follows:

		March 31, 2019			
		Level 1	Level 2	Level 3	Total fair value
Cash and cash equivalents	$	53,478	—	—	53,478
Mutual funds – equity		269,002	—	—	269,002
Equity securities:					
Domestic		174,261	—	—	174,261
Foreign		22,688	—	—	22,688
Mutual funds – fixed income		29,981	—	—	29,981
Domestic debt securities:					
State and federal governments		—	41,078	—	41,078
Corporate and securitized		—	340,215	—	340,215
Foreign debt securities		—	29,849	—	29,849
Commingled funds		—	60,208	—	60,208
Interest rate swaps		—	9,850	—	9,850
Derivatives, net		—	(80)	—	(80)
	$	549,410	481,120	—	1,030,530
Investments measured using NAV as a practical expedient					48,759
Total investments				$	1,079,289

(Dollars in thousands)

		March 31, 2018			
		Level 1	Level 2	Level 3	Total fair value
Cash and cash equivalents	$	59,852	—	—	59,852
Mutual funds – equity		231,493	—	—	231,493
Equity securities:					
Domestic		91,737	—	—	91,737
Foreign		11,104	—	—	11,104
Mutual funds – fixed income		192,432	—	—	192,432
Domestic debt securities:					
State and federal governments		—	4,113	—	4,113
Corporate and securitized		—	101,662	—	101,662
Other		—	1,446	—	1,446
Commingled funds		118,809	—	—	118,809
Absolute return funds		67,423	—	—	67,423
Interest rate swaps		—	8,008	—	8,008
	$	772,850	115,229	—	888,079
Investment in Oregon Community Foundation					130
Investments measured using NAV as a practical expedient					167,720
Total investments				$	1,055,929

Legacy's primary fixed income manager uses derivatives for both investment and hedging purposes and may take long and/or short positions. The derivative investments may include, but are not restricted to, futures and swaps.

Legacy participates in various funds that are not actively marketed on an open exchange. These investments consist of shares or units in investment funds as opposed to direct interests in the funds' underlying holdings, which may be marketable. Due to the nature of these funds, the NAV per share or its equivalent reported by each fund manager is used as a practical expedient to estimate the fair value of Legacy's interest therein. Legacy believes that the carrying amounts provided by the fund managers are reasonable estimates of fair value. The following table presents information for investments where the NAV was used as a practical expedient to measure fair value at March 31:

		Fair value		Redemption	Redemption
		2019	2018	frequency	notice period
Hedge funds	$	5,473	56,368	Quarterly	60–95 days
Private real estate		43,026	110,652	Quarterly	60–95 days
Private equity		260	700	N/A	N/A
Total	$	48,759	167,720		

(Dollars in thousands)

Hedge fund investments utilize strategies designed to generate consistent long-term capital appreciation with low volatility and little correlation with equity and bond markets. Legacy invests in a fund of hedge funds, which is an investment vehicle whose portfolio consists of shares in a number of hedge funds and engages in a variety of investment strategies, including convertible bond arbitrage, equity long/short, and statistical arbitrage.

Private real estate investments include the acquisition, financing, and ownership of property via a pooled, commingled fund. Legacy's private real estate funds are classified as core funds, which aim to generate a target return mainly from rental returns by income producing properties.

As of March 31, 2019, Legacy had a capital commitment of $24,654 to private equity funds in the form of limited partnership/trust investments. These commitments are due on demand from the general partners/advisers. These private equity funds invest in emerging companies, venture capital funds, and other alternative investments. The termination of these partnerships/trusts is based upon specific provisions in the agreements. In most cases, the life of the trusts is a minimum of 10 years. Legacy can only transfer its interest in the investments with the consent of the general partner/adviser. The fair values of these investments are determined either by the underlying security value on the open market or by the general partner/adviser utilizing fair value principles.

As of March 31, 2019, approximately 4% of noncurrent investments require advance written notice of 90 days or longer to redeem the securities. For certain of these investments, it may take up to 90 days to receive the funds after the requested redemption date, and certain redemptions may be subject to other restrictions in accordance with subscription agreements.

Legacy has executed the following basis swaps with investment-banking firms:

Notional amount	Cash flow settlement	Legacy pays	Legacy receives	Termination date
$ 82,000	Semiannually	SIFMA index	62% of LIBOR, plus 1.011%	December 2033
50,000	Quarterly	SIFMA index	67% of LIBOR, plus 0.6% for three years; 94.1% of LIBOR thereafter	April 2029
50,000	Quarterly	SIFMA index	67% of LIBOR, plus 0.6% for three years; 84.45% of LIBOR thereafter	September 2030
50,000	Quarterly	SIFMA index	67% of LIBOR, plus 0.6% for three years; 84% of LIBOR thereafter	September 2030

The objective of these transactions is to assume the tax-basis risk for a portion of the fixed-rate exposure on outstanding long-term indebtedness in exchange for positive cash flows. These transactions do not meet the criteria for hedge accounting; therefore, any changes in fair value under these agreements are recorded as part of investment income in the consolidated statements of operations. The fair value of these swaps is determined by the spread in interest rates.

(Dollars in thousands)

(6) Investments in Unconsolidated Affiliates

Investments in unconsolidated affiliates as of March 31 are as follows:

		2019	2018
PacificSource	$	168,064	133,489
Lifeflight Network		32,812	26,655
Other		10,379	12,044
Total investments in unconsolidated affiliates	$	211,255	172,188

In September 2016, Legacy completed a transaction to acquire up to a 50% ownership interest in PacificSource (PS). PS is the sole corporate member of PacificSource Health Plans, a not-for-profit community health plan offering commercial medical and dental plans in Oregon, Idaho, Montana, and Washington. PS is also the sole corporate member of PacificSource Community Health Plans, a health insurance company licensed in the states of Oregon, Idaho, and Montana, which offers Medicare Advantage and, through a subsidiary, Medicaid plans. PS owns 60% of the outstanding shares of Idaho Physicians Network, Inc., a physician contracting network.

An initial investment of $100,000 was funded with unrestricted cash and investments in September 2016 to acquire a 28.8% interest in PS. Legacy's agreement with PS includes plans for additional investments over five years to attain 50% ownership before September 2021. Legacy's equity interest was 39.1% and 34.4% as of March 31, 2019 and 2018, respectively. The following table represents assets, liabilities, and net assets of PS per audited financial statements as of December 31 and the related operating results for the year ended December 31:

		2018	2017
Assets	$	564,936	541,311
Liabilities		249,853	277,642
Net assets:			
Unrestricted		324,089	264,114
Accumulated other comprehensive loss		(9,673)	(1,094)
Noncontrolling interests		667	649
Total net assets without donor restrictions		315,083	263,669
Total liabilities and net assets	$	564,936	541,311

(Dollars in thousands)

		2018	2017
Underwriting income	$	36,821	36,559
Other income		8,142	4,370
Income tax expense		(14,438)	(12,407)
Net income	$	30,525	28,522

Legacy recorded net income on the investment in PS of $8,351 and $8,588 in 2019 and 2018, respectively. Legacy recorded $3,276 and $4,383 of amortization expense in 2019 and 2018, respectively, related to intangible assets acquired as part of the PS investment. Both net income and amortization expense related to PS are included in nonoperating income (loss), other in the consolidated statements of operations.

Legacy paid PS $3,578 and $3,284 in 2019 and 2018, respectively, for third-party health claims administration services for Legacy's self-insured health benefit plan, which are included in wages, salaries, and benefits in the consolidated statements of operations.

(7) Property, Plant, and Equipment

Property, plant, and equipment balances as of March 31 are as follows:

		2019	2018
Land	$	53,122	51,421
Land improvements		22,929	19,880
Buildings and improvements		1,219,654	1,193,350
Equipment and software		934,758	914,276
Construction in progress		40,171	29,588
		2,270,634	2,208,515
Accumulated depreciation		(1,459,675)	(1,368,186)
	$	810,959	840,329

There were capital expenditure purchase commitments outstanding as of March 31, 2019 for various construction and equipment projects. The estimated cost to complete such projects at March 31, 2019 was $268,420, of which $14,390 was contractually committed.

(Dollars in thousands)

(8) Long-Term Debt

A summary of long-term debt at March 31 is as follows:

	2019	2018
Hospital Revenue Bonds, Series 2008, payable in installments through 2038, subject to a seven-day put provision; variable interest rate	$ 100,000	100,000
Hospital Revenue Bonds, Series 2010A, payable in installments from $2,125 to $2,735 through 2030, at rates ranging from 4.375% to 5.0%, callable on or after March 2020	26,425	28,465
Hospital Revenue Bonds, Series 2011A, payable in installments from $19,980 to $22,060 through 2021, at rates ranging from 4.125% to 5.25%	63,010	72,170
Hospital Revenue Bonds, Series 2014A, payable in installments from $2,985 to $10,540 through 2040, at fixed rate of 2.425% subject to a mandatory tender on June 30, 2021, at which time Legacy can remarket the bonds, convert the bonds to a different mode, or pay off the bonds	71,720	71,720
Hospital Revenue Bonds, Series 2016A, payable in installments from $1,950 to $28,330 through 2047, at rates ranging from 3.0% to 5.0%, callable on or after June 2027	288,635	288,635
Other debt	985	932
	550,775	561,922
Deferred financing costs	25,146	26,677
Less current portion	(22,390)	(11,532)
	$ 553,531	577,067

Interest cost incurred related to funds borrowed was $16,473 and $18,495 in 2019 and 2018, respectively. These amounts were reduced by $883 and $526 in 2019 and 2018, respectively, in the consolidated statements of operations for amounts capitalized for construction and other capital projects.

(Dollars in thousands)

Scheduled principal repayments of long-term debt, including mandatory tenders of bonds eligible for refinancing, according to long-term amortization schedules are as follows:

2020	$	22,390
2021		23,380
2022		24,531
2023		12,909
2024		13,310
Thereafter		454,255
	$	550,775

The master trust indenture and other loan agreements covering these obligations contain, among other things, provisions placing restrictions on additional borrowings and leases and require the maintenance of debt service coverage and other ratios.

In November 2008, Legacy issued $150,000 of Revenue Bonds Series 2008 (2008 Bonds), which are unsecured, variable-rate debt in an initial short-term interest rate mode, through the Hospital Facility Authority of Clackamas County, Oregon. The proceeds from the 2008 Bonds were restricted for capital expenditures and to pay the expenses incurred with the issuance. The 2008 Bonds, while subject to a long-term amortization period, may be put to Legacy at the option of the bondholders at certain remarketing dates. Series C ($50,000) of the 2008 Bonds were refinanced in November 2016. In conjunction with the issuance, Legacy has entered into four year letter of credit and reimbursement agreements with a national bank, whereby the bank will purchase any bonds that are put by bondholders and not successfully remarketed. In the event of a draw under this agreement, there are no principal payments due within a year. If the bonds have not been remarketed or redeemed and amounts remain outstanding after a year, such amounts are converted to a term loan due in eight quarterly payments. As a result, the 2008 Bonds are classified as long-term.

In January 2010, Legacy issued $123,745 of Revenue Bonds Series 2010A (2010 Bonds) through the Oregon Facilities Authority. The proceeds from the 2010 Bonds were used to refund previously issued debt and pay expenses for the issuance.

In May 2011, Legacy issued $111,470 of Refunding Revenue Bonds Series 2011A (2011 Bonds) through the Oregon Facilities Authority. The proceeds from the 2011 Bonds were used to refund previously issued debt and pay expenses for the issuance.

In June 2014, Legacy issued $71,700 of Hospital Revenue Bonds Series 2014A (2014 Bonds) under a Bond Purchase Agreement with the Oregon Facilities Authority and a commercial bank. The proceeds from the 2014 Bonds were used to refinance previously issued debt.

In November 2016, Legacy issued $288,635 of Revenue Bonds Series 2016A (2016 Bonds) through the Oregon Facilities Authority. The proceeds from the 2016 Bonds will be used for capital expenditures, debt service during the construction period, and expenses incurred for the issuance. A portion of the proceeds was used to refinance Series C of the 2008 Bonds and previously issued debt.

(Dollars in thousands)

(9) Net Assets with Donor Restrictions

Net assets with donor restrictions are available for the following purposes as of March 31:

	Restricted to a specific time period or purpose		Principal restricted in perpetuity	
	2019	2018	2019	2018
Education	$ 8,053	7,916	3,035	2,831
Patient care	21,016	21,801	11,319	10,897
Research	5,363	6,674	1,950	1,949
Capital acquisition	5,440	7,074	—	—
Other	6,254	4,483	383	383
	$ 46,126	47,948	16,687	16,060

(10) Functional Expenses

Legacy provides hospital services, physician services, and referral lab and other services. Support services include costs that are not controllable by operational leadership. Legacy leadership drives these costs, which benefit the entire organization. Costs that are controllable by operational leadership are allocated to the respective program activities.

Expenses related to providing services were as follows for the years ended March 31:

	2019				
	Hospital services	Physician services	Lab and other health services	Support services	Total
Wages, salaries, and benefits	$ 792,925	270,151	49,408	202,995	1,315,479
Supplies	273,531	14,702	22,785	23,085	334,103
Professional fees	45,564	1,451	44	5,881	52,940
Purchased services	30,540	4,930	9,387	84,329	129,186
Purchased lab services	56,217	—	(56,217)	—	—
Purchased medical services	43,183	—	—	—	43,183
Utilities, insurance, and other expenses	24,658	18,235	57	126,675	169,625
Depreciation	62,600	3,158	2,433	30,754	98,945
Interest and amortization	12,605	52	—	3,878	16,535
	$ 1,341,823	312,679	27,897	477,597	2,159,996

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(Dollars in thousands)

	2018				
	Hospital services	**Physician services**	**Lab and other health services**	**Support services**	**Total**
Wages, salaries, and benefits	$ 765,136	246,674	49,804	186,863	1,248,477
Supplies	270,283	13,888	22,870	21,004	328,045
Professional fees	44,988	1,294	23	8,177	54,482
Purchased services	30,581	4,998	10,290	85,233	131,102
Purchased lab services	55,499	—	(55,499)	—	—
Purchased medical services	27,406	—	—	—	27,406
Utilities, insurance, and other expenses	27,905	20,363	5	113,685	161,958
Depreciation	63,084	2,722	2,417	34,643	102,866
Interest and amortization	14,338	16	—	4,182	18,536
	$ 1,299,220	289,955	29,910	453,787	2,072,872

(11) Retirement Plans

(a) Defined Contribution Plans

Legacy sponsors defined contribution retirement plans that cover substantially all employees. The plans provide for employer matching contributions in an amount equal to a percentage of employee pretax contributions, up to a maximum. Expense related to these plans was $59,620 and $55,353 for 2019 and 2018, respectively.

(b) Pension Benefit Plans

Legacy sponsors a pension plan, the Legacy Employees' Retirement Plan (the Plan). The retirement benefits of all participants in the Plan were frozen effective December 31, 2016 (the Freeze Date). No benefit service after the Freeze Date will be taken into account in determining a participant's retirement benefits. After the Freeze Date, future retirement benefits are provided by the defined contribution plans. Legacy uses a measurement date of March 31 for the Plan.

Legacy maintains other retirement plans for certain management employees, which include a pension restoration plan, deferred compensation plans, and supplemental executive retirement plans.

(Dollars in thousands)

A summary of changes in benefit obligations, fair values of plan assets, and the pension liability at March 31 and for the years then ended is as follows:

		2019	2018
Change in projected benefit obligation:			
Projected benefit obligation at beginning of year	$	914,952	897,087
Interest cost		36,408	37,338
Actuarial loss		11,879	24,528
Benefits paid		(47,770)	(44,001)
Projected benefit obligation at end of year		915,469	914,952
Change in plan assets:			
Fair value of assets at beginning of year		811,292	780,508
Actual return on plan assets		37,987	74,785
Employer contribution		84	—
Benefits paid		(47,770)	(44,001)
Fair value of assets at end of year		801,593	811,292
Funded status	$	(113,876)	(103,660)
Unrecognized net actuarial loss	$	278,362	258,996
Accumulated benefit obligation		915,469	914,952

The prior service credit and actuarial losses included in unrestricted net assets without donor restrictions and expected to be recognized in net periodic pension cost during the year ending March 31, 2020 are $0 and $5,444, respectively.

Net periodic pension benefit for the years ended March 31 included the following components:

		2019	2018
Interest cost	$	36,408	37,338
Expected return on plan assets		(50,395)	(49,972)
Special recognition curtailments and settlements		12	—
Recognized net actuarial loss		4,910	4,294
Net periodic pension benefit	$	(9,065)	(8,340)

(Dollars in thousands)

(i) Assumptions

Legacy used the following actuarial assumptions to determine its benefit obligations at March 31 and its net periodic benefit cost for the years ended March 31:

	2019	2018
Benefit obligation (measured as of March 31):		
Discount rate	4.00 %	4.09 %
	2018	**2017**
Net periodic benefit cost (measured as of March 31):		
Discount rate	4.09 %	4.29 %
Long-term rate of return	6.50	6.50

The source data for the discount rate used to determine the benefit obligation was a universe of AA or higher rated U.S. dollar denominated bonds with similar maturities to the projected benefit payments. The expected long-term rate of return on plan assets was based on Legacy's asset allocation mix and the long-term historical return for each asset class, taking into account current and expected market conditions. The source data for the mortality table utilized was the RP-2014 Blue Collar Blended Employee and Annuitant for all annuitants as of December 31, 2014. All mortality tables were projected forward to 2027 using improvements rates determined on Legacy's specific population of participants.

(ii) Pension Plan Assets

The asset allocation of Legacy's pension plans at March 31 and the target allocation are as follows:

	2019 Target allocation	2019	2018 Target allocation	2018
Equity securities	42%–75%	54 %	22%–40%	33 %
Fixed income	40%–100%	42	35%–48%	42
Real estate	— %	3	0%–15%	8
Absolute return funds	— %	—	0%–18%	15
Alternative investments	— %	1	0%–5%	2

Pension plan assets are managed according to an investment policy adopted by the Legacy Health Employees Retirement Plan Trustees. Professional investment managers are retained to manage specific asset classes and professional consulting is utilized for investment performance reporting. The primary objectives are to preserve and grow the assets to provide for long-term benefit payments. Diversification is intended to reduce the risk of large losses and enhance opportunities for appropriate appreciation along with current income. It is also an objective to invest a significant portion of the assets in fixed-income assets that have a similar interest rate sensitivity as the projected liabilities for the Plan. Assets are rebalanced quarterly when balances fall outside of the approved range for each asset class.

(Dollars in thousands)

The following tables set forth by level, within the fair value hierarchy, the Plan's assets at fair value:

	March 31, 2019			
	Level 1	Level 2	Level 3	Total fair value
Cash and cash equivalents	$ 17,585	—	—	17,585
Mutual funds – equity	171,785	—	—	171,785
Equity securities:				
Domestic	146,711	—	—	146,711
Foreign	19,386	—	—	19,386
Mutual funds – fixed income	68,623	—	—	68,623
Domestic debt securities:				
State and federal government	—	115,195	—	115,195
Corporate and securitized	—	138,489	—	138,489
Foreign debt securities	—	42,390	—	42,390
Commingled funds	—	75,401	—	75,401
Derivative assets, net	—	543	—	543
	$ 424,090	372,018	—	796,108
Investments measured using NAV as a practical expedient				37,702
Unsettled trades				(32,217)
Total assets at fair value				$ 801,593

(Dollars in thousands)

	March 31, 2018			
	Level 1	Level 2	Level 3	Total fair value
Cash and cash equivalents	$ 17,526	—	—	17,526
Mutual funds – equity	191,747	—	—	191,747
Equity securities:				
Domestic	63,278	—	—	63,278
Foreign	7,433	—	—	7,433
Mutual funds – fixed income	113,927	—	—	113,927
Domestic debt securities:				
State and federal government	—	35,126	—	35,126
Corporate and securitized	—	17,319	—	17,319
Foreign debt securities	—	3,674	—	3,674
Commingled funds	164,090	—	—	164,090
Absolute return funds	78,579	—	—	78,579
Derivative assets, net	—	1,228	—	1,228
	$ 636,580	57,347	—	693,927
Investments measured using NAV as a practical expedient				123,771
Unsettled trades				(6,406)
Total assets at fair value				$ 811,292

The following table presents information for plan assets where the NAV was used as a practical expedient to measure fair value at March 31:

	2019	2018	Redemption frequency	Redemption notice period
Hedge funds	$ 1,867	38,485	Quarterly	60–95 days
Private real estate	24,970	71,256	Quarterly	60–95 days
Private equity	10,865	14,030	N/A	N/A
Total	$ 37,702	123,771		

The Plan allows certain fixed-income investment managers to use derivative financial instruments to manage interest rate risk, which may include, but are not limited to, futures, options, swaps, and forward currency contracts.

(Dollars in thousands)

The following table presents gross investment derivative assets and liabilities reported on a net basis in plan investments:

		2019	2018
Derivative assets:			
Future contracts	$	14,285	19,181
Other derivatives and forward setting contracts		933	1,661
		15,218	20,842
Derivative liabilities:			
Future contracts		(14,285)	(19,181)
Other derivatives and forward setting contracts		(390)	(433)
		(14,675)	(19,614)
Net investment derivative assets	$	543	1,228

(iii) Cash Flows

Legacy's policy with respect to funding the qualified plans is to fund at least the minimum required by the Employee Retirement Income Security Act of 1974, as amended, plus such additional amounts as deemed appropriate.

Benefit payments are expected to be paid as follows for the years ending December 31:

2020	$	51,870
2021		50,693
2022		52,280
2023		52,948
2024		55,368
2025–2029		282,737

These estimates are based on assumptions about future events. Actual benefit payments may vary significantly from these estimates.

(12) Commitments and Contingencies

(a) Professional and General Liability

Legacy is self-insured for professional and general liability coverage. Legacy accrues estimated general and professional liability claims based upon management's estimate of the ultimate costs for both reported claims and actuarially determined estimates of claims incurred but not reported. Coverage in excess of self-insurance limits is provided on a claims-made basis through Legacy's captive insurance company, LHSIC.

(Dollars in thousands)

(b) Employee Benefits

Legacy is self-insured for workers' compensation, employee health, and long-term and short-term disability. Legacy accrues the unpaid portion of claims that have been reported and estimates of claims that have been incurred but not reported based on an actuarial study.

(c) Operating Leases

Legacy leases various equipment and real property under operating leases. Future minimum lease commitments under noncancelable operating leases for the years ending March 31 are as follows:

2020	$	8,697
2021		7,220
2022		6,901
2023		6,478
2024		6,150
Thereafter		21,268
	$	56,714

Rent expense for 2019 and 2018 totaled $16,182 and $15,706, respectively.

(d) Collective Bargaining Agreements

Approximately 10% of Legacy employees were covered under collective bargaining agreements at March 31, 2019, including certain service and maintenance employees. Approximately 36 employees are covered by collective bargaining agreements that expire within one year.

(13) Compliance with Laws and Regulations

The healthcare industry is subject to numerous laws and regulations from federal, state, and local governments, including those concerning Medicare and Medicaid, which are complex and subject to varying interpretation. As a result of investigations by government agencies, various healthcare organizations have received requests for information and notices regarding alleged noncompliance with those laws and regulations, which, in some instances, have resulted in organizations entering into significant settlement agreements. Compliance with such laws and regulations may also be subject to future government review and interpretation as well as significant regulatory action, including fines, penalties, and potential exclusion from the related programs. There can be no assurance that regulatory authorities will not challenge Legacy's compliance with these laws and regulations, and it is not possible to determine the impact (if any) such claims or penalties would have upon Legacy. In addition, the contracts Legacy has with commercial payors also provide for retroactive audit and review of claims.

Management is aware of certain asserted and unasserted claims and regulatory matters arising in the ordinary course of business. After consultation with legal counsel, management estimates these matters will be resolved without material adverse effect to Legacy's consolidated financial statements.

(14) Subsequent Events

Legacy evaluated and disclosed all material subsequent events through June 20, 2019, the date the consolidated financial statements were issued.

PUBLIC OHSU_Notice_01441

LEGACY HEALTH

Consolidating Schedule of Balance Sheet Information

March 31, 2019 and 2018

(Dollars in thousands)

Assets		Credit reporting group	Other affiliates and eliminations	March 31, 2019 consolidated	March 31, 2018 consolidated
Current assets:					
Cash and cash equivalents	$	89,057	200	89,257	67,256
Short-term investments		10	—	10	31,158
Accounts receivable from patients, net		264,069	15,594	279,663	254,574
Settlements receivable from third-party payors, net		24,365	2,058	26,423	12,438
Other receivables		59,480	11,143	70,623	52,770
Inventories		22,398	1,312	23,710	23,390
Prepaid expenses		14,195	648	14,843	14,064
Total current assets		473,574	30,955	504,529	455,650
Assets limited as to use		140,854	—	140,854	157,328
Property, plant, and equipment, net		783,583	27,376	810,959	840,329
Noncurrent investments		938,425	—	938,425	867,443
Investments in unconsolidated affiliates		216,385	(5,130)	211,255	172,188
Other assets		9,681	26,182	35,863	36,250
Interaffiliate receivable (payable)		(3,587)	3,587	—	—
Total assets	$	2,558,915	82,970	2,641,885	2,529,188

Liabilities and Net Assets					
Current liabilities:					
Accounts payable	$	51,294	3,551	54,845	53,745
Accrued wages, salaries, and benefits		143,740	7,352	151,092	131,319
Accrued interest		6,060	—	6,060	6,244
Other current liabilities		53,185	14,068	67,253	61,688
Current portion of long-term debt		22,105	285	22,390	11,532
Total current liabilities		276,384	25,256	301,640	264,528
Long-term debt, less current portion		552,831	700	553,531	577,067
General and professional claims liability		39,303	3,942	43,245	41,482
Pension liability		113,876	—	113,876	103,660
Other liabilities		47,355	416	47,771	43,486
Total liabilities		1,029,749	30,314	1,060,063	1,030,223
Net assets:					
Without donor restrictions, controlling		1,467,165	31,230	1,498,395	1,414,039
Without donor restrictions, noncontrolling		—	20,614	20,614	20,918
With donor restrictions		62,001	812	62,813	64,008
Total net assets		1,529,166	52,656	1,581,822	1,498,965
Total liabilities and net assets	$	2,558,915	82,970	2,641,885	2,529,188

See accompanying independent auditors' report.

LEGACY HEALTH

Consolidating Schedule of Operations Information

Years ended March 31, 2019 and 2018

(Dollars in thousands)

	Credit reporting group	Other affiliates and eliminations	Year ended March 31, 2019 consolidated	Year ended March 31, 2018 consolidated
Operating revenues:				
Net patient service revenue	$ 1,936,273	130,400	2,066,673	1,979,603
Capitation revenue	164	47,474	47,638	39,435
Other revenue	112,663	(7,606)	105,057	98,832
Total operating revenues	2,049,100	170,268	2,219,368	2,117,870
Operating expenses:				
Wages, salaries, and benefits	1,233,774	81,705	1,315,479	1,248,477
Supplies	316,603	17,500	334,103	328,045
Professional fees	47,925	5,015	52,940	54,482
Purchased services	116,803	12,383	129,186	131,102
Purchased medical services	—	43,183	43,183	27,406
Utilities, insurance, and other expenses	156,966	12,659	169,625	161,957
Depreciation	95,592	3,353	98,945	102,867
Interest and amortization	16,481	54	16,535	18,536
Management fees	(1,100)	1,100	—	—
Total operating expenses	1,983,044	176,952	2,159,996	2,072,872
Income from operations	66,056	(6,684)	59,372	44,998
Nonoperating income (loss):				
Investment income, net	54,251	130	54,381	67,996
Other, net	(9,971)	(277)	(10,248)	(12,817)
Total nonoperating income	44,280	(147)	44,133	55,179
Excess of revenues over expenses	110,336	(6,831)	103,505	100,177
Change in pension liability	(19,208)	(157)	(19,365)	4,579
Net assets released from restriction	2,832	—	2,832	8,598
Distributions to joint venture partners	—	(2,920)	(2,920)	(2,528)
Other	—	—	—	(19)
Change in net assets without donor restrictions	$ 93,960	(9,908)	84,052	110,807

See accompanying independent auditors' report.

LEGACY HEALTH

Consolidated Financial and Statistical Highlights

Years ended March 31

(Unaudited)

	2019	2018	2017	2016
Utilization:				
Average number of available beds	1,253	1,236	1,177	1,093
Discharges	62,746	64,280	62,798	59,308
Adjusted discharges	125,605	122,602	115,117	106,274
Patient days	304,398	315,073	297,537	274,338
Average length of stay	4.9	4.9	4.7	4.6
Percentage occupancy	66.6 %	69.8 %	69.3 %	68.8 %
Emergency room visits	290,940	294,135	233,215	216,518
Clinic visits	1,267,733	1,163,784	1,040,401	879,296
Surgical cases – inpatient	16,572	17,059	17,666	16,967
Surgical cases – outpatient	29,153	28,076	26,631	24,841
Average full-time equivalent (FTE) employees:				
Number of paid FTEs	11,310	11,249	10,675	9,473
FTEs per adjusted occupied bed	6.8	6.8	7.1	7.1
Ratios:				
Operating margin	2.7 %	2.1 %	2.9 %	5.0 %
Net days in accounts receivable	45.9	45.7	51.7	47.4
Days cash on hand	180.6	177.7	175.8	192.6
Capitalization	26.9 %	28.4 %	30.5 %	27.2 %

See accompanying independent auditors' report.

KPMG

LEGACY HEALTH

Consolidated Financial Statements and Other Financial Information

March 31, 2020 and 2019

(With Independent Auditors' Report Thereon)

LEGACY HEALTH

Table of Contents

KPMG LLP
Suite 3800
1300 South West Fifth Avenue
Portland, OR 97201

Independent Auditors' Report

The Board of Directors
Legacy Health:

We have audited the accompanying consolidated financial statements of Legacy Health, which comprise the consolidated balance sheets as of March 31, 2020 and 2019, and the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Legacy Health as of March 31, 2020 and 2019, and the results of their operations and their cash flows for the years then ended, in accordance with U.S. generally accepted accounting principles.

Emphasis of Matter

As discussed in Note 1 to the consolidated financial statements, on April 1, 2019, Legacy adopted new accounting guidance in Accounting Standards Update ASU 2016-02, *Leases (Topic 842)*. Our opinion was not modified with respect to this matter.

KPMG LLP is a Delaware limited liability partnership and the U.S. member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplemental information included in the consolidating schedule of balance sheet information and consolidating schedule of operations information is presented for the purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

The consolidated financial and statistical highlights is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the consolidated financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

KPMG LLP

Portland, Oregon
June 30, 2020

PUBLIC OHSU_Notice_01448

LEGACY HEALTH

Consolidated Balance Sheets

March 31, 2020 and 2019

(Dollars in thousands)

Assets		2020	2019
Current assets:			
Cash and cash equivalents	$	144,041	89,267
Accounts receivable from patients, net		261,266	279,663
Settlements receivable from third-party payors, net		39,486	26,423
Other receivables		63,644	70,623
Inventories		25,767	23,710
Prepaid expenses		17,420	14,843
Total current assets		551,624	504,529
Assets limited as to use		93,884	140,854
Property, plant, and equipment, net		815,660	810,959
Noncurrent investments		910,477	938,425
Investments in unconsolidated affiliates		263,823	211,255
Other assets		99,321	35,863
Total assets	$	2,734,789	2,641,885
Liabilities and Net Assets			
Current liabilities:			
Accounts payable	$	66,575	54,845
Accrued wages, salaries, and benefits		171,749	151,092
Accrued interest		5,633	6,060
Other current liabilities		72,427	67,253
Current portion of long-term debt		23,736	22,390
Total current liabilities		340,120	301,640
Long-term debt, less current portion		529,135	553,531
General and professional claims liability		41,884	43,245
Pension liability		185,007	113,876
Other liabilities		104,542	47,771
Total liabilities		1,200,688	1,060,063
Net assets:			
Without donor restrictions, controlling		1,456,573	1,498,395
Without donor restrictions, noncontrolling		20,362	20,614
With donor restrictions		57,166	62,813
Total net assets		1,534,101	1,581,822
Total liabilities and net assets	$	2,734,789	2,641,885

See accompanying notes to consolidated financial statements.

LEGACY HEALTH

Consolidated Statements of Operations

Years ended March 31, 2020 and 2019

(Dollars in thousands)

		2020	2019
Operating revenues:			
Net patient service revenue	$	2,192,248	2,066,673
Capitation revenue		35,920	47,638
Other revenue		108,375	105,057
Total operating revenues		2,336,543	2,219,368
Operating expenses:			
Wages, salaries, and benefits		1,370,974	1,315,479
Supplies		367,241	334,103
Professional fees		57,896	52,940
Purchased services		137,512	129,186
Purchased medical services		29,659	43,183
Utilities, insurance, and other expenses		186,803	169,625
Depreciation		92,646	98,945
Interest and amortization		14,448	16,535
Total operating expenses		2,257,179	2,159,996
Income from operations		79,364	59,372
Nonoperating (loss) income:			
Investment (loss) income, net		(37,947)	54,381
Other, net		(5,219)	(10,248)
Total nonoperating (loss) income		(43,166)	44,133
Excess of revenues over expenses		36,198	103,505
Change in pension liability		(76,374)	(19,365)
Net assets released from restriction		869	2,832
Distributions to joint venture partners		(2,750)	(2,920)
Other		(17)	—
Change in net assets without donor restrictions	$	(42,074)	84,052

See accompanying notes to consolidated financial statements.

LEGACY HEALTH

Consolidated Statements of Changes in Net Assets

Years ended March 31, 2020 and 2019

(Dollars in thousands)

	Without donor restrictions, controlling	Without donor restrictions, noncontrolling	With donor restrictions	Total net assets
Balance, March 31, 2018	$ 1,414,039	20,918	64,008	1,498,965
Excess of revenues over expenses	101,135	2,370	—	103,505
Change in pension liability	(19,365)	—	—	(19,365)
Restricted contributions and grants	—	—	7,348	7,348
Net assets released from restriction	2,832	—	(7,369)	(4,537)
Investment gain, net	—	—	(1,174)	(1,174)
Distributions to joint venture partners	(246)	(2,674)	—	(2,920)
Other	—	—	—	—
Change in net assets	84,356	(304)	(1,195)	82,857
Balance, March 31, 2019	1,498,395	20,614	62,813	1,581,822
Excess of revenues over expenses	33,732	2,466	—	36,198
Change in pension liability	(76,374)	—	—	(76,374)
Restricted contributions and grants	—	—	5,618	5,618
Net assets released from restriction	869	—	(4,363)	(3,494)
Investment gain, net	—	—	(6,919)	(6,919)
Distributions to joint venture partners	(32)	(2,718)	—	(2,750)
Other	(17)	—	17	—
Change in net assets	(41,822)	(252)	(5,647)	(47,721)
Balance, March 31, 2020	$ 1,456,573	20,362	57,166	1,534,101

See accompanying notes to consolidated financial statements.

LEGACY HEALTH

Consolidated Statements of Cash Flows

Years ended March 31, 2020 and 2019

(Dollars in thousands)

		2020	2019
Cash flows from operating activities:			
Change in net assets	$	(47,721)	82,857
Adjustments to reconcile change in net assets to net cash provided by operating activities:			
Net distributions to noncontrolling partners		2,718	2,674
Depreciation and amortization		100,051	106,043
Loss on disposal of assets		6,553	186
Change in net realized and unrealized losses (gains) on investments		41,450	(46,372)
Restricted contributions		2,352	8
Equity earnings from joint ventures and investment companies, net		(21,819)	(14,251)
Pension and other post retirement adjustments		76,374	19,365
Change in certain current assets and current liabilities		43,950	(33,086)
Change in certain long-term operating assets and liabilities		(11,472)	(2,817)
Net cash from operating activities		192,436	114,607
Cash flows from investing activities:			
Purchase of property, plant, and equipment		(113,153)	(77,115)
Proceeds from sale of assets		1,191	38
Change in funds held by trustee		46,970	15,211
Change in other long-term assets		(999)	1,366
Investment in joint ventures		(30,450)	(32,400)
Distributions from joint ventures and investment companies		12,890	6,925
Purchases of investments		(476,546)	(966,733)
Sales of investments		449,865	973,931
Net cash from investing activities		(110,232)	(78,777)
Cash flows from financing activities:			
Proceeds from issuance of long-term debt		24,390	297
Refund of deferred financing costs		(335)	—
Repayment of long-term debt		(46,405)	(11,444)
Distributions to noncontrolling partners		(2,718)	(2,674)
Proceeds from restricted contributions		(2,352)	(8)
Net cash from financing activities		(27,420)	(13,829)
Increase in cash and cash equivalents		54,784	22,001
Cash and cash equivalents, beginning of year		89,267	67,266
Cash and cash equivalents, end of year	$	144,051	89,267
Supplemental disclosures of cash flow information:			
Cash paid for interest (net of amount capitalized)	$	16,394	18,284
Change in amounts accrued for property, plant, and equipment, net		863	(1,313)

See accompanying notes to consolidated financial statements.

(1) Organization and Summary of Significant Accounting Policies

(a) Organization and Basis of Consolidation

Legacy Health (Legacy), an Oregon nonprofit corporation, is an integrated healthcare delivery system providing various healthcare-related services. The consolidated financial statements include Legacy and its direct affiliates, which are organized primarily as nonprofit corporations under the laws of the State of Oregon or Washington, and include the following:

Legacy Emanuel Hospital & Health Center (LEH)
Legacy Good Samaritan Hospital and Medical Center (LGS)
Legacy Meridian Park Hospital (LMP)
Legacy Mount Hood Medical Center (LMH)
Silverton Health (SH)
Legacy Salmon Creek Hospital (LSC)
Legacy Visiting Nurse Association and Affiliates (LVNA)
Managed HealthCare Northwest, Inc. (MHN)
Legacy Health System Insurance Company (LHSIC)

The consolidated financial statements also include the accounts of affiliated foundations (Emanuel Medical Center Foundation, Randall Children's Hospital Foundation, Good Samaritan Foundation, Meridian Park Medical Foundation, Mt. Hood Medical Center Foundation, and Salmon Creek Hospital Foundation, collectively the Foundations, and Silverton Health Foundation). All significant inter-affiliate accounts and transactions have been eliminated.

On June 1, 2016, Legacy became the sole corporate member of Silverton Health (SH) and affiliates, assuming their operations and assets, in exchange for the assumption of their liabilities and outstanding debt obligations. Among the requirements of the affiliation agreement are for Legacy to operate SH's hospital and additional health facilities for 10 years, invest $57,600 within 8 years to grow and improve patient care services at SH (of which $16,848 has been invested as of March 31, 2020) and provide the Silverton Health Foundation with a contribution of $3,000.

(b) Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates include implicit and explicit price concessions on patient accounts receivable, self-insured liabilities, and pension obligations.

(c) Income Taxes

Legacy has been recognized as exempt from federal income taxes, except on unrelated business income, under Section 501(a) of the Internal Revenue Code (IRC) as an organization described in Section 501(c)(3) and further described as a public charitable organization under Section 509(a)(3).

Substantially all of Legacy's direct affiliates have been granted exemptions from federal income tax under Section 501(a) of the IRC as charitable organizations described in Section 501(c)(3), except MHN, LHSIC, and LUSC. During 2020 and 2019, Legacy did not record any liability for uncertain tax benefits.

(d) Income from Operations

Income from operations excludes certain items that Legacy deems to be outside the scope of its primary business. These nonoperating activities include investment income, rental activities, and research activities.

(e) Excess of Revenues Over Expenses

The performance indicator is excess of revenues over expenses. Changes in net assets without donor restrictions that are excluded include certain changes in funded status of pension plans and net assets released from restriction for the purchase of property, plant, and equipment.

(f) Fair Value Measurements

Accounting Standards Codification Topic 820, *Fair Value Measurement*, establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

- Level 1 inputs include quoted prices (unadjusted) in active markets for identical assets and liabilities.
- Level 2 inputs include inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability.

The level in the fair value hierarchy within which a fair value measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement. Investments valued utilizing net asset value (NAV) as a practical expedient are excluded from the hierarchy.

(g) Net Patient Service Revenue

Net patient service revenue is reported at the amount that reflects the consideration to which Legacy expects to be entitled in exchange for providing patient care. These amounts are due from patients, third-party payors (including health insurers and government programs), and others and includes variable consideration for retroactive revenue adjustments due to settlement of audits, reviews, and investigations. Generally, Legacy bills patients and third-party payors several days after the services are performed and/or the patient is discharged from the facility. Revenue is recognized as performance obligations are satisfied.

Revenue for performance obligations satisfied over time, generally relating to patients in Legacy's hospitals receiving inpatient acute care services, is recognized based on actual goods or services provided. Revenue for performance obligations satisfied at a point in time is recognized when goods or services are provided and Legacy does not believe it is required to provide additional goods or services to the patient. The timing of revenue and recognition of substantially all services is at the time services are rendered.

Legacy determines the transaction price based on standard charges for goods and services provided, reduced by contractual adjustments provided to third-party payors, discounts provided to uninsured patients in accordance with Legacy's policy, and/or implicit price concessions provided to uninsured patients. Legacy determines its estimates of contractual adjustments and discounts based on contractual agreements, its discount policy, and historical experience. Legacy determines its estimate of implicit price concessions based on its historical collection experience with this class of patients.

Agreements with third-party payors typically provide for payments at amounts less than standard charges. Payment arrangements with major third-party payors may be based on prospectively determined rates, reimbursed cost, discounted charges, per diem payments, and other methods.

Settlements with third-party payors for retroactive adjustments due to audits, reviews, or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor, and Legacy's historical settlement activity and are adjusted in future periods as adjustments become known or as years are settled or are no longer subject to such audits, reviews, and investigations. In 2020 and 2019, Legacy recorded an increase to net patient service revenue of approximately $29,820 and $20,659, respectively, relating to settlement of prior years' reimbursement from Medicare and Medicaid programs.

Generally, patients who are covered by third-party payors are responsible for related deductibles and coinsurance. Legacy also provides services to uninsured patients and offers those uninsured patients a discount from standard charges. Legacy estimates the transaction price for patients with deductibles and coinsurance and from those who are uninsured based on historical experience and current market conditions. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to patient service revenue in the period of the change. Subsequent changes that are determined to be the result of an adverse change in the patient's ability to pay are recorded as bad debt expense. Bad debt expense for the years ended March 31, 2020 and 2019 was not significant.

Consistent with Legacy's mission, Legacy provides care without charge or at amounts less than its standard rates to patients who meet certain criteria under its financial assistance policy. Therefore, Legacy has determined it has provided price concessions to uninsured patients and patients with uninsured balances. The implicit price concessions included in estimating the transaction price represent the difference between amounts billed to patients and the amounts Legacy expects to collect based on its collection history with those patients who have been determined to qualify for financial assistance.

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(h) Capitation Revenue

Capitation revenue is received on a prepaid basis and is recognized as revenue during the month for which the enrolled member is entitled to healthcare services. Capitation revenue received for future months is recorded as unearned revenue.

(i) Cash and Cash Equivalents

Cash equivalents include investments in highly liquid investments with original maturities of three months or less. Cash equivalents excludes amounts held for donor or trustee restrictions, or amounts held within the investment portfolio.

(j) Inventories

Inventories are stated at the lower of average cost, as determined by the first-in, first-out method or market.

(k) Property, Plant, and Equipment

Property, plant, and equipment are stated at cost. Donated items are reported at fair market value on the date of donation. Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of acquiring those assets.

Impairment of property, plant, and equipment is assessed when there is evidence that events or changes in circumstances have made recovery of the net carrying value of assets unlikely.

Depreciation is determined by the straight-line method, which allocates cost equally over the estimated useful life. Average useful lives are as follows: buildings and improvements, 27 years; equipment and software, 6 years; and land improvements, 14 years.

(l) Leases

Legacy is a lessee in several noncancellable operating leases, for medical space, office space and office equipment. Legacy determines if an arrangement is a lease, or contains a lease, at inception of a contract and when the terms of an existing contract are changed. Subsequent to adoption of ASC 842, Legacy recognizes a lease liability and a right of use (ROU) asset at the commencement date of the lease. The lease liability is initially and subsequently recognized based on the present value of its future lease payments. On the balance sheet, ROU assets are included in other assets and the current portion of lease liabilities are included in other current liabilities, whereas long-term leases are included in other liabilities. Variable payments are included in the future lease payments when those variable payments depend on an index or a rate. The discount rate is the implicit rate if it is readily determinable or otherwise Legacy uses its incremental borrowing rate. The implicit rates are not readily determinable and accordingly, Legacy uses its incremental borrowing rate based on the information available at the commencement date for all leases. Legacy's incremental borrowing rate for a lease is the rate of interest it would have to pay on a collateralized basis to borrow an amount equal to the lease payments under similar terms and in a similar economic environment. The ROU asset is subsequently measured throughout the lease term at the amount of the remeasured lease liability (i.e., present value of the remaining lease payments), plus unamortized initial direct costs, plus (minus) any prepaid (accrued) lease payments, less the unamortized balance of lease incentives received, and any impairment recognized. Lease cost for lease payments is recognized on a straight-line basis over the lease term.

(m) Assets Limited as to Use, Investments, and Investment Income

Assets limited as to use include assets held by trustees under indenture agreements of $81,790 and $128,924 as of March 31, 2020 and 2019, respectively, as well as designated assets set aside by the board of directors to provide funding for certain community health projects and assets restricted for capital acquisition.

Noncurrent investments, which are accounted for as a trading portfolio, include investments in equity securities with readily determinable fair values, funds accounted for at NAV as a practical expedient, and investments in debt securities and are recorded at fair value in the consolidated balance sheets.

Investments in unconsolidated affiliates include investments in joint ventures over which Legacy does not exercise control and are accounted for using the equity method of accounting.

Investment income or loss is included in revenues in excess of expenses unless the income or loss is restricted by donor or law. Unrealized gains and losses on investments are included in investment income.

(n) Net Assets with Donor Restrictions and Donor-Restricted Gifts

Net assets with donor restrictions include those whose use has been limited by donors to a specific time period or purpose or has been restricted by donors to be maintained in perpetuity. Income from net assets with donor restrictions is accounted for in accordance with donor instructions.

Unconditional promises to give cash and other assets to Legacy are reported at fair value at the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value at the date the condition is satisfied or the gift is received. Gifts or grants are reported as restricted contributions if they are received with donor or grantor stipulations that limit the use of the donated assets. When the terms of a donor or grantor restriction are met, net assets with donor restrictions may be reclassified as net assets without donor restrictions and reported in the consolidated statements of operations or consolidated statements of changes in net assets as net assets released from restriction. Donor-restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions.

(o) Charitable Gift Annuities

Legacy has certificates of authority from the State of Oregon and the State of Washington to receive transfers of money or property upon agreement to pay an annuity. A charitable gift annuity is an arrangement between a donor and Legacy in which the donor contributes assets to Legacy in exchange for Legacy's agreement to pay a fixed amount for a specified period of time to the donor or other individuals and organizations as designated by the donor (annuitant). Upon execution of such an arrangement, Legacy recognizes the assets received at fair value and an annuity payment liability at the present value of future cash flows expected to be paid. Contribution revenue is recognized based upon the difference between these two amounts based on donor intent for the proceeds. In subsequent periods, payments to the annuitant reduce the annuity liability. Adjustments to the annuity liability to reflect amortization of the discount, changes in life expectancy, and death of the annuitant are recognized as other operating expenses. The annuity liability included in other current liabilities in the consolidated balance sheets as of March 31, 2020 and 2019 was $66 and $80, respectively. The annuities are not issued by an insurance company and are not subject to regulation by the State of Oregon or protected by an insurance guaranty association.

Although Legacy is exempt under Oregon Revised Statute 731.039 from the requirement to maintain a separate and distinct trust fund adequate to meet the actuarially determined future payments of the charitable gift annuities, Legacy does maintain trust accounts with a bank for all gift annuities. The amounts under trust were $128 and $169 as of March 31, 2020 and 2019, respectively. These marketable securities are comprised of cash equivalents and other fixed income instruments.

(p) New Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (FASB) issued ASU No. 2016-02, *Leases*, which requires lessees to recognize a lease liability and a right of use asset for all lease obligations with exception for short-term leases. The lease liability represents the lessee’s obligation to make lease payments arising from the lease measured on a discounted basis and the right of use asset represents the lessee’s right to use or control the use of a specified asset for a lease term. Legacy implemented the new standard effective April 1, 2019 on a prospective basis. Lease liabilities and related right of use assets were $65,536 and $65,136 respectively as of March 31, 2020.

In November, 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows - Restricted Cash*. This ASU requires that a statement of cash flows explains the change during the period in total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Legacy adopted the new standard on a retrospective basis as of April 1, 2019 and determined there were no material changes to the statement of cash flows

In August 2018, the FASB issued ASU No. 2018-15, *Customer’s Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement that is a Service Contract*. The ASU provides guidance for determining when fees paid in a cloud computing arrangement (hosting arrangement) includes a software license such that an intangible asset is recognized for the license and amortized. The new standard is effective for Legacy on April 1, 2021. Legacy is currently evaluating the extent of the impact of the adoption of ASU No. 2018-15.

(q) Reclassifications

Certain reclassifications have been made to prior year amounts to conform to the current year presentation.

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Dollars in thousands

(2) Net Patient Service Revenue

The composition of accounts receivable from patients and net patient service revenue as of and for the years ended March 31 were as follows:

	Accounts receivable from patients, net		Net patient service revenue	
	2020	**2019**	**2020**	**2019**
Medicare	22.8 %	27.5 %	29.3 %	29.7 %
Medicaid	17.7	13.7	20.7	20.3
Blue Cross	18.4	17.3	15.5	16.8
Private pay	7.8	4.3	0.4	0.3
Other	33.3	37.2	34.1	32.9
	100.0 %	100.0 %	100.0 %	100.0 %

The composition of net patient revenue based on service lines for the years ended as of March 31 was as follows:

	2020	**2019**
Hospital	88.4 %	88.1 %
Physician services	8.8	8.8
Hospice	0.6	0.7
Referral lab	1.5	1.7
Other	0.7	0.7
	100.0 %	100.0 %

Dollars in thousands

(3) Benefits to the Community

Legacy provides services to the community both for people in need and to enhance the health status of the broader community as part of its charitable mission. The following tables represent the estimated cost of providing certain services to the community:

		March 31, 2020			
		In-kind costs	Costs of service	Offsetting revenue	Net cost
Services for people in need:					
Charity care	$	—	51,426	—	51,426
Medicaid		—	533,028	326,392	206,636
Medicare		—	808,207	615,086	193,121
Other government programs		—	26,889	22,335	4,554
		—	1,419,550	963,813	455,737
Benefits to the community:					
Medical education and research		—	27,472	7,668	19,804
Community health services		—	5,134	420	4,714
Community benefit activities		308	87	—	395
Donations to charitable organizations		209	1,663	—	1,872
Community health fund contributions		—	464	—	464
		517	34,820	8,088	27,249
	$	517	1,454,370	971,901	482,986
Percentage of total operating expenses					21.4 %

Dollars in thousands

	March 31, 2019			
	In-kind costs	Costs of service	Offsetting revenue	Net cost
Services for people in need:				
Charity care	$ —	48,189	—	48,189
Medicaid	—	529,325	319,621	209,704
Medicare	—	783,113	605,238	177,875
Other government programs	—	22,011	17,176	4,835
	—	1,382,638	942,035	440,603
Benefits to the community:				
Medical education and research	—	25,739	7,649	18,090
Community health services	—	4,099	342	3,757
Community benefit activities	234	60	—	294
Donations to charitable organizations	396	2,325	—	2,721
Community health fund contributions	—	620	—	620
	630	32,843	7,991	25,482
	$ 630	1,415,481	950,026	466,085
Percentage of total operating expenses				21.6 %

(a) *Services for People in Need*

In support of its mission, Legacy provides medically necessary patient care services that are discounted or free of charge to persons who have insufficient resources and/or who are uninsured. The criteria for charity care is determined based on eligibility for insurance coverage, household income, qualified assets, catastrophic medical events, or other information supporting a patient's inability to pay for services provided. Specifically, Legacy provides an uninsured discount of 35% to patients. Additional discounts, on a sliding scale, are available to patients whose household income is less than 400% of the federal poverty level. For patients whose household income is at or below 300% of the federal poverty level, a full subsidy is available. In addition to the household income criteria, patients' qualified assets (e.g., 25% of household assets) and other catastrophic or economic circumstances are considered in determining eligibility for charity care. During 2020 and 2019, Legacy provided charity care benefiting patients associated with 65,784 and 65,210 patient accounts, respectively.

In addition to charity care, Legacy provides services under various states' Medicaid programs for low-income patients, to Medicare beneficiaries, and to beneficiaries under other government programs (such as TRICARE). The cost of providing services to these beneficiaries exceeds the reimbursement from these programs. The cost of services is determined based on the relationship of costs to billed charges.

Legacy also employs financial counselors and social workers who assist patients in obtaining coverage for their healthcare needs. This includes assistance with workers' compensation, motor vehicle accident policies, COBRA, veterans' assistance, and public assistance programs, such as Medicaid.

This program assists many patients in obtaining coverage through a third party, reducing the patients' financial responsibility. The costs associated with this program were $1,220 and $1,202 in 2020 and 2019, respectively.

(b) Benefits to the Community

Medical education and research includes the unreimbursed cost of nursing education, graduate medical education, and research.

Community health services include classes provided to the community at minimal or no cost, health education for children and parents with young families, resource centers, support groups, health screenings, senior wellness, volunteer programs, caregiver respite, and support for parish nursing programs.

Community benefit activities include activities that develop community health programs and partnerships. Donations to charitable organizations include direct support provided to community organizations through cash or in-kind donations to enhance those organizations' missions of supporting health and human services, civic and community causes, and business development efforts. In-kind contributions provided by Legacy include facility space, staff availability for training and education opportunities, supplies, and professional services in collaboration with charitable, educational, and government organizations throughout its community.

Community health fund contributions include funds Legacy has allocated for health initiatives and programs capable of impacting the health of the community either by prevention or health improvement.

(c) Other Benefits

In furtherance of its mission, Legacy commits significant time and resources to endeavors and critical services that meet unfilled community needs. Many of these activities are sponsored with the knowledge that they will not be self-supporting or financially viable. Such programs include mental and behavioral health; primary care clinics in underserved neighborhoods; free patient transportation; lodging, meals, and medications for transient patients when needed; participation in blood drives; and the provision of educational opportunities for students interested in pursuing medical-related careers.

Legacy also provides additional benefits to the community through the advocacy of community service by employees. Employees of Legacy serve numerous organizations through board representation, membership in associations, and other related activities.

Legacy pays taxes associated with various states' local business and occupation taxes and property taxes that local and state governments use to fund healthcare, civil, and education services to the community. Legacy paid $7,952 and $7,676 in local and state taxes in 2020 and 2019, respectively.

Dollars in thousands

(4) Liquidity and Availability

As of March 31, 2020 and 2019, Legacy had a working capital of $216,504 and $202,889 and average days (based on normal expenditures) cash on hand of 177.0 and 180.6, respectively. As part of Legacy's liquidity management plan, cash in excess of daily requirements are invested in cash equivalents and short-term investments. Noncurrent investments are classified as such as management does not intend to use them in the next year; however, they are sufficiently liquid that they would be available if needed. Financial assets available for general expenditures within one year of the balance sheet date consist of the following:

		2020	2019
Cash and cash equivalents	$	144,041	89,267
Accounts receivable from patients, net		261,266	279,663
Other receivables		63,644	70,623
Noncurrent investments		910,477	938,425
Total financial assets		1,379,428	1,377,978
Less amounts not available to be used within one year:			
Funds held in private equity		4,949	
Financial assets available to meet general expenditures within one year	$	1,374,479	

Dollars in thousands

(5) Investments

Legacy invests in different classes of securities for a variety of financial assets, including short-term investments, assets limited as to use, and noncurrent investments. The composition of these investments is as follows:

	March 31, 2020			
	Level 1	**Level 2**	**Level 3**	**Total fair value**
Cash equivalents	$ 72,165	—	—	72,165
Mutual funds – equity	266,038	—	—	266,038
Equity securities:				
Domestic	151,303	—	—	151,303
Foreign	20,999	—	—	20,999
Mutual funds – fixed income	33,141	—	—	33,141
Domestic debt securities:				
State and federal governments	—	59,346	—	59,346
Corporate and securitized	—	274,581	—	274,581
Foreign debt securities	—	33,615	—	33,615
Commingled funds	—	51,865	—	51,865
Interest rate swaps	—	6,519	—	6,519
Derivatives, net	—	(25)	—	(25)
	$ 543,646	425,901	—	969,547
Investments measured using NAV as a practical expedient				34,814
Total investments				$ 1,004,361

Dollars in thousands

	March 31, 2019			
	Level 1	Level 2	Level 3	Total fair value
Cash equivalents	$ 53,468	—	—	53,468
Mutual funds – equity	269,002	—	—	269,002
Equity securities:				
Domestic	174,261	—	—	174,261
Foreign	22,688	—	—	22,688
Mutual funds – fixed income	29,981	—	—	29,981
Domestic debt securities:				
State and federal governments	—	41,078	—	41,078
Corporate and securitized	—	340,215	—	340,215
Foreign debt securities	—	29,849	—	29,849
Commingled funds	—	60,208	—	60,208
Interest rate swaps	—	9,850	—	9,850
Derivatives, net	—	(80)	—	(80)
	$ 549,400	481,120	—	1,030,520
Investments measured using NAV as a practical expedient				48,759
Total investments				$ 1,079,279

Legacy's primary fixed income manager uses derivatives for both investment and hedging purposes and may take long and/or short positions. The derivative investments may include, but are not restricted to, futures and swaps.

Legacy participates in various funds that are not actively marketed on an open exchange. These investments consist of shares or units in investment funds as opposed to direct interests in the funds' underlying holdings, which may be marketable. Due to the nature of these funds, the NAV per share or its equivalent reported by each fund manager is used as a practical expedient to estimate the fair value of Legacy's interest therein. Legacy believes that the carrying amounts provided by the fund managers are reasonable estimates of fair value. The following table presents information for investments where the NAV was used as a practical expedient to measure fair value at March 31:

	Fair value		Redemption	Redemption
	2020	2019	frequency	notice period
Hedge funds	$ —	5,473	Quarterly	60–95 days
Private real estate	29,865	43,026	Quarterly	60–95 days
Private equity	4,949	260	N/A	N/A
Total	$ 34,814	48,759		

Dollars in thousands

Private real estate investments include the acquisition, financing, and ownership of property via a pooled, commingled fund. Legacy's private real estate funds are classified as core funds, which aim to generate a target return mainly from rental returns by income producing properties.

As of March 31, 2020, Legacy had a capital commitment of $38,404 to private equity funds in the form of limited partnership/trust investments. These commitments are due on demand from the general partners/advisers. These private equity funds invest in emerging companies, venture capital funds, and other alternative investments. The termination of these partnerships/trusts is based upon specific provisions in the agreements. In most cases, the life of the trusts is a minimum of 10 years. Legacy can only transfer its interest in the investments with the consent of the general partner/adviser. The fair values of these investments are determined either by the underlying security value on the open market or by the general partner/adviser utilizing fair value principles.

As of March 31, 2020, approximately 3% of noncurrent investments require advance written notice of 90 days or longer to redeem the securities. For certain of these investments, it may take up to 90 days to receive the funds after the requested redemption date, and certain redemptions may be subject to other restrictions in accordance with subscription agreements.

Legacy has executed the following basis swaps with investment-banking firms:

Notional amount	Cash flow settlement	Legacy pays	Legacy receives	Termination date
$ 82,000	Semiannually	SIFMA index	62% of LIBOR, plus 1.011%	December 2033
50,000	Quarterly	SIFMA index	67% of LIBOR, plus 0.6% for three years; 94.1% of LIBOR thereafter	April 2029
50,000	Quarterly	SIFMA index	67% of LIBOR, plus 0.6% for three years; 84.45% of LIBOR thereafter	September 2030
50,000	Quarterly	SIFMA index	67% of LIBOR, plus 0.6% for three years; 84% of LIBOR thereafter	September 2030

The objective of these transactions is to assume the tax-basis risk for a portion of the fixed-rate exposure on outstanding long-term indebtedness in exchange for positive cash flows. These transactions do not meet the criteria for hedge accounting; therefore, any changes in fair value under these agreements are recorded as part of investment income in the consolidated statements of operations. The fair value of these swaps is determined by the spread in interest rates.

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Dollars in thousands

(6) Investments in Unconsolidated Affiliates

Investments in unconsolidated affiliates as of March 31 are as follows:

		2020	2019
PacificSource	$	214,509	168,064
Lifeflight Network		39,328	32,812
Other		9,986	10,379
Total investments in unconsolidated affiliates	$	263,823	211,255

In September 2016, Legacy completed a transaction to acquire up to a 50% ownership interest in PacificSource (PS). PS is the sole corporate member of PacificSource Health Plans, a not-for-profit community health plan offering commercial medical and dental plans in Oregon, Idaho, Montana, and Washington. PS is also the sole corporate member of PacificSource Community Health Plans, a health insurance company licensed in the states of Oregon, Idaho, and Montana, which offers Medicare Advantage and, through a subsidiary, Medicaid plans. PS owns 60% of the outstanding shares of Idaho Physicians Network, Inc., a physician contracting network.

An initial investment of $100,000 was funded with unrestricted cash and investments in September 2016 to acquire a 28.8% interest in PS. Legacy's agreement with PS includes plans for additional investments over five years to attain 50% ownership in September 2021. Legacy's equity interest was 43.2% and 39.1% as of March 31, 2020 and 2019, respectively. The following table represents assets, liabilities, and net assets of PS per audited financial statements as of December 31 and the related operating results for the year ended December 31:

		2019	2018
Assets	$	716,257	564,936
Liabilities		317,951	249,853
Net assets:			
Without donor restrictions		401,339	324,089
Accumulated other comprehensive loss		(3,770)	(9,673)
Noncontrolling interests		737	667
Total net assets without donor restrictions		398,306	315,083
Total liabilities and net assets	$	716,257	564,936

Dollars in thousands

		2019	2018
Underwriting income	$	(5,759)	36,821
Other income		26,869	8,142
Income tax expense		25,770	(14,438)
Net income	$	46,880	30,525

Legacy recorded net income on the investment in PS of $20,503 and $8,351 in 2020 and 2019, respectively. Legacy recorded $3,558 and $3,276 of amortization expense in 2020 and 2019, respectively, related to intangible assets acquired as part of the PS investment. Both net income and amortization expense related to PS are included in nonoperating income (loss), other in the consolidated statements of operations.

Legacy paid PS $3,734 and $3,578 in 2020 and 2019, respectively, for third-party health claims administration services for Legacy's self-insured health benefit plan, which are included in wages, salaries, and benefits in the consolidated statements of operations.

(7) Property, Plant, and Equipment

Property, plant, and equipment balances as of March 31 are as follows:

		2020	2019
Land	$	53,122	53,122
Land improvements		23,587	22,929
Buildings and improvements		1,236,031	1,219,654
Equipment and software		927,941	934,758
Construction in progress		94,778	40,171
		2,335,459	2,270,634
Accumulated depreciation		(1,519,799)	(1,459,675)
	$	815,660	810,959

There were capital expenditure purchase commitments outstanding as of March 31, 2020 for various construction and equipment projects. The estimated cost to complete such projects at March 31, 2020 was $183,863, of which $27,897 was contractually committed.

(8) Leases

Legacy leases various equipment and real property and has classified these leases as operating leases. These leases generally contain renewal options for periods ranging from three to five years. Unless Legacy is reasonably certain to exercise these renewal options, the optional periods are not included in determining the lease term, and associated payments under these renewal options are excluded from lease payments. Legacy's leases do not include termination options for either party to the lease or restrictive financial or other covenants. Payments due under the lease contracts include fixed payments plus any variable payments. Some of Legacy's office and medical space leases require variable payments for Legacy's proportionate share of the building's property taxes, insurance, and common area maintenance. These variable lease payments are not included in lease payments used to determine lease liability and are recognized as variable costs when incurred.

Dollars in thousands

The following table represents lease information as of and for the year ended March 31:

		2020
Operating lease cost	$	10,437
Variable lease cost		503
Short-term lease cost		5,269
Total lease cost	$	16,209
Operating lease liabilities	$	65,536
Operating lease ROU assets		65,136

Other information related to leases as of March 31 is as follows:

	2020
Operating leases weighted average lease term	6.4 years
Operating leases weighted average discount rate	3.5 %

Maturities of lease liabilities under noncancelable operating leases as of March 31 are as follows:

2021	$	10,683
2022		10,364
2023		9,727
2024		8,762
2025		7,623
Thereafter		28,421
Total undiscounted lease payments		75,580
Less imputed interest		(10,044)
Total lease liabilities	$	65,536

Dollars in thousands

Relevant leasing information for the year ended March 31, 2019, which applied the accounting requirements of Accounting Standards Codification (ASC) 840, *Leases*, are as follows:

Rent expense totaled $16,182 for the year ended March 31, 2019, and is included in utilities, insurance and other expense in the accompanying consolidated statements of operations.

As of March, 2019, future minimum rental commitments for the five years subsequent to and thereafter, under noncancelable operating lease agreements, that have initial or remaining lease terms in excess of a year were as follows:

2020	$	8,697
2021		7,220
2022		6,901
2023		6,478
2024		6,150
Thereafter		21,268
	$	56,714

Dollars in thousands

(9) Long-Term Debt

A summary of long-term debt at March 31 is as follows:

	2020	2019
Hospital Revenue Bonds, Series 2008, payable in installments through 2038, subject to a seven-day put provision; variable interest rate	$ 100,000	100,000
Hospital Revenue Bonds, Series 2010A, payable in installments from $2,125 to $2,735 through 2030, at rates ranging from 4.375% to 5.0%, callable on or after March 2020	—	26,425
Hospital Revenue Bonds, Series 2011A, payable in installments from $19,980 to $22,060 through 2021, at rates ranging from 4.125% to 5.25%	43,030	63,010
Hospital Revenue Bonds, Series 2014A, payable in installments from $2,985 to $10,540 through 2040, at fixed rate of 2.425% subject to a mandatory tender on June 30, 2021, at which time Legacy can remarket the bonds, convert the bonds to a different mode, or pay off the bonds	71,720	71,720
Hospital Revenue Bonds, Series 2016A, payable in installments from $1,950 to $28,330 through 2047, at rates ranging from 3.0% to 5.0%, callable on or after June 2027	288,635	288,635
Hospital Revenue Bonds, Series 2020A, payable in installments from $2,410 to $2,520 through 2030, at fixed rate of 1.71% callable on or after June 2027	24,675	—
Other debt	700	985
	528,760	550,775
Premiums and deferred financing costs	24,111	25,146
Less current portion	(23,736)	(22,390)
	$ 529,135	553,531

Interest cost incurred related to funds borrowed was $14,405 and $16,473 in 2020 and 2019, respectively. These amounts were reduced by $2,336 and $883 in 2020 and 2019, respectively, in the consolidated statements of operations for amounts capitalized for construction and other capital projects.

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Dollars in thousands

Scheduled principal repayments of long-term debt, including mandatory tenders of bonds eligible for refinancing, according to long-term amortization schedules are as follows:

2021	$	23,736
2022		24,810
2023		13,139
2024		13,470
2025		13,940
Thereafter		439,665
	$	528,760

The master trust indenture and other loan agreements covering these obligations contain, among other things, provisions placing restrictions on additional borrowings and leases and require the maintenance of debt service coverage and other ratios. The Credit Group, which was formed to facilitate borrowing, includes Legacy, LEH, LGS, LMP, LMH, LSC, and the Foundations.

In November 2008, Legacy issued $150,000 of Revenue Bonds Series 2008 (2008 Bonds), which are unsecured, variable-rate debt in an initial short-term interest rate mode, through the Hospital Facility Authority of Clackamas County, Oregon. The proceeds from the 2008 Bonds were restricted for capital expenditures and to pay the expenses incurred with the issuance. The 2008 Bonds, while subject to a long-term amortization period, may be put to Legacy at the option of the bondholders at certain remarketing dates. Series C ($50,000) of the 2008 Bonds were refinanced in November 2016. In conjunction with the issuance, Legacy arranged letter of credit and reimbursement agreements with a national bank, whereby the bank will purchase any bonds that are put by bondholders and not successfully remarketed. The letter of credit is due to expire in June 2022. In the event of a draw under this agreement, there are no principal payments due within a year. If the bonds have not been remarketed or redeemed and amounts remain outstanding after a year, such amounts are converted to a term loan due in eight quarterly payments. As a result, the 2008 Bonds are classified as long-term.

In January 2010, Legacy issued $123,745 of Revenue Bonds Series 2010A (2010 Bonds) through the Oregon Facilities Authority. The proceeds from the 2010 Bonds were used to refund previously issued debt and pay expenses for the issuance. The 2010 Bonds were refinanced in March 2020.

In May 2011, Legacy issued $111,470 of Refunding Revenue Bonds Series 2011A (2011 Bonds) through the Oregon Facilities Authority. The proceeds from the 2011 Bonds were used to refund previously issued debt and pay expenses for the issuance.

In June 2014, Legacy issued $71,700 of Hospital Revenue Bonds Series 2014A (2014 Bonds) under a bond purchase agreement with the Oregon Facilities Authority and a commercial bank. The proceeds from the 2014 Bonds were used to refinance previously issued debt.

In November 2016, Legacy issued $288,635 of Revenue Bonds Series 2016A (2016 Bonds) through the Oregon Facilities Authority. The proceeds from the 2016 Bonds will be used for capital expenditures, debt service during the construction period, and expenses incurred for the issuance. A portion of the proceeds was used to refinance Series C of the 2008 Bonds and other previously issued debt.

Dollars in thousands

In March 2020, Legacy issued $24,675 under a bond purchase agreement with the Oregon Facilities Authority and a commercial bank. The proceeds from the 2020 Bonds were used to refinance the 2010 Bonds and pay expenses for the issuance.

(10) Net Assets with Donor Restrictions

Net assets with donor restrictions are available for the following purposes as of March 31:

		Restricted to a specific time period or purpose		Principal restricted in perpetuity	
		2020	**2019**	**2020**	**2019**
Education	$	6,863	8,053	3,113	3,035
Patient care		19,487	21,016	11,775	11,319
Research		4,484	5,363	1,640	1,950
Capital acquisition		3,329	5,440	—	—
Other		6,092	6,254	383	383
	$	40,255	46,126	16,911	16,687

(11) Functional Expenses

Legacy provides hospital services, physician services, and referral lab and other services. Support services include costs that are not controllable by operational leadership. Legacy leadership drives these costs, which benefit the entire organization. Costs that are controllable by operational leadership are allocated to the respective program activities.

Labor and other direct costs that are controllable by operational leadership are attributed to the respective functional services. Employee benefits and other shared costs are allocated based on relative direct costs.

Dollars in thousands

Expenses related to providing services were as follows for the years ended March 31:

	2020				
	Hospital services	Physician services	Lab and other health services	Support services	Total
Wages, salaries, and benefits	$ 812,012	284,673	49,277	225,012	1,370,974
Supplies	302,057	11,706	23,360	30,118	367,241
Professional fees	46,390	2,176	77	9,253	57,896
Purchased services	10,810	5,492	65,854	55,356	137,512
Interaffiliate purchased services	86,331	(30,113)	(56,218)	—	—
Purchased medical services	29,659	—	—	—	29,659
Utilities, insurance, and other expenses	25,860	24,398	544	136,001	186,803
Depreciation	59,283	3,365	2,429	27,569	92,646
Interest and amortization	10,884	17	—	3,547	14,448
	$ 1,383,286	301,714	85,323	486,856	2,257,179

	2019				
	Hospital services	Physician services	Lab and other health services	Support services	Total
Wages, salaries, and benefits	$ 792,925	270,151	49,408	202,995	1,315,479
Supplies	273,531	14,702	22,785	23,085	334,103
Professional fees	45,564	1,451	44	5,881	52,940
Purchased services	30,540	4,930	9,387	84,329	129,186
Interaffiliate purchased services	56,217	—	(56,217)	—	—
Purchased medical services	43,183	—	—	—	43,183
Utilities, insurance, and other expenses	24,658	18,235	57	126,675	169,625
Depreciation	62,600	3,158	2,433	30,754	98,945
Interest and amortization	12,605	52	—	3,878	16,535
	$ 1,341,823	312,679	27,897	477,597	2,159,996

(12) Retirement Plans

(a) Defined Contribution Plans

Legacy sponsors defined contribution retirement plans that cover substantially all employees. The plans provide for employer matching contributions in an amount equal to a percentage of employee pretax contributions, up to a maximum. Expense related to these plans was $62,797 and $59,620 for 2020 and 2019, respectively.

(b) Pension Benefit Plans

Legacy sponsors a pension plan, the Legacy Employees' Retirement Plan (the Plan). The retirement benefits of all participants in the Plan were frozen effective December 31, 2016 (the Freeze Date). No benefit service after the Freeze Date will be taken into account in determining a participant's retirement benefits. After the Freeze Date, future retirement benefits are provided by the defined contribution plans.

Dollars in thousands

Legacy maintains other retirement plans for certain management employees, which include a pension restoration plan, deferred compensation plans, and supplemental executive retirement plans.

A summary of changes in benefit obligations, fair values of plan assets, and the pension liability at March 31 and for the years then ended is as follows:

		2020	2019
Change in projected benefit obligation:			
Projected benefit obligation at beginning of year	$	915,469	914,952
Interest cost		35,581	36,408
Actuarial loss		22,619	11,879
Benefits paid		(54,834)	(47,770)
Projected benefit obligation at end of year		918,835	915,469
Change in plan assets:			
Fair value of assets at beginning of year		801,593	811,292
Actual return on plan assets		(18,309)	37,987
Employer contribution		5,378	84
Benefits paid		(54,834)	(47,770)
Fair value of assets at end of year		733,828	801,593
Funded status	$	(185,007)	(113,876)
Unrecognized net actuarial loss	$	354,736	278,362
Accumulated benefit obligation		918,835	915,469

The prior service credit and actuarial losses included in net assets without donor restrictions and expected to be recognized in net periodic pension cost during the year ending March 31, 2021 are $0 and $6,606, respectively.

Dollars in thousands

Net periodic pension cost (benefit) for the years ended March 31 included the following components:

		2020	2019
Interest cost	$	35,581	36,408
Expected return on plan assets		(40,907)	(50,395)
Special recognition curtailments and settlements		17	12
Recognized net actuarial loss		5,444	4,910
Net periodic pension cost (benefit)	$	135	(9,065)

(i) Assumptions

Legacy used the following actuarial assumptions to determine its benefit obligations at March 31 and its net periodic benefit cost for the years ended March 31:

	2020	2019
Benefit obligation (measured as of March 31):		
Discount rate	3.00 %	4.00 %
	2019	**2018**
Net periodic benefit cost (measured for the year ended March 31):		
Discount rate	4.00 %	4.09 %
Long-term rate of return	6.00	6.50

The source data for the discount rate used to determine the benefit obligation was a universe of AA or higher rated U.S. dollar denominated bonds with similar maturities to the projected benefit payments. The expected long-term rate of return on plan assets was based on Legacy's asset allocation mix and the long-term historical return for each asset class, taking into account current and expected market conditions. The source data for the mortality table utilized for 2020 was the Pri-2012 Blue Collar Tables for Employees and Annuitants, projected using MP-2019 to reflect both current and future improvements in mortality. The source data for the mortality table utilized for 2019 was the RP-2014 Blue Collar Blended Employee and Annuitant using the RPEC 2014 projection scale.

Dollars in thousands

(ii) Pension Plan Assets

The asset allocation of Legacy's pension plans at March 31 and the target allocation are as follows:

	Target allocation	2020 Actual allocation	2019 Actual allocation
Equity securities	0–60%	52 %	54 %
Fixed income	40–100%	45	42
Real estate	— %	2	3
Alternative investments	— %	1	1

Pension plan assets are managed according to an investment policy adopted by the Legacy Health Employees Retirement Plan Trustees. Professional investment managers are retained to manage specific asset classes and professional consulting is utilized for investment performance reporting. The primary objectives are to preserve and grow the assets to provide for long-term benefit payments. Diversification is intended to reduce the risk of large losses and enhance opportunities for appropriate appreciation along with current income. It is also an objective to invest a significant portion of the assets in fixed-income assets that have a similar interest rate sensitivity as the projected liabilities for the Plan. Assets are rebalanced when balances fall outside of the approved range for each asset class.

Dollars in thousands

The following tables set forth by level, within the fair value hierarchy, the Plan's assets at fair value:

	March 31, 2020			
	Level 1	Level 2	Level 3	Total fair value
Cash and cash equivalents	$ 25,942	—	—	25,942
Mutual funds – equity	150,789	—	—	150,789
Equity securities:				
Domestic	127,870	—	—	127,870
Foreign	17,745	—	—	17,745
Mutual funds – fixed income	23,345	—	—	23,345
Domestic debt securities:				
State and federal government	—	149,341	—	149,341
Corporate and securitized	—	157,647	—	157,647
Foreign debt securities	—	54,959	—	54,959
Commingled funds	—	64,096	—	64,096
Derivative assets, net	—	(5,197)	—	(5,197)
	$ 345,691	420,846	—	766,537
Investments measured using NAV as a practical expedient				25,480
Unsettled trades				(58,189)
Total assets at fair value				$ 733,828

Dollars in thousands

	March 31, 2019			
	Level 1	Level 2	Level 3	Total fair value
Cash and cash equivalents	$ 17,585	—	—	17,585
Mutual funds – equity	171,785	—	—	171,785
Equity securities:				
Domestic	146,711	—	—	146,711
Foreign	19,386	—	—	19,386
Mutual funds – fixed income	68,623	—	—	68,623
Domestic debt securities:				
State and federal government	—	115,195	—	115,195
Corporate and securitized	—	138,489	—	138,489
Foreign debt securities	—	42,390	—	42,390
Commingled funds	—	75,401	—	75,401
Derivative assets, net	—	543	—	543
	$ 424,090	372,018	—	796,108
Investments measured using NAV as a practical expedient				37,702
Unsettled trades				(32,217)
Total assets at fair value				$ 801,593

The following table presents information for plan assets where the NAV was used as a practical expedient to measure fair value at March 31:

	2020	2019	Redemption frequency	Redemption notice period
Hedge funds	$ —	1,867	Quarterly	60–95 days
Private real estate	16,970	24,970	Quarterly	60–95 days
Private equity	8,510	10,865	N/A	N/A
Total	$ 25,480	37,702		

The Plan allows certain fixed-income investment managers to use derivative financial instruments to manage interest rate risk, which may include, but are not limited to, futures, options, swaps, and forward currency contracts.

Dollars in thousands

The following table presents gross investment derivative assets and liabilities reported on a net basis in plan investments:

		2020	2019
Derivative assets:			
Future contracts	$	5,972	14,285
Other derivatives and forward setting contracts		2,612	933
		8,584	15,218
Derivative liabilities:			
Future contracts		(5,972)	(14,285)
Other derivatives and forward setting contracts		(7,809)	(390)
		(13,781)	(14,675)
Net investment derivative (liabilities) assets	$	(5,197)	543

(iii) Cash Flows

Legacy's policy with respect to funding the qualified plans is to fund at least the minimum required by the Employee Retirement Income Security Act of 1974, as amended, plus such additional amounts as deemed appropriate.

Benefit payments are expected to be paid as follows for the years ending December 31:

2021	$	52,466
2022		50,826
2023		51,471
2024		52,729
2025		53,804
2026–2030		272,824

These estimates are based on assumptions about future events. Actual benefit payments may vary significantly from these estimates.

(13) Commitments and Contingencies

(a) Professional and General Liability

Legacy is self-insured for professional and general liability coverage. Legacy accrues estimated general and professional liability claims based upon management's estimate of the ultimate costs for both reported claims and actuarially determined estimates of claims incurred but not reported. Coverage in excess of self-insurance limits is provided on a claims-made basis through Legacy's captive insurance company, LHSIC.

(b) Employee Benefits

Legacy is self-insured for workers' compensation, employee health, and long-term and short-term disability. Legacy accrues the unpaid portion of claims that have been reported and estimates of claims that have been incurred but not reported based on an actuarial study.

(c) Collective Bargaining Agreements

Approximately 12% of Legacy employees were covered under collective bargaining agreements at March 31, 2020, including certain service and maintenance employees. Approximately 949 employees are covered by collective bargaining agreements that expire within one year.

(14) Compliance with Laws and Regulations

The healthcare industry is subject to numerous laws and regulations from federal, state, and local governments, including those concerning Medicare and Medicaid, which are complex and subject to varying interpretation. As a result of investigations by government agencies, various healthcare organizations have received requests for information and notices regarding alleged noncompliance with those laws and regulations, which, in some instances, have resulted in organizations entering into significant settlement agreements. Compliance with such laws and regulations may also be subject to future government review and interpretation as well as significant regulatory action, including fines, penalties, and potential exclusion from the related programs. There can be no assurance that regulatory authorities will not challenge Legacy's compliance with these laws and regulations, and it is not possible to determine the impact (if any) such claims or penalties would have upon Legacy. In addition, the contracts Legacy has with commercial payors also provide for retroactive audit and review of claims.

Management is aware of certain asserted and unasserted claims and regulatory matters arising in the ordinary course of business. After consultation with legal counsel, management estimates these matters will be resolved without material adverse effect to Legacy's consolidated financial statements.

(15) COVID-19 Pandemic

A new strain of coronavirus (COVID-19) was identified in China in December 2019 and rapidly spread around the world creating an international pandemic. By early March 2020, public health officials forecasted a potential surge of COVID-19 patients that was expected to overwhelm the health care systems in Portland and Southwest Washington. Both the states of Washington and Oregon declared states of emergency and shortly thereafter, President Trump declared a national state of emergency, ordering all states to set up emergency operations and authorizing federal funding.

Adequate supplies of personal protective equipment (PPE), ventilators and ICU beds were identified as a primary risk. To reserve bed capacity and to prioritize PPE for containment of the pandemic, Legacy and all other health systems in the area suspended all elective and nonurgent procedures on March 18, 2020. Statewide bans on elective procedures followed shortly thereafter.

In late April 2020, public health researchers determined that mitigation efforts had limited the spread of COVID-19 in Washington and Oregon, and there was no longer a risk of an overwhelming surge of COVID-19 patients. Oregon governor Kate Brown lifted a statewide ban on elective procedures on May 1, 2020, but instituted limits over nonemergent procedures to no more than 50% of pre-COVID-19 levels until June 1, 2020. Thereafter, hospitals were permitted to expand services beyond the 50% limit only if they continued to meet Oregon Health Authority guidelines for PPE, testing and bed capacity, and were prepared to stop nonemergent and elective procedures if a resurgence of COVID-19 cases developed. In Washington, the prohibition on elective and nonemergent procedures expired on May 18, 2020. Legacy resumed nonurgent and elective procedures in compliance with state guidelines on the first dates allowed.

The temporary suspension of elective and nonemergent procedures has had, and will continue to have, a negative effect on patient volumes and revenues. Subsequent to year end, Legacy secured bank loans and lines of credit to ensure adequate cash reserves through the recovery from COVID-19.

- April 8, 2020, 10-year $100 million taxable direct term loan with Wells Fargo Bank.
- April 27, 2020, 3-year $100 million taxable direct term loan with U.S. Bank
- April 27, 2020, $100 million revolving line of credit with U.S. Bank.
- May 1, 2020, $43 million draw-down loan with J.P. Morgan, for payment of debt service on Series 2011A bonds

(16) Subsequent Events

Legacy evaluated and disclosed all material subsequent events through June 30, 2020, the date the consolidated financial statements were issued.

LEGACY HEALTH

Consolidating Schedule of Balance Sheet Information

March 31, 2020 and 2019

(Dollars in thousands)

Assets		Credit reporting group	Other affiliates and eliminations	March 31, 2020 consolidated	March 31, 2019 consolidated
Current assets:					
Cash and cash equivalents	$	143,821	220	144,041	89,267
Accounts receivable from patients, net		247,739	13,527	261,266	279,663
Settlements receivable from third-party payors, net		38,966	520	39,486	26,423
Other receivables		56,236	7,408	63,644	70,623
Inventories		24,099	1,668	25,767	23,710
Prepaid expenses		16,840	580	17,420	14,843
Total current assets		527,701	23,923	551,624	504,529
Assets limited as to use		93,884	—	93,884	140,854
Property, plant, and equipment, net		788,102	27,558	815,660	810,959
Noncurrent investments		910,477	—	910,477	938,425
Investments in unconsolidated affiliates		269,083	(5,260)	263,823	211,255
Other assets		67,763	31,558	99,321	35,863
Interaffiliate receivable (payable)		3,265	(3,265)	—	—
Total assets	$	2,660,275	74,514	2,734,789	2,641,885
Liabilities and Net Assets					
Current liabilities:					
Accounts payable	$	63,678	2,897	66,575	54,845
Accrued wages, salaries, and benefits		164,110	7,639	171,749	151,092
Accrued interest		5,633	—	5,633	6,060
Other current liabilities		65,637	6,790	72,427	67,253
Current portion of long-term debt		23,420	316	23,736	22,390
Total current liabilities		322,478	17,642	340,120	301,640
Long-term debt, less current portion		528,751	384	529,135	553,531
General and professional claims liability		37,968	3,916	41,884	43,245
Pension liability		185,007	—	185,007	113,876
Other liabilities		99,718	4,824	104,542	47,771
Total liabilities		1,173,922	26,766	1,200,688	1,060,063
Net assets:					
Without donor restrictions, controlling		1,430,214	26,359	1,456,573	1,498,395
Without donor restrictions, noncontrolling		—	20,362	20,362	20,614
With donor restrictions		56,139	1,027	57,166	62,813
Total net assets		1,486,353	47,748	1,534,101	1,581,822
Total liabilities and net assets	$	2,660,275	74,514	2,734,789	2,641,885

See accompanying independent auditors' report.

LEGACY HEALTH

Consolidating Schedule of Operations Information

Years ended March 31, 2020 and 2019

(Dollars in thousands)

	Credit reporting group	Other affiliates and eliminations	Year ended March 31, 2020 consolidated	Year ended March 31, 2019 consolidated
Operating revenues:				
Net patient service revenue	$ 2,062,379	129,869	2,192,248	2,066,673
Capitation revenue	75	35,845	35,920	47,638
Other revenue	116,457	(8,082)	108,375	105,057
Total operating revenues	2,178,911	157,632	2,336,543	2,219,368
Operating expenses:				
Wages, salaries, and benefits	1,290,527	80,447	1,370,974	1,315,479
Supplies	350,569	16,672	367,241	334,103
Professional fees	52,827	5,069	57,896	52,940
Purchased services	124,857	12,655	137,512	129,186
Purchased medical services	—	29,659	29,659	43,183
Utilities, insurance, and other expenses	175,848	10,955	186,803	169,625
Depreciation	89,349	3,297	92,646	98,945
Interest and amortization	14,423	25	14,448	16,535
Management fees	(1,100)	1,100	—	—
Total operating expenses	2,097,300	159,879	2,257,179	2,159,996
Income from operations	81,611	(2,247)	79,364	59,372
Nonoperating (loss) income:				
Investment (loss) income, net	(37,232)	(715)	(37,947)	54,381
Other, net	(5,764)	545	(5,219)	(10,248)
Total nonoperating (loss) income	(42,996)	(170)	(43,166)	44,133
Excess of revenues over expenses	38,615	(2,417)	36,198	103,505
Change in pension liability	(76,374)	—	(76,374)	(19,365)
Net assets released from restriction	825	44	869	2,832
Distributions to joint venture partners	—	(2,750)	(2,750)	(2,920)
Other	(17)	—	(17)	—
Change in net assets without donor restrictions	$ (36,951)	(5,123)	(42,074)	84,052

See accompanying independent auditors' report.

LEGACY HEALTH

Consolidated Financial and Statistical Highlights

Years ended March 31

(Unaudited)

	2020	2019	2018	2017
Utilization:				
Average number of available beds	1,256	1,253	1,236	1,177
Discharges	60,091	62,746	64,280	62,798
Adjusted discharges	126,112	125,605	122,602	115,117
Patient days	316,983	304,398	315,073	297,537
Average length of stay	5.3	4.9	4.9	4.7
Percentage occupancy	69.1 %	66.6 %	69.8 %	69.3 %
Emergency room visits	292,653	290,940	294,135	233,215
Clinic visits	1,339,231	1,267,733	1,163,784	1,040,401
Surgical cases – inpatient	15,636	16,572	17,059	17,666
Surgical cases – outpatient	30,594	29,153	28,076	26,631
Average full-time equivalent (FTE) employees:				
Number of paid FTEs	11,271	11,310	11,249	10,675
FTEs per adjusted occupied bed	6.2	6.8	6.8	7.1
Ratios:				
Operating margin	3.4 %	2.7 %	2.1 %	2.9 %
Net days in accounts receivable	42.8	45.9	45.7	51.7
Days cash on hand	177.0	180.6	177.7	175.8
Capitalization	27.0 %	26.9 %	28.4 %	30.5 %

See accompanying independent auditors’ report.

LEGACY HEALTH

Consolidated Financial Statements and Other Financial Information

March 31, 2021 and 2020

(With Independent Auditors' Report Thereon)

LEGACY HEALTH

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KPMG LLP
Suite 3800
1300 South West Fifth Avenue
Portland, OR 97201

Independent Auditors' Report

The Board of Directors
Legacy Health:

We have audited the accompanying consolidated financial statements of Legacy Health, which comprise the consolidated balance sheets as of March 31, 2021 and 2020, and the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Legacy Health as of March 31, 2021 and 2020, and the results of their operations and their cash flows for the years then ended, in accordance with U.S. generally accepted accounting principles.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplemental information included in the consolidating schedule of balance sheet information and consolidating schedule of operations information is presented for the purposes of additional analysis and is not

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a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

The consolidated financial and statistical highlights is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the consolidated financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

KPMG LLP

Portland, Oregon
June 18, 2021

LEGACY HEALTH

Consolidated Balance Sheets

March 31, 2021 and 2020

(Dollars in thousands)

Assets		2021	2020
Current assets:			
Cash and cash equivalents	$	563,629	144,041
Accounts receivable from patients, net		299,669	261,266
Settlements receivable from third-party payors, net		—	39,486
Other receivables		54,755	63,644
Inventories		30,856	25,767
Prepaid expenses		20,044	17,420
Total current assets		968,953	551,624
Assets limited as to use		39,219	84,114
Property, plant, and equipment, net		813,406	815,660
Noncurrent investments		1,236,114	920,247
Investments in unconsolidated affiliates		339,590	263,823
Pension asset		57,391	—
Other assets		99,734	99,321
Total assets	$	3,554,407	2,734,789
Liabilities and Net Assets			
Current liabilities:			
Accounts payable	$	77,327	66,575
Accrued wages, salaries, and benefits		202,510	171,749
Accrued interest		5,695	5,633
Settlements payable to third-party payors, net		36,004	—
Other current liabilities		79,910	72,427
Current portion of long-term debt		24,871	23,736
Total current liabilities		426,317	340,120
Long-term debt, less current portion		723,951	529,135
General and professional claims liability		48,960	41,884
Pension liability		—	185,007
Other liabilities		208,586	104,542
Total liabilities		1,407,814	1,200,688
Net assets:			
Without donor restrictions, controlling		2,053,647	1,456,573
Without donor restrictions, noncontrolling		20,986	20,362
With donor restrictions		71,960	57,166
Total net assets		2,146,593	1,534,101
Total liabilities and net assets	$	3,554,407	2,734,789

See accompanying notes to consolidated financial statements.

LEGACY HEALTH

Consolidated Statements of Operations

Years ended March 31, 2021 and 2020

(Dollars in thousands)

		2021	2020
Operating revenues:			
Net patient service revenue	$	2,052,818	2,192,248
Capitation revenue		78	35,920
Other revenue		213,097	108,375
Total operating revenues		2,265,993	2,336,543
Operating expenses:			
Wages, salaries, and benefits		1,392,595	1,370,974
Supplies		362,667	367,241
Professional fees		56,073	57,896
Purchased services		134,990	137,512
Purchased medical services		40	29,659
Utilities, insurance, and other expenses		178,872	186,803
Depreciation		82,384	92,646
Interest and amortization		16,081	14,448
Total operating expenses		2,223,702	2,257,179
Income from operations		42,291	79,364
Nonoperating income (loss):			
Investment income (loss), net		300,948	(37,947)
Other, net		20,096	(5,219)
Total nonoperating income (loss)		321,044	(43,166)
Excess of revenues over expenses		363,335	36,198
Change in pension		234,103	(76,374)
Net assets released from restriction		1,808	869
Distributions to joint venture partners		(1,583)	(2,750)
Other		35	(17)
Change in net assets without donor restrictions	$	597,698	(42,074)

See accompanying notes to consolidated financial statements.

LEGACY HEALTH

Consolidated Statements of Changes in Net Assets

Years ended March 31, 2021 and 2020

(Dollars in thousands)

		Without donor restrictions, controlling	Without donor restrictions, noncontrolling	With donor restrictions	Total net assets
Balance, March 31, 2019	$	1,498,395	20,614	62,813	1,581,822
Excess of revenues over expenses		33,732	2,466	—	36,198
Change in pension liability		(76,374)	—	—	(76,374)
Restricted contributions and grants		—	—	5,618	5,618
Net assets released from restriction		869	—	(4,363)	(3,494)
Investment gain, net		—	—	(6,919)	(6,919)
Distributions to joint venture partners		(32)	(2,718)	—	(2,750)
Other		(17)	—	17	—
Change in net assets		(41,822)	(252)	(5,647)	(47,721)
Balance, March 31, 2020		1,456,573	20,362	57,166	1,534,101
Excess of revenues over expenses		361,019	2,316	—	363,335
Change in pension liability		234,103	—	—	234,103
Restricted contributions and grants		—	—	8,518	8,518
Net assets released from restriction		1,808	—	(10,521)	(8,713)
Investment gain, net		—	—	16,832	16,832
Distributions to joint venture partners		109	(1,692)	—	(1,583)
Other		35	—	(35)	—
Change in net assets		597,074	624	14,794	612,492
Balance, March 31, 2021	$	2,053,647	20,986	71,960	2,146,593

See accompanying notes to consolidated financial statements.

LEGACY HEALTH

Consolidated Statements of Cash Flows

Years ended March 31, 2021 and 2020

(Dollars in thousands)

		2021	2020
Cash flows from operating activities:			
Change in net assets	$	612,492	(47,721)
Adjustments to reconcile change in net assets to net cash provided by operating activities:			
Net distributions to noncontrolling partners		1,692	2,718
Depreciation and amortization		90,001	100,051
Loss on disposal of assets		588	6,553
Change in net realized and unrealized losses (gains) on investments		(320,405)	41,450
Restricted contributions		(328)	2,352
Equity earnings from joint ventures and investment companies, net		(45,440)	(21,819)
Pension and other post retirement adjustments		(234,103)	76,374
Change in certain current assets and current liabilities		91,353	43,950
Change in certain long-term operating assets and liabilities		102,139	(11,472)
Net cash from operating activities		297,989	192,436
Cash flows from investing activities:			
Purchase of property, plant, and equipment		(94,517)	(113,153)
Proceeds from sale of assets		595	1,191
Change in funds held by trustee		44,895	46,970
Change in other long-term assets		273	(999)
Investment in joint ventures		(30,200)	(30,450)
Distributions from joint ventures and investment companies		2,740	12,890
Purchases of investments		(445,508)	(476,556)
Sales of investments		447,180	449,865
Net cash from investing activities		(74,542)	(110,242)
Cash flows from financing activities:			
Proceeds from issuance of long-term debt		220,970	24,390
Refund of deferred financing costs		—	(335)
Repayment of long-term debt		(23,465)	(46,405)
Distributions to noncontrolling partners		(1,692)	(2,718)
Proceeds from restricted contributions		328	(2,352)
Net cash from financing activities		196,141	(27,420)
Increase in cash and cash equivalents		419,588	54,774
Cash and cash equivalents, beginning of year		144,041	89,267
Cash and cash equivalents, end of year	$	563,629	144,041
Supplemental disclosures of cash flow information:			
Cash paid for interest (net of amount capitalized)	$	17,546	16,394
Change in amounts accrued for property, plant, and equipment, net		4,040	863

See accompanying notes to consolidated financial statements.

(1) Organization and Summary of Significant Accounting Policies

(a) Organization and Basis of Consolidation

Legacy Health (Legacy), an Oregon nonprofit corporation, is an integrated healthcare delivery system providing various healthcare-related services. The consolidated financial statements include Legacy and its direct affiliates, which are organized primarily as nonprofit corporations under the laws of the State of Oregon or Washington, and include the following:

Legacy Emanuel Hospital & Health Center (LEH)
Legacy Good Samaritan Hospital and Medical Center (LGS)
Legacy Meridian Park Hospital (LMP)
Legacy Mount Hood Medical Center (LMH)
Silverton Health (SH)
Legacy Salmon Creek Hospital (LSC)
Legacy Visiting Nurse Association and Affiliates (LVNA)
Managed HealthCare Northwest, Inc. (MHN)
Legacy Health System Insurance Company (LHSIC)
Legacy USP Surgery Centers, LLC (LUSC)

The consolidated financial statements also include the accounts of affiliated foundations (Legacy Health Foundation, Randall Children's Hospital Foundation, Good Samaritan Foundation, Meridian Park Medical Foundation, Mt. Hood Medical Center Foundation, and Salmon Creek Hospital Foundation, collectively the Foundations, and Silverton Health Foundation). All significant inter-affiliate accounts and transactions have been eliminated.

On June 1, 2016, Legacy became the sole corporate member of Silverton Health (SH) and affiliates, assuming their operations and assets, in exchange for the assumption of their liabilities and outstanding debt obligations. Among the requirements of the affiliation agreement are for Legacy to operate SH's hospital and additional health facilities for 10 years, invest $57,600 within 8 years to grow and improve patient care services at SH (of which $18,134 has been invested as of March 31, 2021) and provide the Silverton Health Foundation with a contribution of $3,000.

(b) Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates include implicit and explicit price concessions on patient accounts receivable, self-insured liabilities, and pension obligations.

(c) *Income Taxes*

Legacy has been recognized as exempt from federal income taxes, except on unrelated business income, under Section 501(a) of the Internal Revenue Code (IRC) as an organization described in Section 501(c)(3) and further described as a public charitable organization under Section 509(a)(3). Substantially all of Legacy's direct affiliates have been granted exemptions from federal income tax under Section 501(a) of the IRC as charitable organizations described in Section 501(c)(3), except MHN, LHSIC, and LUSC. During 2021 and 2020, Legacy did not record any liability for uncertain tax benefits.

(d) *Income from Operations*

Income from operations excludes certain items that Legacy deems to be outside the scope of its primary business. These nonoperating activities include investment income, rental activities, and research activities.

(e) *Excess of Revenues Over Expenses*

The performance indicator is excess of revenues over expenses. Changes in net assets without donor restrictions that are excluded include certain changes in funded status of pension plans and net assets released from restriction for the purchase of property, plant, and equipment.

(f) *Fair Value Measurements*

Accounting Standards Codification Topic 820, *Fair Value Measurement*, establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

- Level 1 inputs include quoted prices (unadjusted) in active markets for identical assets and liabilities.
- Level 2 inputs include inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability.

The level in the fair value hierarchy within which a fair value measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement. Investments valued utilizing net asset value (NAV) as a practical expedient are excluded from the hierarchy.

(g) *Net Patient Service Revenue*

Net patient service revenue is reported at the amount that reflects the consideration to which Legacy expects to be entitled in exchange for providing patient care. These amounts are due from patients, third-party payors (including health insurers and government programs), and others and includes variable consideration for retroactive revenue adjustments due to settlement of audits, reviews, and investigations. Generally, Legacy bills patients and third-party payors several days after the services are performed and/or the patient is discharged from the facility. Revenue for substantially all services is recognized at the time services are rendered.

Prices are based on standard charges for goods and services provided, reduced by contractual adjustments provided to third-party payors, discounts provided to uninsured patients in accordance with Legacy's policy, and/or implicit price concessions provided to uninsured patients. Legacy determines its estimates of contractual adjustments and discounts based on contractual agreements, its discount policy, and historical experience. Legacy determines its estimate of implicit price concessions based on its historical collection experience with each class of patient.

Retroactive settlements with third-party payors due to audits, reviews, or investigations are considered variable consideration and included in the estimated transaction price for providing patient care. These settlements are estimated based on the terms of the agreement with the payor, correspondence from the payor, and Legacy's historical settlement activity and are adjusted in future periods as adjustments become known or as years are settled or are no longer subject to such audits, reviews, and investigations. In 2021 and 2020, Legacy recorded an increase to net patient service revenue of approximately $18,165 and $29,820, respectively, relating to settlement of prior years' reimbursement from Medicare and Medicaid programs.

Generally, patients who are covered by third-party payors are responsible for related deductibles and coinsurance. Legacy also provides services to uninsured patients and offers those uninsured patients a discount from standard charges. Legacy estimates the transaction price for patients with deductibles and coinsurance and from those who are uninsured based on historical experience and current market conditions. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to patient service revenue in the period of the change. Subsequent changes that are determined to be the result of an adverse change in the patient's ability to pay are recorded as bad debt expense. Bad debt expense for the years ended March 31, 2021 and 2020 was not significant.

Consistent with Legacy's mission, Legacy provides care without charge or at amounts less than its standard rates to patients who meet certain criteria under its financial assistance policy. Therefore, Legacy has determined it has provided price concessions to uninsured patients and patients with uninsured balances. The implicit price concessions included in estimating the transaction price represent the difference between amounts billed to patients and the amounts Legacy expects to collect based on its collection history with those patients who have been determined to qualify for financial assistance.

(h) Capitation Revenue

Capitation revenue is received on a prepaid basis and is recognized as revenue during the month for which the enrolled member is entitled to healthcare services. Capitation revenue received for future months is recorded as unearned revenue. Legacy's most significant capitation arrangement expired on December 31, 2019.

(i) Cash and Cash Equivalents

Cash equivalents include investments in highly liquid investments with original maturities of three months or less. Cash equivalents exclude amounts with donor or trustee restrictions, or amounts held within the investment portfolio.

(j) Inventories

Inventories are stated at the lower of average cost, as determined by the first-in, first-out method or market.

(k) Property, Plant, and Equipment

Property, plant, and equipment are stated at cost. Donated items are reported at fair market value on the date of donation. Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of acquiring those assets.

Impairment of property, plant, and equipment is assessed when there is evidence that events or changes in circumstances have made recovery of the net carrying value of assets unlikely.

Depreciation is determined by the straight-line method, which allocates cost equally over the estimated useful life. Average useful lives are as follows: buildings and improvements, 27 years; equipment and software, 7 years; and land improvements, 14 years.

(l) Leases

Legacy is a lessee in several noncancellable operating leases for medical space, office space and office equipment. Legacy determines if an arrangement is a lease, or contains a lease, at inception of a contract and when the terms of an existing contract are changed. Legacy recognizes a lease liability and a right of use (ROU) asset at the commencement date of the lease. The lease liability is initially and subsequently recognized based on the present value of its future lease payments. On the balance sheet, ROU assets are included in other assets and the current portion of lease liabilities are included in other current liabilities, whereas long-term leases are included in other liabilities. Variable payments are included in the future lease payments when those variable payments depend on an index or a rate. As the implicit rates are not readily determinable, Legacy uses its incremental borrowing rate based on the information available at the commencement date for all leases. Legacy's incremental borrowing rate for a lease is the rate of interest it would have to pay on a collateralized basis to borrow an amount equal to the lease payments under similar terms and in a similar economic environment. The ROU asset is subsequently measured throughout the lease term at the amount of the remeasured lease liability (i.e., present value of the remaining lease payments), plus unamortized initial direct costs, plus (minus) any prepaid (accrued) lease payments, minus the unamortized balance of lease incentives received, and any impairment recognized. Lease cost for lease payments is recognized on a straight-line basis over the lease term.

(m) Assets Limited as to Use, Investments, and Investment Income

Assets limited as to use include assets held by trustees under indenture agreements of $36,940 and $81,790 as of March 31, 2021 and 2020, respectively, as well as assets restricted for capital acquisition.

Noncurrent investments, which are accounted for as a trading portfolio, include investments in equity securities with readily determinable fair values, funds accounted for at NAV as a practical expedient, and investments in debt securities and are recorded at fair value in the consolidated balance sheets.

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Investments in unconsolidated affiliates include investments in joint ventures over which Legacy does not exercise control and are accounted for using the equity method of accounting.

Investment income or loss is included in revenues in excess of expenses unless the income or loss is restricted by donor or law. Unrealized gains and losses on investments are included in investment income.

(n) Net Assets with Donor Restrictions and Donor-Restricted Gifts

Net assets with donor restrictions include those whose use has been limited by donors to a specific time period or purpose or has been restricted by donors to be maintained in perpetuity. Income from net assets with donor restrictions is accounted for in accordance with donor instructions.

Unconditional promises to give cash and other assets to Legacy are reported at fair value at the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value at the date the condition is satisfied or the gift is received. Gifts or grants are reported as restricted contributions if they are received with stipulations that limit their use. When the terms of a donor or grantor restriction are met, net assets with donor restrictions may be reclassified as net assets without donor restrictions and reported in the consolidated statements of operations or consolidated statements of changes in net assets as net assets released from restriction. Contributions whose restrictions are met within the same year as received are reported as unrestricted contributions.

(o) Charitable Gift Annuities

Legacy has certificates of authority from the State of Oregon and the State of Washington to receive transfers of money or property upon agreement to pay an annuity. A charitable gift annuity is an arrangement between a donor and Legacy in which the donor contributes assets to Legacy in exchange for Legacy's agreement to pay a fixed amount for a specified period of time to the donor or other individuals and organizations as designated by the donor (annuitant). Upon execution of such an arrangement, Legacy recognizes the assets received at fair value and an annuity payment liability at the present value of future cash flows expected to be paid. Contribution revenue is recognized based upon the difference between these two amounts and on donor intent for the proceeds. In subsequent periods, payments to the annuitant reduce the annuity liability. Adjustments to the annuity liability to reflect amortization of the discount, changes in life expectancy, and death of the annuitant are recognized as other operating expenses. The annuity liability included in other current liabilities in the consolidated balance sheets as of March 31, 2021 and 2020 was $63 and $66, respectively. The annuities are not issued by an insurance company and are not subject to regulation by the State of Oregon or protected by an insurance guaranty association.

Although Legacy is exempt under Oregon Revised Statute 731.039 from the requirement to maintain a separate and distinct trust fund adequate to meet the actuarially determined future payments of the charitable gift annuities, Legacy does maintain trust accounts with a bank for all gift annuities. The amounts under trust were $151 and $128 as of March 31, 2021 and 2020, respectively. These marketable securities are comprised of cash equivalents and other fixed income instruments.

(p) New Accounting Pronouncements

In August 2018, the FASB issued ASU No. 2018-15, *Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement that is a Service Contract*. The ASU provides guidance for determining when fees paid in a cloud computing arrangement (hosting arrangement) includes a software license such that an intangible asset is recognized for the license and amortized. The new standard is effective for Legacy on April 1, 2021. Legacy is currently evaluating the extent of the impact of the adoption of ASU No. 2018-15.

(q) Reclassifications

Certain reclassifications have been made to prior year amounts to conform to the current year presentation.

(2) COVID-19 Pandemic and CARES Act Funding

The Coronavirus Aid, Relief, and Economic Security (CARES) Act was enacted on March 27, 2020 and authorized $100 billion in funding to hospitals and other healthcare providers to be distributed through the Public Health and Social Services Emergency Fund (the Fund). Payments from the Fund are intended to compensate healthcare providers for lost revenues and incremental expenses incurred in response to the COVID-19 pandemic and are not required to be repaid provided the recipients attest to and comply with certain terms and conditions, including limitations on balance billing and not using the funding to reimburse expenses or losses that other sources are obligated to reimburse. During the year ended March 31, 2021, Legacy received payments of approximately $93,616 from the Fund, of which $83,816 was recognized as Other operating revenue.

To increase cash flow to Medicare providers, the CARES Act also expanded the Medicare Accelerated and Advance Payment Program. CMS based payment amounts for inpatient acute care hospitals on the provider's Medicare fee-for-service reimbursements in the last six months of 2019. These accelerated payments are interest free for inpatient acute care hospitals and ambulatory providers for up to 29 months, and the program currently requires CMS to start recouping the payments beginning 12 months after receipt by the provider by withholding future Medicare fee-for-service payments for claims until the full accelerated payment has been recouped. The recoupment will start at 25% for the first 11 months, then increases to 50% for the succeeding six months, and any outstanding balance remaining after 29 months is to be repaid by the provider or be subject to an interest rate currently set at 4%. The payments are made for services a healthcare entity will provide to its Medicare patients who are the healthcare entity's customers. Therefore, they are accounted for as revenue once the services are provided to the patients. During the year ended March 31, 2021, Legacy received $116,458 of accelerated payments which have been accrued in the accompanying consolidated balance sheets in settlements payable to third-party payors, net ($65,874) and other long-term ($51,145) liabilities. These liabilities will be reduced as payment for services recognized for claims submitted for services provided after the one-year period, which for Legacy begins in April 2021.

The CARES Act also provided for deferred payment of the employer portion of social security taxes between March 27, 2020 and December 31, 2020, with 50% of the deferred amount due December 31, 2021 and the remaining 50% due December 31, 2022. As of March 31, 2021, Legacy deferred $45,524 in social security taxes, of which $22,762 are included in accrued wages, salaries and benefits and $22,762 included in other non-current liabilities in the accompanying consolidated balance sheets.

Under U.S. generally accepted accounting principles, management is required to make estimates and assumptions that affect reported amounts. Accordingly, the impact of COVID-19 has increased the uncertainty associated with several of the assumptions underlying management's estimates. COVID-19's overall impact on Legacy will be driven primarily by the severity and duration of the pandemic; the pandemic's impact on the U.S. economy; and the timing, scope, and effectiveness of federal, state, and local governmental responses to the pandemic. Those primary drivers are uncertain and beyond management's control and may adversely impact Legacy's revenue growth, supply chain, investments, and workforce, among other aspects of Legacy's business. The actual impact of COVID-19 on Legacy's consolidated financial statements may differ significantly from the judgments and estimates made as of the year ended March 31, 2021.

(3) Net Patient Service Revenue

The composition of accounts receivable from patients and net patient service revenue as of and for the years ended March 31 was as follows:

	Accounts receivable from patients, net		Net patient service revenue	
	2021	**2020**	**2021**	**2020**
Medicare	21.5 %	22.8 %	24.3 %	29.3 %
Medicaid	15.7	17.7	20.2	20.7
Blue Cross	17.2	18.4	19.7	15.5
Private pay	3.9	7.8	0.3	0.4
Other	41.7	33.3	35.5	34.1
	100.0 %	100.0 %	100.0 %	100.0 %

The composition of net patient revenue based on service lines for the years ended March 31 was as follows:

	2021	**2020**
Hospital	88.2 %	88.4 %
Physician services	8.8	8.8
Hospice	0.6	0.6
Referral lab	1.7	1.5
Other	0.7	0.7
	100.0 %	100.0 %

(4) Benefits to the Community

Legacy provides services to the community both for people in need and to enhance the health status of the broader community as part of its charitable mission. The following tables represent the estimated cost of providing certain services to the community:

		March 31, 2021		
	In-kind costs	Costs of service	Offsetting revenue	Net cost
Services for people in need:				
Charity care	$ —	42,868	—	42,868
Medicaid	—	581,449	323,275	258,174
Medicare	—	786,702	595,143	191,559
Other government programs	—	30,785	23,205	7,580
	—	1,441,804	941,623	500,181
Benefits to the community:				
Medical education and research	—	22,292	7,621	14,671
Community health services	—	2,101	144	1,957
Community benefit activities	196	—	—	196
Contributions to community organizations	154	4,086	—	4,240
	350	28,479	7,765	21,064
	$ 350	1,470,283	949,388	521,245
Percentage of total operating expenses				23.4 %

	March 31, 2020			
	In-kind costs	Costs of service	Offsetting revenue	Net cost
Services for people in need:				
Charity care	$ —	51,426	—	51,426
Medicaid	—	533,028	326,392	206,636
Medicare	—	808,207	615,086	193,121
Other government programs	—	26,889	22,335	4,554
	—	1,419,550	963,813	455,737
Benefits to the community:				
Medical education and research	—	27,472	7,668	19,804
Community health services	—	5,134	420	4,714
Community benefit activities	308	87	—	395
Contributions to community organizations	209	2,127	—	2,336
	517	34,820	8,088	27,249
	$ 517	1,454,370	971,901	482,986
Percentage of total operating expenses				21.4 %

(a) Services for People in Need

In support of its mission, Legacy provides medically necessary patient care services that are discounted or free of charge to persons who have insufficient resources and/or who are uninsured. The criteria for charity care are based on eligibility for insurance coverage, household income, qualified assets, catastrophic medical events, or other information supporting a patient's inability to pay for services provided. Specifically, Legacy provides an uninsured discount of 35% to patients. Additional discounts, on a sliding scale, are available to patients whose household income is less than 400% of the federal poverty level. For patients whose household income is at or below 300% of the federal poverty level, a full subsidy is available. In addition to the household income criteria, patients' qualified assets (e.g., 25% of household assets) and other catastrophic or economic circumstances are considered in determining eligibility for charity care. During 2021 and 2020, Legacy provided charity care benefiting patients associated with 54,409 and 65,784 patient accounts, respectively.

In addition to charity care, Legacy provides services under various states' Medicaid programs for low-income patients, to Medicare beneficiaries, and to beneficiaries under other government programs (such as TRICARE). The cost of providing services to these beneficiaries exceeds the reimbursement from these programs.

Legacy also employs financial counselors and social workers who assist patients in obtaining coverage for their healthcare needs. This includes assistance with workers' compensation, motor vehicle accident policies, COBRA, veterans' assistance, and public assistance programs, such as Medicaid. This program assists many patients in obtaining coverage through a third party, reducing the patients' financial responsibility. The costs associated with this program were $1,251 and $1,220 in 2021 and 2020, respectively.

(b) Benefits to the Community

Medical education and research includes the unreimbursed cost of nursing education, graduate medical education, and research.

Community health services include classes provided to the community at minimal or no cost, health education for children and parents with young families, resource centers, support groups, health screenings, senior wellness, volunteer programs, caregiver respite, and support for parish nursing programs.

Community benefit activities include activities that develop community health programs and partnerships. Contributions to community organizations include direct support provided to community organizations through cash or in-kind donations to enhance those organizations' missions of supporting health and human services, civic and community causes, and business development efforts. In-kind contributions provided by Legacy include facility space, staff availability for training and education opportunities, supplies, and professional services in collaboration with charitable, educational, and government organizations throughout its community.

(c) Other Benefits

In furtherance of its mission, Legacy commits significant time and resources to endeavors and critical services that meet unfilled community needs. Many of these activities are sponsored with the knowledge that they will not be self-supporting or financially viable. Such programs include mental and behavioral health; primary care clinics in underserved neighborhoods; free patient transportation; lodging, meals, and medications for transient patients when needed; participation in blood drives; and the provision of educational opportunities for students interested in pursuing medical-related careers.

Legacy also provides additional benefits to the community through the advocacy of community service by employees. Employees of Legacy serve numerous organizations through board representation, membership in associations, and other related activities.

Legacy pays taxes associated with various states' local business and occupation taxes and property taxes that local and state governments use to fund healthcare, civil, and education services to the community. Legacy paid $7,903 and $7,952 in local and state taxes in 2021 and 2020, respectively.

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(5) Liquidity and Availability

As of March 31, 2021 and 2020, Legacy had a working capital of $534,603 and $216,504 and average days (based on normal expenditures) cash on hand of 303.6 and 177.0, respectively. As part of Legacy's liquidity management plan, cash in excess of daily requirements is invested in cash equivalents and short-term investments. Noncurrent investments are classified as such as management does not intend to use them in the next year; however, they are sufficiently liquid that they would be available if needed except those held in private equity and private value-added real estate. Financial assets available for general expenditures within one year of the balance sheet date consist of the following:

		2021	2020
Cash and cash equivalents	$	563,629	144,041
Accounts receivable from patients, net		299,669	261,266
Other receivables		54,755	63,644
Noncurrent investments		1,236,114	920,247
Total financial assets		2,154,167	1,389,198
Less amounts not available to be used within one year:			
Funds held in private equity		19,877	4,949
Financial assets available to meet general expenditures within one year	$	2,134,290	1,384,249

(6) Investments

Legacy invests in different classes of securities for a variety of financial assets, including short-term investments, assets limited as to use, and noncurrent investments. The composition of these investments is as follows:

	March 31, 2021			
	Level 1	Level 2	Level 3	Total fair value
Cash equivalents	$ 51,758	—	—	51,758
Mutual funds – equity	425,779	—	—	425,779
Equity securities:				
Domestic	252,792	—	—	252,792
Foreign	35,567	—	—	35,567
Mutual funds – fixed income	32,607	—	—	32,607
Domestic debt securities:				
State and federal governments	—	46,434	—	46,434
Corporate and securitized	—	255,733	—	255,733
Foreign debt securities	—	32,067	—	32,067
Commingled funds	—	87,027	—	87,027
Interest rate swaps	—	8,692	—	8,692
	$ 798,503	429,953	—	1,228,456
Investments measured using NAV as a practical expedient				46,877
Total investments				$ 1,275,333

	March 31, 2020			
	Level 1	Level 2	Level 3	Total fair value
Cash equivalents	$ 72,165	—	—	72,165
Mutual funds – equity	266,038	—	—	266,038
Equity securities:				
Domestic	151,303	—	—	151,303
Foreign	20,999	—	—	20,999
Mutual funds – fixed income	33,141	—	—	33,141
Domestic debt securities:				
State and federal governments	—	59,346	—	59,346
Corporate and securitized	—	274,581	—	274,581
Foreign debt securities	—	33,615	—	33,615
Commingled funds	—	51,865	—	51,865
Interest rate swaps	—	6,519	—	6,519
Derivatives, net	—	(25)	—	(25)
	$ 543,646	425,901	—	969,547
Investments measured using NAV as a practical expedient				34,814
Total investments				$ 1,004,361

Legacy's primary fixed income manager uses derivatives for both investment and hedging purposes and may take long and/or short positions. The derivative investments may include, but are not restricted to, futures and swaps.

Legacy participates in various funds that are not actively marketed on an open exchange. These investments consist of shares or units in investment funds as opposed to direct interests in the funds' underlying holdings, which may be marketable. Due to the nature of these funds, the NAV per share or its equivalent reported by each fund manager is used as a practical expedient to estimate the fair value of Legacy's interest therein. Legacy believes that the carrying amounts provided by the fund managers are reasonable estimates of fair value. The following table presents information for investments where the NAV was used as a practical expedient to measure fair value at March 31:

	Fair value		Redemption	Redemption
	2021	2020	frequency	notice period
Private real estate – core	$ 27,000	29,865	Quarterly	60–95 days
Private real estate – value-added	—	—	N/A	N/A
Private equity	19,877	4,949	N/A	N/A
Total	$ 46,877	34,814		

Private real estate includes investments in both core and value-added funds. Core funds aim to generate a target return mainly from rental returns by income producing properties while value-added funds also seek market value returns in addition to rental income. Legacy's core fund is held via a pooled, commingled open-ended fund while value-added funds are held in the form of limited partnership/trust investments, similar to private equity and are discussed below.

As of March 31, 2021, Legacy had a capital commitment of $56,000 to private equity funds and $16,250 to value-added private real estate funds in the form of limited partnership/trust investments. These commitments are due on demand from the general partners/advisers. The private equity funds invest in emerging companies, venture capital funds, and other alternative investments. The termination of these partnerships/trusts is based upon specific provisions in the agreements. In most cases, the life of the trusts is a minimum of 10 years. Legacy can only transfer its interest in the investments with the consent of the general partner/adviser. The fair values of these investments are determined either by the underlying security value on the open market or by the general partner/adviser utilizing fair value principles.

As of March 31, 2021, approximately 4% of noncurrent investments require advance written notice of 90 days or longer to redeem the securities. For certain of these investments, it may take up to 90 days to receive the funds after the requested redemption date, and certain redemptions may be subject to other restrictions in accordance with subscription agreements.

Legacy has executed the following basis swaps with investment-banking firms:

Notional amount	Cash flow settlement	Legacy pays	Legacy receives	Termination date
$ 82,000	Semiannually	SIFMA index	62% of LIBOR, plus 1.011%	December 2033
50,000	Quarterly	SIFMA index	67% of LIBOR, plus 0.6% for three years; 94.1% of LIBOR thereafter	April 2029
50,000	Quarterly	SIFMA index	67% of LIBOR, plus 0.6% for three years; 84.45% of LIBOR thereafter	September 2030
50,000	Quarterly	SIFMA index	67% of LIBOR, plus 0.6% for three years; 84% of LIBOR thereafter	September 2030

The objective of these transactions is to assume the tax-basis risk for a portion of the fixed-rate exposure on outstanding long-term indebtedness in exchange for positive cash flows. These transactions do not meet the criteria for hedge accounting; therefore, any changes in fair value under these agreements are recorded as part of investment income in the consolidated statements of operations. The fair value of these swaps is determined by the spread in interest rates.

(7) Investments in Unconsolidated Affiliates

Investments in unconsolidated affiliates as of March 31 are as follows:

		2021	2020
PacificSource	$	280,703	214,509
Lifeflight Network		48,473	39,328
Other		10,414	9,986
Total investments in unconsolidated affiliates	$	339,590	263,823

In September 2016, Legacy completed a transaction to acquire up to a 50% ownership interest in PacificSource (PS). PS is the sole corporate member of PacificSource Health Plans, a not-for-profit community health plan offering commercial medical and dental plans in Oregon, Idaho, Montana, and Washington. PS is also the sole corporate member of PacificSource Community Health Plans, a health insurance company licensed in the states of Oregon, Idaho, and Montana, which offers Medicare Advantage and, through a subsidiary, Medicaid plans. PS owns 60% of the outstanding shares of Idaho Physicians Network, Inc., a physician contracting network.

An initial investment of $100,000 was funded with unrestricted cash and investments in September 2016 to acquire a 28.8% interest in PS. Legacy's agreement with PS includes plans for additional investments over five years to attain 50% ownership in September 2021. Legacy's equity interest was 46.8% and 43.2% as of March 31, 2021 and 2020, respectively. The following table represents assets, liabilities, and net assets of PS per audited financial statements as of December 31 and the related operating results for the year ended December 31:

		2020	2019
Assets	$	957,798	716,257
Liabilities		440,891	317,951
Net assets:			
Without donor restrictions		518,301	401,339
Accumulated other comprehensive loss		(2,014)	(3,770)
Noncontrolling interests		620	737
Total net assets without donor restrictions		516,907	398,306
Total liabilities and net assets	$	957,798	716,257

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		2020	2019
Underwriting income	$	34,068	(5,757)
Other income		59,744	26,868
Income tax expense		(6,307)	25,770
Net income	$	87,505	46,881

Legacy recorded net income on the investment in PS of $40,224 and $20,503 in 2021 and 2020, respectively. Legacy recorded $3,530 and $3,558 of amortization expense in 2021 and 2020, respectively, related to intangible assets acquired as part of the PS investment. Both net income and amortization expense related to PS are included in nonoperating income (loss), other in the consolidated statements of operations.

Legacy paid PS $3,810 and $3,734 in 2021 and 2020, respectively, for third-party health claims administration services for Legacy's self-insured health benefit plan, which are included in wages, salaries, and benefits in the consolidated statements of operations.

(8) Property, Plant, and Equipment

Property, plant, and equipment balances as of March 31 are as follows:

		2021	2020
Land	$	51,422	53,122
Land improvements		24,228	23,587
Buildings and improvements		1,249,676	1,236,031
Equipment and software		947,912	927,941
Construction in progress		143,617	94,778
		2,416,855	2,335,459
Accumulated depreciation		(1,603,449)	(1,519,799)
	$	813,406	815,660

There were capital expenditure purchase commitments outstanding as of March 31, 2021 for various construction and equipment projects. The estimated cost to complete such projects at March 31, 2021 was $183,851, of which $24,679 was contractually committed.

(9) Leases

Legacy leases various equipment and real property and has classified these leases as operating leases. These leases generally contain renewal options for periods ranging from three to five years. Unless Legacy is reasonably certain to exercise these renewal options, the optional periods are not included in determining the lease term, and associated payments under these renewal options are excluded from lease payments. Legacy's leases do not include termination options for either party to the lease or restrictive financial or other covenants. Payments due under the lease contracts include fixed payments plus any variable payments. Some of Legacy's office and medical space leases require variable payments for Legacy's proportionate share of the building's property taxes, insurance, and common area maintenance. These variable lease payments are not included in lease payments used to determine lease liability and are recognized as variable costs when incurred.

The following table represents lease information as of and for the year ended March 31:

		2021	2020
Operating lease cost	$	10,680	10,437
Variable lease cost		594	503
Short-term lease cost		6,196	5,269
Total lease cost	$	17,470	16,209
Operating lease liabilities	$	63,625	65,536
Operating lease ROU assets		62,250	65,136

Other information related to leases as of March 31 is as follows:

	2021	2020
Operating leases weighted average lease term	5.7 years	6.4 years
Operating leases weighted average discount rate	3.5 %	3.5 %

Maturities of lease liabilities under noncancelable operating leases as of March 31 are as follows:

2022	$	11,743
2023		11,534
2024		10,550
2025		8,895
2026		7,253
Thereafter		23,181
Total undiscounted lease payments		73,156
Less imputed interest		(9,531)
Total lease liabilities	$	63,625

(10) Long-Term Debt

A summary of long-term debt at March 31 is as follows:

		2021	2020
Hospital Revenue Bonds, Series 2008, payable in installments through 2038, subject to a seven-day put provision; variable interest rate	$	100,000	100,000
Hospital Revenue Bonds, Series 2011A, payable in 2021 from $19,980 to $22,060 through 2021, at rates ranging from 4.125% to 5.25%		22,060	43,030
Hospital Revenue Bonds, Series 2014A, payable in installments from $2,985 to $10,540 through 2040, at fixed rate of 2.425% subject to a mandatory tender on June 30, 2021, at which time Legacy can remarket the bonds, convert the bonds to a different mode, or pay off the bonds		71,720	71,720
Hospital Revenue Bonds, Series 2016A, payable in installments from $1,950 to $28,330 through 2047, at rates ranging from 3.0% to 5.0%, callable on or after June 2027		288,635	288,635
Hospital Revenue Bonds, Series 2020A, payable in installments from $2,410 to $2,520 through 2030, at fixed rate of 1.71% callable on or after June 2027		22,225	24,675
Taxable bullet loan maturing April 2030, issued at 2.74% fixed rate		100,000	—
Taxable bullet loan maturing April 2023, issued at 1.83% fixed rate		100,000	—
Multi-draw taxable term loan maturing June 2030, issued at 1.75% fixed rate		20,970	—
Other debt		648	700
		726,258	528,760
Premiums and deferred financing costs		22,564	24,111
Less current portion		(24,871)	(23,736)
	$	723,951	529,135

Interest cost incurred related to funds borrowed was $16,067 and $14,405 in 2021 and 2020, respectively. These amounts were reduced by $4,725 and $2,336 in 2021 and 2020, respectively, in the consolidated statements of operations for amounts capitalized for construction and other capital projects.

Scheduled principal repayments of long-term debt, including mandatory tenders of bonds eligible for refinancing, according to long-term amortization schedules are as follows:

2022	$	24,871
2023		18,065
2024		118,309
2025		18,721
2026		19,376
Thereafter		526,916
	$	726,258

The master trust indenture and other loan agreements covering these obligations contain, among other things, provisions placing restrictions on additional borrowings and leases and require the maintenance of debt service coverage and other ratios. The Credit Group, which was formed to facilitate borrowing, includes Legacy, LEH, LGS, LMP, LMH, LSC, and the Foundations.

In November 2008, Legacy issued $150,000 of Revenue Bonds Series 2008 (2008 Bonds), which are unsecured, variable-rate debt in an initial short-term interest rate mode, through the Hospital Facility Authority of Clackamas County, Oregon. The proceeds from the 2008 Bonds were restricted for capital expenditures and to pay the expenses incurred with the issuance. The 2008 Bonds, while subject to a long-term amortization period, may be put to Legacy at the option of the bondholders at certain remarketing dates. Series C ($50,000) of the 2008 Bonds were refinanced in November 2016. In conjunction with the issuance, Legacy arranged letter of credit and reimbursement agreements with a national bank, whereby the bank will purchase any bonds that are put by bondholders and not successfully remarketed. The letter of credit is due to expire in June 2022. In the event of a draw under this agreement, there are no principal payments due within a year. If the bonds have not been remarketed or redeemed and amounts remain outstanding after a year, such amounts are converted to a term loan due in eight quarterly payments. As a result, the 2008 Bonds are classified as long-term.

In May 2011, Legacy issued $111,470 of Refunding Revenue Bonds Series 2011A (2011 Bonds) through the Oregon Facilities Authority. The proceeds from the 2011 Bonds were used to refund previously issued debt and pay expenses for the issuance.

In June 2014, Legacy issued $71,700 of Hospital Revenue Bonds Series 2014A (2014 Bonds) under a bond purchase agreement with the Oregon Facilities Authority and a commercial bank. The proceeds from the 2014 Bonds were used to refinance previously issued debt.

In November 2016, Legacy issued $288,635 of Revenue Bonds Series 2016A (2016 Bonds) through the Oregon Facilities Authority. The proceeds from the 2016 Bonds will be used for capital expenditures, debt service during the construction period, and expenses incurred for the issuance. A portion of the proceeds was used to refinance Series C of the 2008 Bonds and other previously issued debt.

In March 2020, Legacy issued $24,675 under a bond purchase agreement with the Oregon Facilities Authority and a commercial bank. The proceeds from the 2021 Bonds were used to refinance previously issued debt.

In April 2020, Legacy secured a taxable, 10-year $100,000 bullet, term loan with Wells Fargo Bank, N.A. In May 2020, Legacy secured a taxable, 3-year $100,0000 bullet, term loan with U.S. Bank, N.A. All principal on these bullet loans is due at loan maturity.

In May 2020, Legacy secured a taxable, multi-draw 10-year term loan with J.P. Morgan Chase Bank, N.A. The total loan commitment is $43,030 and proceeds will be used to pay debt service on the Series 2011 Bond. In May 2020, $20,970 was drawn and the remaining $22,060 is expected to be drawn in May 2021.

In April 2020, Legacy secured a $100,000 revolving line of credit through U.S. Bank, N.A. The term of the line of credit is for 12 months and bears interest at a variable rate based upon LIBOR. No draws have occurred as of March 31, 2021.

(11) Net Assets with Donor Restrictions

Net assets with donor restrictions are available for the following purposes as of March 31:

		Restricted to a specific time period or purpose		Principal restricted in perpetuity	
		2021	2020	2021	2020
Education	$	10,415	6,863	3,143	3,113
Patient care		28,517	19,487	11,937	11,775
Research		6,798	4,484	1,641	1,640
Capital acquisition		2,854	3,329	—	—
Other		6,273	6,092	382	383
	$	54,857	40,255	17,103	16,911

(12) Functional Expenses

Legacy provides hospital services, physician services, and referral lab and other services. Support services include costs that are not controllable by operational leadership. Legacy leadership drives these costs, which benefit the entire organization. Costs that are controllable by operational leadership are allocated to the respective program activities. Labor and other direct costs that are controllable by operational leadership are attributed to the respective functional services. Employee benefits and other shared costs are allocated based on relative direct costs.

Expenses related to providing services were as follows for the years ended March 31:

		2021			
	Hospital services	Physician services	Lab and other health services	Support services	Total
Wages, salaries, and benefits	$ 815,796	285,486	46,553	244,760	1,392,595
Supplies	288,664	13,585	25,896	34,522	362,667
Professional fees	42,729	2,766	28	10,550	56,073
Purchased services	9,566	4,843	67,434	53,147	134,990
Interaffiliate purchased services	95,496	(37,671)	(57,825)	—	—
Purchased medical services	40	—	—	—	40
Utilities, insurance, and other expenses	36,809	23,225	849	117,989	178,872
Depreciation	54,313	2,789	2,544	22,738	82,384
Interest and amortization	8,611	12	—	7,458	16,081
	$ 1,352,024	295,035	85,479	491,164	2,223,702

		2020			
	Hospital services	Physician services	Lab and other health services	Support services	Total
Wages, salaries, and benefits	$ 812,012	284,673	49,277	225,012	1,370,974
Supplies	302,057	11,706	23,360	30,118	367,241
Professional fees	46,390	2,176	77	9,253	57,896
Purchased services	10,810	5,492	65,854	55,356	137,512
Interaffiliate purchased services	86,331	(30,113)	(56,218)	—	—
Purchased medical services	29,659	—	—	—	29,659
Utilities, insurance, and other expenses	25,860	24,398	544	136,001	186,803
Depreciation	59,283	3,365	2,429	27,569	92,646
Interest and amortization	10,884	17	—	3,547	14,448
	$ 1,383,286	301,714	85,323	486,856	2,257,179

(13) Retirement Plans

(a) Defined Contribution Plans

Legacy sponsors defined contribution retirement plans that cover substantially all employees. The plans provide for employer matching contributions in an amount equal to a percentage of employee pretax contributions, up to a maximum. Expense related to these plans was $65,658 and $62,797 for 2021 and 2020, respectively.

(b) Pension Benefit Plans

Legacy sponsors a pension plan, the Legacy Employees' Retirement Plan (the Plan). The retirement benefits of all participants in the Plan were frozen effective December 31, 2016 (the Freeze Date). No benefit service after the Freeze Date are taken into account in determining a participant's retirement benefits. After the Freeze Date, future retirement benefits are provided by the defined contribution plans.

Legacy maintains other retirement plans for certain management employees, which include a pension restoration plan, deferred compensation plans, and supplemental executive retirement plans.

A summary of changes in benefit obligations, fair values of plan assets, and the pension asset (liability) at March 31 and for the years then ended is as follows:

		2021	2020
Change in projected benefit obligation:			
Projected benefit obligation at beginning of year	$	918,835	915,469
Interest cost		30,259	35,581
Actuarial loss		8,918	22,619
Benefits paid		(55,930)	(54,834)
Projected benefit obligation at end of year		902,082	918,835
Change in plan assets:			
Fair value of assets at beginning of year		733,828	801,593
Actual return on plan assets		279,880	(18,309)
Employer contribution		1,695	5,378
Benefits paid		(55,930)	(54,834)
Fair value of assets at end of year		959,473	733,828
Funded status	$	57,391	(185,007)
Unrecognized net actuarial loss	$	120,633	354,736
Accumulated benefit obligation		902,082	918,835

The prior service credit and actuarial losses included in net assets without donor restrictions and expected to be recognized in net periodic pension cost during the year ending March 31, 2022 are $0 and $5,523, respectively.

Net periodic pension (benefit) cost for the years ended March 31 included the following components:

		2021	2020
Interest cost	$	30,259	35,581
Expected return on plan assets		(43,489)	(40,907)
Special recognition curtailments and settlements		25	17
Recognized net actuarial loss		6,606	5,444
Net periodic pension (benefit) cost	$	(6,599)	135

(i) *Assumptions*

Legacy used the following actuarial assumptions to determine its benefit obligations at March 31 and its net periodic benefit cost for the years ended March 31:

	2021	2020
Benefit obligation (measured as of March 31):		
Discount rate	3.26 %	3.39 %

	2020	2019
Net periodic benefit cost (measured for the year ended March 31):		
Discount rate	3.39 %	4.00 %
Long-term rate of return	6.00	6.00

The source data for the discount rate used to determine the benefit obligation was a universe of AA or higher rated U.S. dollar denominated bonds with similar maturities to the projected benefit payments. The expected long-term rate of return on plan assets was based on Legacy's asset allocation mix and the long-term historical return for each asset class, taking into account current and expected market conditions. The source data for the mortality table utilized for 2021 was the Pri-2012 Blue Collar Tables for Employees and Annuitants, projected using MP-2020 to reflect both current and future improvements in mortality. The source data for the mortality table utilized for 2019 was the RP-2014 Blue Collar Blended Employee and Annuitant using the RPEC 2014 projection scale.

(ii) Pension Plan Assets

The asset allocation of Legacy's pension plans at March 31 and the target allocation are as follows:

	Target allocation	2021 Actual allocation	2020 Actual allocation
Equity securities	0–60%	63 %	52 %
Fixed income	40–100	34	45
Real estate	—	2	2
Alternative investments	— %	1	1

Pension plan assets are managed according to an investment policy adopted by the Legacy Health Retirement Committee. Professional investment managers are retained to manage specific asset classes and professional consulting is utilized for investment performance reporting. The primary objectives are to preserve and grow the assets to provide for long-term benefit payments. Diversification is intended to reduce the risk of large losses and enhance opportunities for appropriate appreciation along with current income. It is also an objective to invest a significant portion of the assets in fixed-income assets that have a similar interest rate sensitivity as the projected liabilities for the Plan. Assets are rebalanced when balances fall outside of the approved range for each asset class.

The following tables set forth by level, within the fair value hierarchy, the Plan's assets at fair value:

	March 31, 2021			
	Level 1	Level 2	Level 3	Total fair value
Cash and cash equivalents	$ 16,291	—	—	16,291
Mutual funds – equity	241,729	—	—	241,729
Equity securities:				
Domestic	219,450	—	—	219,450
Foreign	31,282	—	—	31,282
Mutual funds – fixed income	55,058	—	—	55,058
Domestic debt securities:				
State and federal government	—	91,266	—	91,266
Corporate and securitized	—	177,945	—	177,945
Foreign debt securities	—	72,063	—	72,063
Commingled funds	—	105,660	—	105,660
Derivative assets, net	—	(319)	—	(319)
	$ 563,810	446,615	—	1,010,425
Investments measured using NAV as a practical expedient				22,163
Unsettled trades				(73,115)
Total assets at fair value				$ 959,473

	March 31, 2020			
	Level 1	Level 2	Level 3	Total fair value
Cash and cash equivalents	$ 25,942	—	—	25,942
Mutual funds – equity	150,789	—	—	150,789
Equity securities:				
Domestic	127,870	—	—	127,870
Foreign	17,745	—	—	17,745
Mutual funds – fixed income	23,345	—	—	23,345
Domestic debt securities:				
State and federal government	—	149,341	—	149,341
Corporate and securitized	—	157,647	—	157,647
Foreign debt securities	—	54,959	—	54,959
Commingled funds	—	64,096	—	64,096
Derivative assets, net	—	(5,197)	—	(5,197)
	$ 345,691	420,846	—	766,537
Investments measured using NAV as a practical expedient				25,480
Unsettled trades				(58,189)
Total assets at fair value				$ 733,828

The following table presents information for plan assets where the NAV was used as a practical expedient to measure fair value at March 31:

	2021	2020	Redemption frequency	Redemption notice period
Private real estate – core	$ 15,486	16,970	Quarterly	60–95 days
Private equity	6,677	8,510	N/A	N/A
Total	$ 22,163	25,480		

The Plan allows certain fixed-income investment managers to use derivative financial instruments to manage interest rate risk, which may include, but are not limited to, futures, options, swaps, and forward currency contracts.

The following table presents gross investment derivative assets and liabilities reported on a net basis in plan investments:

		2021	2020
Derivative assets:			
Future contracts	$	397	5,972
Other derivatives and forward setting contracts		—	2,612
		397	8,584
Derivative liabilities:			
Future contracts		(397)	(5,972)
Other derivatives and forward setting contracts		(319)	(7,809)
		(716)	(13,781)
Net investment derivative liabilities	$	(319)	(5,197)

(iii) Cash Flows

Legacy's policy with respect to funding the qualified plans is to fund at least the minimum required by the Employee Retirement Income Security Act of 1974, as amended, plus such additional amounts as deemed appropriate.

Benefit payments are expected to be paid as follows for the years ending December 31:

2022	$	59,158
2023		55,347
2024		56,153
2025		56,874
2026		60,271
2027–2031		270,611

These estimates are based on assumptions about future events. Actual benefit payments may vary significantly from these estimates.

(14) Commitments and Contingencies

(a) Professional and General Liability

Legacy is self-insured for professional and general liability coverage. Legacy accrues estimated general and professional liability claims based upon management's estimate of the ultimate costs for both reported claims and actuarially determined estimates of claims incurred but not reported. Coverage in excess of self-insurance limits is provided on a claims-made basis through Legacy's captive insurance company, LHSIC.

(b) Employee Benefits

Legacy is self-insured for workers' compensation, employee health, and long-term and short-term disability. Legacy accrues the unpaid portion of claims that have been reported and estimates of claims that have been incurred but not reported based on an actuarial study.

(c) Collective Bargaining Agreements

Approximately 11% of Legacy employees were covered under collective bargaining agreements at March 31, 2021, including certain service and maintenance employees. Approximately 1,347 employees are covered by collective bargaining agreements that expire within one year. In June 2019, the nursing staff at UNITY Behavioral Health voted to join the Oregon Nurses Association union. This collective bargaining group will represent 193 nurses when contract negotiations are complete.

(15) Compliance with Laws and Regulations

The healthcare industry is subject to numerous laws and regulations from federal, state, and local governments, including those concerning Medicare and Medicaid, which are complex and subject to varying interpretation. As a result of investigations by government agencies, various healthcare organizations have received requests for information and notices regarding alleged noncompliance with those laws and regulations, which, in some instances, have resulted in organizations entering into significant settlement agreements. Compliance with such laws and regulations may also be subject to future government review and interpretation as well as significant regulatory action, including fines, penalties, and potential exclusion from the related programs. There can be no assurance that regulatory authorities will not challenge Legacy's compliance with these laws and regulations, and it is not possible to determine the impact (if any) such claims or penalties would have upon Legacy. In addition, the contracts Legacy has with commercial payors also provide for retroactive audit and review of claims.

Management is aware of certain asserted and unasserted claims and regulatory matters arising in the ordinary course of business. After consultation with legal counsel, management estimates these matters will be resolved without material adverse effect to Legacy's consolidated financial statements.

(16) Subsequent Events

A significant contract with Kaiser Permanente has changed such that beginning in July 2021, Kaiser Permanente will no longer send members in Southwest Washington to Legacy Salmon Creek Medical Center for inpatient hospital care, though they may still seek care in the emergency department and family birth center. Management estimates an annual reduction in net patient revenue in fiscal year 2022 of approximately $27,000.

Legacy evaluated and disclosed all material subsequent events through June 18, 2021, the date the consolidated financial statements were issued.

LEGACY HEALTH

Consolidating Schedule of Balance Sheet Information

March 31, 2021 and 2020

(Dollars in thousands)

Assets		Credit reporting group	Other affiliates and eliminations	March 31, 2021 consolidated	March 31, 2020 consolidated
Current assets:					
Cash and cash equivalents	$	563,331	298	563,629	144,041
Accounts receivable from patients, net		285,799	13,870	299,669	261,266
Settlements receivable from third-party payors, net		—	—	—	39,486
Other receivables		45,884	8,871	54,755	63,644
Inventories		29,362	1,494	30,856	25,767
Prepaid expenses		19,395	649	20,044	17,420
Total current assets		943,771	25,182	968,953	551,624
Assets limited as to use		39,219	—	39,219	84,114
Property, plant, and equipment, net		786,989	26,417	813,406	815,660
Noncurrent investments		1,236,114	—	1,236,114	920,247
Investments in unconsolidated affiliates		348,539	(8,949)	339,590	263,823
Pension asset greater than liabilities		57,391	—	57,391	—
Other assets		68,916	30,818	99,734	99,321
Interaffiliate receivable (payable)		(11,959)	11,959	—	—
Total assets	$	3,468,980	85,427	3,554,407	2,734,789
Liabilities and Net Assets					
Current liabilities:					
Accounts payable	$	73,507	3,820	77,327	66,575
Accrued wages, salaries, and benefits		192,980	9,530	202,510	171,749
Accrued interest		5,695	—	5,695	5,633
Settlements payable to third-party payors, net		33,365	2,639	36,004	—
Other current liabilities		73,533	6,377	79,910	72,427
Current portion of long-term debt		24,550	321	24,871	23,736
Total current liabilities		403,630	22,687	426,317	340,120
Long-term debt, less current portion		723,624	327	723,951	529,135
General and professional claims liability		44,977	3,983	48,960	41,884
Pension liability		—	—	—	185,007
Other liabilities		201,833	6,753	208,586	104,542
Total liabilities		1,374,064	33,750	1,407,814	1,200,688
Net assets:					
Without donor restrictions, controlling		2,024,031	29,616	2,053,647	1,456,573
Without donor restrictions, noncontrolling		—	20,986	20,986	20,362
With donor restrictions		70,885	1,075	71,960	57,166
Total net assets		2,094,916	51,677	2,146,593	1,534,101
Total liabilities and net assets	$	3,468,980	85,427	3,554,407	2,734,789

See accompanying independent auditors’ report.

LEGACY HEALTH

Consolidating Schedule of Operations Information

Years ended March 31, 2021 and 2020

(Dollars in thousands)

		Credit reporting group	Other affiliates and eliminations	Year ended March 31, 2021 consolidated	Year ended March 31, 2020 consolidated
Operating revenues:					
Net patient service revenue	$	1,937,796	115,022	2,052,818	2,192,248
Capitation revenue		68	10	78	35,920
Other revenue		207,624	5,473	213,097	108,375
Total operating revenues		2,145,488	120,505	2,265,993	2,336,543
Operating expenses:					
Wages, salaries, and benefits		1,319,244	73,351	1,392,595	1,370,974
Supplies		350,159	12,508	362,667	367,241
Professional fees		51,919	4,154	56,073	57,896
Purchased services		123,799	11,191	134,990	137,512
Purchased medical services		—	40	40	29,659
Utilities, insurance, and other expenses		166,313	12,559	178,872	186,803
Depreciation		78,910	3,474	82,384	92,646
Interest and amortization		16,069	12	16,081	14,448
Management fees		(1,100)	1,100	—	—
Total operating expenses		2,105,313	118,389	2,223,702	2,257,179
Income from operations		40,175	2,116	42,291	79,364
Nonoperating (loss) income:					
Investment (loss) income, net		297,957	2,991	300,948	(37,947)
Other, net		19,865	231	20,096	(5,219)
Total nonoperating (loss) income		317,822	3,222	321,044	(43,166)
Excess of revenues over expenses		357,997	5,338	363,335	36,198
Change in pension liability		234,103	—	234,103	(76,374)
Net assets released from restriction		1,682	126	1,808	869
Distributions to joint venture partners		—	(1,583)	(1,583)	(2,750)
Other		35	—	35	(17)
Change in net assets without donor restrictions	$	593,817	3,881	597,698	(42,074)

See accompanying independent auditors' report.

LEGACY HEALTH

Consolidated Financial and Statistical Highlights

Years ended March 31

(Unaudited)

	2021	2020	2019	2018
Utilization:				
Average number of available beds	1,267	1,256	1,253	1,236
Discharges	51,881	60,091	62,746	64,280
Adjusted discharges	108,307	126,112	125,605	122,602
Patient days	294,134	316,983	304,398	315,073
Average length of stay	5.7	5.3	4.9	4.9
Percentage occupancy	63.6 %	69.1 %	66.6 %	69.8 %
Emergency room visits	235,397	292,653	290,940	294,135
Clinic visits	1,258,556	1,339,231	1,267,733	1,163,784
Surgical cases – inpatient	13,106	15,636	16,572	17,059
Surgical cases – outpatient	28,033	30,594	29,153	28,076
Average full-time equivalent (FTE) employees:				
Number of paid FTEs	11,109	11,271	11,310	11,249
FTEs per adjusted occupied bed	6.6	6.2	6.8	6.8
Ratios:				
Operating margin	1.9 %	3.4 %	2.7 %	2.1 %
Net days in accounts receivable	48.6	42.8	45.9	45.7
Days cash on hand	303.6	177.0	180.6	177.7
Capitalization	26.1 %	27.0 %	26.9 %	28.4 %

See accompanying independent auditors’ report.

LEGACY HEALTH

Consolidated Financial Statements and Other Financial Information

March 31, 2022 and 2021

(With Independent Auditors' Report Thereon)

LEGACY HEALTH

Table of Contents

KPMG LLP
Suite 3800
1300 South West Fifth Avenue
Portland, OR 97201

Independent Auditors' Report

The Board of Directors
Legacy Health:

Opinion

We have audited the consolidated financial statements of Legacy Health and its subsidiaries (the Company), which comprise the consolidated balance sheets as of March 31, 2022 and 2021, and the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as of March 31, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with U.S. generally accepted accounting principles, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date that the consolidated financial statements are issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

KPMG LLP, a Delaware limited liability partnership and a member firm of
the KPMG global organization of independent member firms affiliated with
KPMG International Limited, a private English company limited by guarantee.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplemental information included in the consolidating schedule of balance sheet information and consolidating schedule of operations information is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

The consolidated financial and statistical highlights is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the consolidated financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

KPMG LLP

Portland, Oregon
June 17, 2022

LEGACY HEALTH

Consolidated Balance Sheets

March 31, 2022 and 2021

(Dollars in thousands)

Assets		2022	2021
Current assets:			
Cash and cash equivalents	$	317,014	563,629
Short-term investments		99,054	—
Accounts receivable from patients, net		336,596	299,669
Other receivables		78,220	54,755
Inventories		33,244	30,856
Prepaid expenses		23,392	20,044
Total current assets		887,520	968,953
Assets limited as to use		14,305	39,219
Property, plant, and equipment, net		781,216	813,406
Noncurrent investments		1,243,633	1,236,114
Investments in unconsolidated affiliates		375,762	339,590
Pension asset		57,681	57,391
Other assets		90,511	99,734
Total assets	$	3,450,628	3,554,407
Liabilities and Net Assets			
Current liabilities:			
Accounts payable	$	76,661	77,327
Accrued wages, salaries, and benefits		226,777	202,510
Accrued interest		5,078	5,695
Settlements payable to third-party payors, net		25,792	36,004
Other current liabilities		112,760	79,910
Current portion of long-term debt		18,032	24,871
Total current liabilities		465,100	426,317
Long-term debt, less current portion		655,260	723,951
General and professional claims liability		37,321	48,960
Other liabilities		140,897	208,586
Total liabilities		1,298,578	1,407,814
Net assets:			
Without donor restrictions, controlling		2,061,545	2,053,647
Without donor restrictions, noncontrolling		20,369	20,986
With donor restrictions		70,136	71,960
Total net assets		2,152,050	2,146,593
Total liabilities and net assets	$	3,450,628	3,554,407

See accompanying notes to consolidated financial statements.

LEGACY HEALTH

Consolidated Statements of Operations

Years ended March 31, 2022 and 2021

(Dollars in thousands)

		2022	2021
Operating revenues:			
Net patient service revenue	$	2,341,714	2,052,818
Other revenue		220,735	213,175
Total operating revenues		2,562,449	2,265,993
Operating expenses:			
Wages, salaries, and benefits		1,591,162	1,392,595
Supplies		407,840	362,667
Professional fees		68,545	56,073
Purchased services		154,495	135,030
Utilities, insurance, and other expenses		213,206	178,872
Depreciation		77,034	82,384
Interest and amortization		19,073	16,081
Total operating expenses		2,531,355	2,223,702
Income from operations		31,094	42,291
Nonoperating income (loss):			
Investment income, net		17,624	300,948
Other, net		(30,844)	20,096
Total nonoperating (loss) income		(13,220)	321,044
Excess of revenues over expenses		17,874	363,335
Change in pension		(10,313)	234,103
Net assets released from restriction		3,029	1,808
Distributions to joint venture partners		(3,309)	(1,583)
Other		—	35
Change in net assets without donor restrictions	$	7,281	597,698

See accompanying notes to consolidated financial statements.

LEGACY HEALTH

Consolidated Statements of Changes in Net Assets

Years ended March 31, 2022 and 2021

(Dollars in thousands)

		Without donor restrictions, controlling	Without donor restrictions, noncontrolling	With donor restrictions	Total net assets
Balance, March 31, 2020	$	1,456,573	20,362	57,166	1,534,101
Excess of revenues over expenses		361,019	2,316	—	363,335
Change in pension liability		234,103	—	—	234,103
Restricted contributions and grants		—	—	8,518	8,518
Net assets released from restriction		1,808	—	(10,521)	(8,713)
Investment gain, net		—	—	16,832	16,832
Distributions to joint venture partners		109	(1,692)	—	(1,583)
Other		35	—	(35)	—
Change in net assets		597,074	624	14,794	612,492
Balance, March 31, 2021		2,053,647	20,986	71,960	2,146,593
Excess of revenues over expenses		15,290	2,584	—	17,874
Change in pension liability		(10,313)	—	—	(10,313)
Restricted contributions and grants		—	—	6,807	6,807
Net assets released from restriction		3,029	—	(10,362)	(7,333)
Investment gain, net		—	—	1,731	1,731
Distributions to joint venture partners		(108)	(3,201)	—	(3,309)
Other		—	—	—	—
Change in net assets		7,898	(617)	(1,824)	5,457
Balance, March 31, 2022	$	2,061,545	20,369	70,136	2,152,050

See accompanying notes to consolidated financial statements.

LEGACY HEALTH

Consolidated Statements of Cash Flows

Years ended March 31, 2022 and 2021

(Dollars in thousands)

		2022	2021
Cash flows from operating activities:			
Change in net assets	$	5,457	612,492
Adjustments to reconcile change in net assets to net cash provided by operating activities:			
Net distributions to noncontrolling partners		3,202	1,692
Depreciation and amortization		86,486	90,001
Loss on disposal of assets		(2,029)	588
Change in net realized and unrealized losses (gains) on investments		(16,933)	(320,405)
Restricted contributions		(357)	(328)
Equity earnings from joint ventures and investment companies, net		(12,873)	(45,440)
Pension and other post retirement adjustments		10,313	(234,103)
Change in certain current assets and current liabilities		(28,655)	91,353
Change in certain long-term operating assets and liabilities		(82,518)	102,139
Net cash from operating activities		(37,907)	297,989
Cash flows from investing activities:			
Purchase of property, plant, and equipment		(48,777)	(94,517)
Proceeds from sale of assets		5,071	595
Change in funds held by trustee		24,914	44,895
Change in other long-term assets		361	273
Investment in joint ventures		(29,500)	(30,200)
Distributions from joint ventures and investment companies		8,846	2,740
Purchases of investments		(384,161)	(445,508)
Sales of investments		291,612	447,180
Net cash from investing activities		(131,634)	(74,542)
Cash flows from financing activities:			
Proceeds from issuance of long-term debt		22,060	220,970
Repayment of long-term debt		(96,289)	(23,465)
Distributions to noncontrolling partners		(3,202)	(1,692)
Proceeds from restricted contributions		357	328
Net cash from financing activities		(77,074)	196,141
(Decrease) Increase in cash and cash equivalents		(246,615)	419,588
Cash and cash equivalents, beginning of year		563,629	144,041
Cash and cash equivalents, end of year	$	317,014	563,629
Supplemental disclosures of cash flow information:			
Cash paid for interest (net of amount capitalized)	$	20,518	17,546
Change in amounts accrued for property, plant, and equipment, net		(7,148)	4,040

See accompanying notes to consolidated financial statements.

PUBLIC

OHSU_Notice_01531

(1) Organization and Summary of Significant Accounting Policies

(a) Organization and Basis of Consolidation

Legacy Health (Legacy), an Oregon nonprofit corporation, is an integrated healthcare delivery system providing various healthcare-related services. The consolidated financial statements include Legacy and its direct affiliates, which are organized primarily as nonprofit corporations under the laws of the State of Oregon or Washington, and include the following:

Legacy Emanuel Hospital & Health Center (LEH)
Legacy Good Samaritan Hospital and Medical Center (LGS)
Legacy Meridian Park Hospital (LMP)
Legacy Mount Hood Medical Center (LMH)
Silverton Health (SH)
Legacy Salmon Creek Hospital (LSC)
Legacy Visiting Nurse Association and Affiliates (LVNA)
Managed HealthCare Northwest, Inc. (MHN)
Legacy Health System Insurance Company (LHSIC)
Legacy USP Surgery Centers, LLC (LUSC)

The consolidated financial statements also include the accounts of affiliated foundations (Legacy Health Foundation, Randall Children's Hospital Foundation, Good Samaritan Foundation, and Salmon Creek Hospital Foundation, collectively the Foundations, and Silverton Health Foundation). All significant inter-affiliate accounts and transactions have been eliminated.

On June 1, 2016, Legacy became the sole corporate member of SH and affiliates, assuming their operations and assets, in exchange for the assumption of their liabilities and outstanding debt obligations. Among the requirements of the affiliation agreement are for Legacy to operate SH's hospital and additional health facilities for 10 years, invest $57,580 within 8 years to grow and improve patient care services at SH (of which $19,251 has been invested as of March 31, 2022).

(b) Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes

Legacy has been recognized as exempt from federal income taxes, except on unrelated business income, under Section 501(a) of the Internal Revenue Code (IRC) as an organization described in Section 501(c)(3) and further described as a public charitable organization under Section 509(a)(3). Substantially all of Legacy's direct affiliates have been granted exemptions from federal income tax under Section 501(a) of the IRC as charitable organizations described in Section 501(c)(3), except

MHN, LHSIC, and Legacy United Surgical Partners. During 2022 and 2021, Legacy did not record any liability for uncertain tax benefits.

(c) Income from Operations

Income from operations excludes certain items that Legacy deems to be outside the scope of its primary business. These nonoperating activities include investment income, Pacificsource Health Plan investment income, and other lessor activities.

(d) Excess of Revenues Over Expenses

The performance indicator is excess of revenues over expenses. Changes in net assets without donor restrictions that are excluded include certain changes in funded status of pension plans and net assets released from restriction for the purchase of property, plant, and equipment.

(e) Fair Value Measurements

Accounting Standards Codification Topic 820, *Fair Value Measurement*, establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

- Level 1 inputs include quoted prices (unadjusted) in active markets for identical assets and liabilities.
- Level 2 inputs include inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability.

The level in the fair value hierarchy within which a fair value measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement. Investments valued utilizing net asset value (NAV) as a practical expedient are excluded from the hierarchy.

(f) Net Patient Service Revenue

Net patient service revenue is reported at the amount that reflects the consideration to which Legacy expects to be entitled in exchange for providing patient care. These amounts are due from patients, third-party payors (including health insurers and government programs), and others and includes variable consideration for retroactive revenue adjustments due to settlement of audits, reviews, and investigations. Generally, Legacy bills patients and third-party payors several days after the services are performed and/or the patient is discharged from the facility. Revenue for substantially all services is recognized as services are rendered.

Prices are based on standard charges for goods and services provided, reduced by contractual adjustments provided to third-party payors, discounts provided to uninsured patients in accordance with Legacy's policy, and/or implicit price concessions provided to uninsured patients. Legacy determines its estimates of contractual adjustments and discounts based on contractual agreements, its discount policy, and historical experience. Legacy determines its estimate of implicit price concessions based on its historical collection experience with each class of patient.

Retroactive settlements with third-party payors due to audits, reviews, or investigations are considered variable consideration and included in the estimated transaction price for providing patient care. These settlements are estimated based on the terms of the agreement with the payor, correspondence from the payor, and Legacy's historical settlement activity and are adjusted in future periods as adjustments become known or as years are settled or are no longer subject to such audits, reviews, and investigations. In 2022 and 2021, Legacy recorded an increase to net patient service revenue of approximately $33,885 and $18,165, respectively, relating to settlement of prior years' reimbursement from Medicare and Medicaid programs.

Generally, patients who are covered by third-party payors are responsible for related deductibles and coinsurance. Legacy also provides services to uninsured patients and offers those uninsured patients a discount from standard charges. Legacy estimates the transaction price for patients with deductibles and coinsurance and from those who are uninsured based on historical experience and current market conditions. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to patient service revenue in the period of the change. Subsequent changes that are determined to be the result of an adverse change in the patient's ability to pay are recorded as bad debt expense. Bad debt expense for the years ended March 31,2022 and 2021 was not significant.

Consistent with Legacy's mission, Legacy provides care without charge or at amounts less than its standard rates to patients who meet certain criteria under its financial assistance policy. Therefore, Legacy has determined it has provided price concessions to uninsured patients and patients with uninsured balances. The implicit price concessions included in estimating the transaction price represent the difference between amounts billed to patients and the amounts Legacy expects to collect based on its collection history with those patients who have been determined to qualify for financial assistance.

(g) Cash and Cash Equivalents

Cash equivalents include investments in highly liquid investments with original maturities of three months or less. Cash equivalents exclude amounts with donor or trustee restrictions, or amounts held within the investment portfolio.

(h) Inventories

Inventories are stated at the lower of average cost, as determined by the first-in, first-out method or market.

(i) Property, Plant, and Equipment

Property, plant, and equipment are stated at cost. Donated items are reported at fair market value on the date of donation. Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of acquiring those assets.

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Impairment of property, plant, and equipment is assessed when there is evidence that events or changes in circumstances have made recovery of the net carrying value of assets unlikely.

Depreciation is determined by the straight-line method, which allocates cost equally over the estimated useful life. Average useful lives are as follows: buildings and improvements, 30 years; equipment and software, 7 years; and land improvements, 14 years.

(j) Leases

Legacy is a lessee in several noncancellable operating leases for medical space, office space, and office equipment. Legacy determines if an arrangement is a lease, or contains a lease, at inception of a contract and when the terms of an existing contract are changed. Legacy recognizes a lease liability and a right of use (ROU) asset at the commencement date of the lease. The lease liability is initially and subsequently recognized based on the present value of its future lease payments. On the balance sheet, ROU assets are included in other assets and the current portion of lease liabilities are included in other current liabilities, whereas long-term leases are included in other liabilities. Variable payments are included in the future lease payments when those variable payments depend on an index or a rate. As the implicit rates are not readily determinable, Legacy uses its incremental borrowing rate based on the information available at the commencement date for all leases. Legacy's incremental borrowing rate for a lease is the rate of interest it would have to pay on a collateralized basis to borrow an amount equal to the lease payments under similar terms and in a similar economic environment. The ROU asset is subsequently measured throughout the lease term at the amount of the remeasured lease liability (i.e., present value of the remaining lease payments), plus unamortized initial direct costs, plus (minus) any prepaid (accrued) lease payments, minus the unamortized balance of lease incentives received, and any impairment recognized. Lease cost for lease payments is recognized on a straight-line basis over the lease term.

(k) Assets Limited as to Use, Investments, and Investment Income

Assets limited as to use include assets held by trustees under indenture agreements of $14,305 and $36,940 as of March 31,2022 and 2021, respectively, as well as assets restricted for capital acquisition.

Noncurrent investments, which are accounted for as a trading portfolio, include investments in equity securities with readily determinable fair values, funds accounted for at NAV as a practical expedient, and investments in debt securities and are recorded at fair value in the consolidated balance sheets.

Investments in unconsolidated affiliates include investments in joint ventures over which Legacy does not exercise control and are accounted for using the equity method of accounting.

Investment income or loss is included in revenues in excess of expenses unless the income or loss is restricted by donor or law. Unrealized gains and losses on investments are included in investment income.

(l) Net Assets with Donor Restrictions and Donor-Restricted Gifts

Net assets with donor restrictions include those whose use has been limited by donors to a specific time period or purpose or has been restricted by donors to be maintained in perpetuity. Income from net assets with donor restrictions is accounted for in accordance with donor instructions.

Unconditional promises to give cash and other assets to Legacy are reported at fair value at the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value at the date the condition is satisfied, or the gift is received. Gifts or grants are reported as restricted contributions if they are received with stipulations that limit their use. When the terms of a donor or grantor restriction are met, net assets with donor restrictions may be reclassified as net assets without donor restrictions and reported in the consolidated statements of operations or consolidated statements of changes in net assets as net assets released from restriction. Contributions whose restrictions are met within the same year as received are reported as unrestricted contributions.

(m) Charitable Gift Annuities

Legacy has certificates of authority from the State of Oregon and the State of Washington to receive transfers of money or property upon agreement to pay an annuity. A charitable gift annuity is an arrangement between a donor and Legacy in which the donor contributes assets to Legacy in exchange for Legacy's agreement to pay a fixed amount for a specified period of time to the donor or other individuals and organizations as designated by the donor (annuitant). Upon execution of such an arrangement, Legacy recognizes the assets received at fair value and an annuity payment liability at the present value of future cash flows expected to be paid. Contribution revenue is recognized based upon the difference between these two amounts and on donor intent for the proceeds. In subsequent periods, payments to the annuitant reduce the annuity liability. Adjustments to the annuity liability to reflect amortization of the discount, changes in life expectancy, and death of the annuitant are recognized as other operating expenses. The annuity liability included in other current liabilities in the consolidated balance sheets as of March 31, 2022 and 2021 was $57 and $63, respectively. The annuities are not issued by an insurance company and are not subject to regulation by the State of Oregon or protected by an insurance guaranty association.

Although Legacy is exempt under Oregon Revised Statute 731.039 from the requirement to maintain a separate and distinct trust fund adequate to meet the actuarially determined future payments of the charitable gift annuities, Legacy does maintain trust accounts with a bank for all gift annuities. The amounts under trust were $141 and $151 as of March 31, 2022 and 2021, respectively. These marketable securities are comprised of cash equivalents and other fixed income instruments.

(n) New Accounting Pronouncements

In August 2018, the FASB issued ASU No. 2018-15, *Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement that is a Service Contract*. The ASU provides guidance for determining when fees paid in a cloud computing arrangement (hosting arrangement) includes a software license such that an intangible asset is recognized for the license and amortized. The new standard was effective for Legacy on April 1, 2021, and there were no material effects to the consolidated balance sheets or statements of operations.

(o) Reclassifications

Certain reclassifications have been made to prior year amounts to conform to the current year presentation.

(2) COVID-19 Pandemic and CARES Act Funding

The Coronavirus Aid, Relief, and Economic Security (CARES) Act, which was enacted on March 27, 2020, authorized $100,000 in funding to hospitals and other healthcare providers. In 2021, that authorization was increased to $178,000 and CARES Act funds were distributed through the Public Health and Social Services Emergency Fund (the Fund). Payments from the Fund were intended to compensate healthcare providers for lost revenues and incremental expenses incurred in response to the COVID-19 pandemic and were not required to be repaid, provided the recipients attest to and comply with certain terms and conditions, including limitations on balance billing and not using this funding to reimburse expenses or losses that other sources are obligated to reimburse. Legacy received payments of $53,733 and $93,616 from the Fund in calendar years 2021 and 2020, respectively, and $49,826 and $83,816 were recognized as other operating revenue during the years ended March 31, 2022 and 2021, respectively.

As a way to increase cash flow to Medicare providers impacted by the COVID-19 pandemic, the CARES Act expanded the Medicare Accelerated and Advance Payment Program. Inpatient acute care hospitals requested accelerated payments of up to 100% of the Medicare payment amount for a six-month period (not including Medicare Advantage payments). Under this program, CMS based payment amounts for inpatient acute care hospitals on the provider’s Medicare fee-for-service reimbursements in the last six months of 2019. Such accelerated payments were interest free for inpatient acute care hospitals and Legacy’s ambulatory providers for up to 29 months. The program required CMS to start recouping the payments beginning 12 months after receipt by the provider by withholding future Medicare fee-for-service payments for claims until the full accelerated payment has been recouped. The recoupment started at 25% for the first 11 months, and then increased to 50% for the succeeding six months. The program requires any outstanding balance remaining after 29 months to be repaid by the provider or be subject to an interest rate currently set at 4%. The payments were made for services a healthcare entity provided to its Medicare patients who are the healthcare entity’s customers. These payments have no impact on recognition of revenue, which is recognized at the time services are provided to the patients. During the year ended March 31, 2021, Legacy received $116,458 of accelerated payments which were accrued in the accompanying consolidated balance sheets in settlements payable to third-party payors, $65,313, and other long-term liabilities of $51,145. These liabilities were subject to repayment over an 18-month period beginning in April 2021. Repayment is in the form of Medicare claims payment reductions. As of March 31, 2022, Legacy had remaining accelerated payment liability of $59,786, included in the accompanying consolidated balance sheets in settlements payable to third-party payors.

The CARES Act also provided for deferred payment of the employer portion of social security taxes between March 27,2020 and December 31, 2020, with 50% of the deferred amount due December 31, 2021 and the remaining 50% due December 31, 2022. In addition, Legacy was granted a one-time credit against FICA expense of $5.4 million to compensate for 50% of the wage and benefit costs of employee payments for cancelled shifts and COVID exposures. As of March 31, 2022 and 2021, Legacy deferred $17,350 and $45,524, respectively, in net social security taxes, of which $17,350 and $22,762,

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(Dollars in thousands)

respectively, are included in accrued wages, salaries and benefits and $0 and $22,762, respectively, are included in other non-current liabilities in the accompanying consolidated balance sheets.

Under U.S. generally accepted accounting principles, management is required to make estimates and assumptions that affect reported amounts. Accordingly, the impact of COVID-19 has increased the uncertainty associated with several of the assumptions underlying management's estimates. COVID-19's overall impact on Legacy will be driven primarily by the severity and duration of the pandemic; the pandemic's impact on the U.S. economy; and the timing, scope, and effectiveness of federal, state, and local governmental responses to the pandemic. Those primary drivers are uncertain and beyond management's control and may adversely impact Legacy's revenue growth, supply chain, investments, and workforce, among other aspects of Legacy's business. The actual impact of COVID-19 on Legacy's consolidated financial statements may differ significantly from the judgments and estimates made as of the year ended March 31, 2022.

(3) Net Patient Service Revenue

The composition of accounts receivable from patients and net patient service revenue as of and for the years ended March 31 was as follows:

	Accounts receivable from patients, net		Net patient service revenue	
	2022	**2021**	**2022**	**2021**
Medicare	22.6 %	21.5 %	565,769	505,041
Medicaid	14.1	15.7	664,957	528,426
Blue Cross	18.9	17.2	418,473	365,677
Private pay	3.7	3.9	5,049	5,790
Other	40.7	41.7	687,466	647,884
	100.0 %	100.0 %	2,341,714	2,052,818

The composition of net patient revenue based on service lines for the years ended March 31 was as follows:

	2022	**2021**
Hospital	$ 2,044,317	1,810,585
Physician services	234,171	180,648
Hospice	9,367	12,317
Referral lab	37,467	34,898
Other	16,392	14,370
	$ 2,341,714	2,052,818

(Dollars in thousands)

(4) Benefits to the Community

Legacy provides services to the community both for people in need and to enhance the health status of the broader community as part of its charitable mission. The following tables represent the estimated cost of providing certain services to the community.

	March 31, 2022			
	In-kind costs	Costs of service (1)	Offsetting revenue	Net cost
Services for people in need:				
Charity care	$ —	40,845	—	40,845
Medicaid	—	683,863	390,897	292,966
Medicare	—	874,941	609,107	265,834
Other government programs	—	37,383	23,443	13,940
	—	1,637,032	1,023,447	613,585
Benefits to the community:				
Medical education and research	—	26,389	8,215	18,174
Community health services	1,688	3,206	174	4,720
Community benefit activities	3,681	4	2,544	1,141
Contributions to community organizations	138	2,489	—	2,627
	5,507	32,088	10,933	26,662
	$ 5,507	1,669,120	1,034,380	640,247
Percentage of total operating expenses				25.3 %

(1) The cost of services for fiscal 2022 above was derived using cost to charge ratios calculated on a consolidated system basis, whereas fiscal 2021 community benefit costs were calculated using specific cost to charge ratios for the individual hospitals of Legacy. This change was required to comply with Oregon HB 3076, effective January 1, 2021, which implemented the community benefit minimum spending floor program for all Oregon hospitals and updated the community benefit definitions and rules for reporting to the Oregon Hospital Authority.

(Dollars in thousands)

	March 31, 2021			
	In-kind costs	Costs of service	Offsetting revenue	Net cost
Services for people in need:				
Charity care	$ —	42,868	—	42,868
Medicaid	—	581,449	323,275	258,174
Medicare	—	786,702	595,143	191,559
Other government programs	—	30,785	23,205	7,580
	—	1,441,804	941,623	500,181
Benefits to the community:				
Medical education and research	—	22,292	7,621	14,671
Community health services	—	2,101	144	1,957
Community benefit activities	196	—	—	196
Contributions to community organizations	154	4,086	—	4,240
	350	28,479	7,765	21,064
	$ 350	1,470,283	949,388	521,245
Percentage of total operating expenses				23.4 %

(a) Services for People in Need

In support of its mission, Legacy provides medically necessary patient care services that are discounted or free of charge to persons who have insufficient resources and/or who are uninsured. The criteria for charity care are based on eligibility for insurance coverage, household income, qualified assets, catastrophic medical events, or other information supporting a patient's inability to pay for services provided. Specifically, Legacy provides an uninsured discount of 35% to patients. Additional discounts, on a sliding scale, are available to patients whose household income is less than 400% of the federal poverty level. For patients whose household income is at or below 300% of the federal poverty level, a full subsidy is available. In addition to the household income criteria, patients' qualified assets (e.g., 25% of household assets) and other catastrophic or economic circumstances are considered in determining eligibility for charity care. During 2022 and 2021, Legacy provided charity care benefiting patients associated with 48,810 and 54,409 patient accounts, respectively.

In addition to charity care, Legacy provides services under various states' Medicaid programs for low-income patients, to Medicare beneficiaries, and to beneficiaries under other government programs (such as TRICARE). The cost of providing services to these beneficiaries exceeds the reimbursement from these programs.

Legacy also employs financial counselors and social workers who assist patients in obtaining coverage for their healthcare needs. This includes assistance with workers' compensation, motor vehicle accident policies, COBRA, veterans' assistance, and public assistance programs, such as Medicaid. This program assists many patients in obtaining coverage through a third party, reducing the patients' financial responsibility. The costs associated with this program were $1,212 and $1,251 in 2022 and 2021, respectively.

(b) Benefits to the Community

Medical education and research include the unreimbursed cost of nursing education, graduate medical education, and research.

Community health services include classes provided to the community at minimal or no cost, health education for children and parents with young families, resource centers, support groups, health screenings, senior wellness, volunteer programs, caregiver respite, and support for parish nursing programs.

Community benefit activities include activities that develop community health programs and partnerships. Contributions to community organizations include direct support provided to community organizations through cash or in-kind donations to enhance those organizations' missions of supporting health and human services, civic and community causes, and business development efforts. In-kind contributions provided by Legacy include facility space, staff availability for training and education opportunities, supplies, and professional services in collaboration with charitable, educational, and government organizations throughout its community.

(c) Other Benefits

In furtherance of its mission, Legacy commits significant time and resources to endeavors and critical services that meet unfilled community needs. Many of these activities are sponsored with the knowledge that they will not be self-supporting or financially viable. Such programs include mental and behavioral health; primary care clinics in underserved neighborhoods; free patient transportation; lodging, meals, and medications for transient patients when needed; participation in blood drives; and the provision of educational opportunities for students interested in pursuing medical-related careers.

Legacy also provides additional benefits to the community through the advocacy of community service by employees. Employees of Legacy serve numerous organizations through board representation, membership in associations, and other related activities.

Legacy pays taxes associated with various states' local business and occupation taxes and property taxes that local and state governments use to fund healthcare, civil, and education services to the community. Legacy paid $11,514 and $7,903 in local and state taxes in 2022 and 2021, respectively.

(5) Liquidity and Availability

As of March 31, 2022 and 2021, Legacy had a working capital of $422,420 and $534,603 and average days (based on normal expenditures) cash on hand of 244.1 and 303.6, respectively. As part of Legacy's liquidity management plan, cash in excess of daily requirements is invested in cash equivalents and short-term investments. Noncurrent investments are classified as such as management does not intend to use them in the next year; however, they are sufficiently liquid that they would be available if needed except those held in private equity and private value-added real estate. Financial assets available for general expenditures within one year of the balance sheet date consist of the following:

(Dollars in thousands)

		2022	2021
Cash and cash equivalents	$	317,014	563,629
Short term investments		99,054	—
Accounts receivable from patients, net		336,596	299,669
Other receivables		78,220	54,755
Noncurrent investments		1,243,633	1,236,114
Total financial assets		2,074,517	2,154,167
Less amounts not available to be used within one year:			
Funds held in private equity and private value-added real estate		65,291	19,877
Financial assets available to meet general expenditures within one year	$	2,009,226	2,134,290

(Dollars in thousands)

(6) Investments

Legacy invests in different classes of securities for a variety of financial assets, including short-term investments, assets limited as to use, and noncurrent investments. The composition of these investments is as follows:

	March 31, 2022			
	Level 1	**Level 2**	**Level 3**	**Total fair value**
Cash equivalents	$ 17,722	—	—	17,722
Mutual funds – equity	414,036	—	—	414,036
Equity securities:				
Domestic	269,726	—	—	269,726
Foreign	34,803	—	—	34,803
Mutual funds – fixed income	67,632	—	—	67,632
Domestic debt securities:				
State and federal governments	—	53,105	—	53,105
Corporate and securitized	—	283,395	—	283,395
Foreign debt securities	—	47,887	—	47,887
Commingled funds	—	77,001	—	77,001
Interest rate swaps	—	2,300	—	2,300
	$ 803,919	463,688	—	1,267,607
Investments measured using NAV as a practical expedient				89,385
Total investments				$ 1,356,992

(Dollars in thousands)

	March 31, 2021			
	Level 1	Level 2	Level 3	Total fair value
Cash equivalents	$ 51,758	—	—	51,758
Mutual funds – equity	425,779	—	—	425,779
Equity securities:				
Domestic	252,792	—	—	252,792
Foreign	35,567	—	—	35,567
Mutual funds – fixed income	32,607	—	—	32,607
Domestic debt securities:				
State and federal governments	—	46,434	—	46,434
Corporate and securitized	—	255,733	—	255,733
Foreign debt securities	—	32,067	—	32,067
Commingled funds	—	87,027	—	87,027
Interest rate swaps	—	8,692	—	8,692
	$ 798,503	429,953	—	1,228,456
Investments measured using NAV as a practical expedient				46,877
Total investments				$ 1,275,333

Legacy's primary fixed income manager uses derivatives for both investment and hedging purposes and may take long and/or short positions. The derivative investments may include, but are not restricted to, futures and swaps.

Legacy participates in various funds that are not actively marketed on an open exchange. These investments consist of shares or units in investment funds as opposed to direct interests in the funds' underlying holdings, which may be marketable. Due to the nature of these funds, the NAV per share or its equivalent reported by each fund manager is used as a practical expedient to estimate the fair value of Legacy's interest therein. Legacy believes that the carrying amounts provided by the fund managers are reasonable estimates of fair value. The following table presents information for investments where the NAV was used as a practical expedient to measure fair value as of March 31:

	Fair value		Redemption	Redemption
	2022	2021	frequency	notice period
Private real estate – core	$ 24,094	27,000	Quarterly	60–95 days
Private real estate – value-added	11,966	—	N/A	N/A
Private equity	53,325	19,877	N/A	N/A
Total	$ 89,385	46,877		

(Dollars in thousands)

Core funds aim to generate a target return mainly from rental returns by income producing properties while value-added funds also seek market value returns in addition to rental income. Legacy's core fund is held via a pooled, commingled open-ended fund while value-added funds are held in the form of limited partnership/trust investments, similar to private equity and are discussed below.

As of March 31, 2022, Legacy had a capital commitment of $95,750 to private equity funds and $36,500 to value-added private real estate funds in the form of limited partnership/trust investments. These commitments are due on demand from the general partners/advisers. The private equity funds invest in emerging companies, venture capital funds, and other alternative investments. The termination of these partnerships/trusts is based upon specific provisions in the agreements. In most cases, the life of the trusts is a minimum of 10 years. Legacy can only transfer its interest in the investments with the consent of the general partner/adviser. The fair values of these investments are determined either by the underlying security value on the open market or by the general partner/adviser utilizing fair value principles.

As of March 31, 2022, approximately 7% of noncurrent investments require advance written notice of 90 days or longer to redeem the securities. For certain of these investments, it may take up to 90 days to receive the funds after the requested redemption date, and certain redemptions may be subject to other restrictions in accordance with subscription agreements.

Legacy has executed the following basis swaps with investment-banking firms:

Notional amount	Cash flow settlement	Legacy pays	Legacy receives	Termination date
$ 82,000	Semiannually	SIFMA index	62% of LIBOR, plus 1.011%	December 2033
50,000	Quarterly	SIFMA index	67% of LIBOR, plus 0.6% for three years; 94.1% of LIBOR thereafter	April 2029
50,000	Quarterly	SIFMA index	67% of LIBOR, plus 0.6% for three years; 84.45% of LIBOR thereafter	September 2030
50,000	Quarterly	SIFMA index	67% of LIBOR, plus 0.6% for three years; 84% of LIBOR thereafter	September 2030

The objective of these transactions is to assume the tax-basis risk for a portion of the fixed-rate exposure on outstanding long-term indebtedness in exchange for positive cash flows. These transactions do not meet the criteria for hedge accounting; therefore, any changes in fair value under these agreements are recorded as part of investment income in the consolidated statements of operations. The fair value of these swaps is determined by the spread in interest rates.

(Dollars in thousands)

(7) Investments in Unconsolidated Affiliates

Investments in unconsolidated affiliates as of March 31 are as follows:

		2022	2021
PacificSource	$	286,306	280,703
Life Flight Network		76,408	48,473
Other		13,048	10,414
Total investments in unconsolidated affiliates	$	375,762	339,590

PacificSource

In September 2016, Legacy completed a transaction to acquire up to a 50% ownership interest in PacificSource (PS). PS is the sole corporate member of PacificSource Health Plans, a not-for-profit community health plan offering commercial medical and dental plans in Oregon, Idaho, Montana, and Washington. PS is also the sole corporate member of PacificSource Community Health Plans, a health insurance company licensed in the states of Oregon, Idaho, and Montana, which offers Medicare Advantage and, through a subsidiary, Medicaid plans. PS owns 60% of the outstanding shares of Idaho Physicians Network, Inc., a physician contracting network.

An initial investment of $100,000 was funded with unrestricted cash and investments in September 2016 to acquire a 28.8% interest in PS. Legacy's agreement with PS included plans for additional investments over five years to attain 50% ownership in September 2021. Legacy's equity interest was 50.0% and 46.8% as of March 31, 2022 and 2021, respectively. Legacy records financial activity of PacificSource operations on a 3-month lag, consistent with allowable accounting practice. The following table represents assets, liabilities, and net assets of PS per audited financial statements as of December 31 and the related operating results for the year ended December 31:

		2021	2020
Assets	$	1,143,080	957,798
Liabilities		626,228	440,891
Net assets:			
Without donor restrictions		522,657	518,301
Accumulated other comprehensive loss		(6,277)	(2,014)
Noncontrolling interests		472	620
Total net assets without donor restrictions		516,852	516,907
Total liabilities and net assets	$	1,143,080	957,798

(Dollars in thousands)

		2021	2020
Underwriting income	$	(63,070)	34,068
Other income		29,604	59,744
Income tax expense		8,377	(6,307)
Net (loss) income	$	(25,089)	87,505

Legacy recorded net (loss) income on the investment in PS of $(16,937) and $40,224 in 2022 and 2021, respectively. Legacy recorded $6,960 and $3,530 of amortization expense in 2022 and 2021, respectively, related to intangible assets acquired as part of the PS investment. Both net income and amortization expense related to PS are included in nonoperating income (loss), other in the consolidated statements of operations.

Legacy paid PS $3,931 and $3,810 in 2022 and 2021, respectively, for third-party health claims administration services for Legacy's self-insured health benefit plan, which are included in wages, salaries, and benefits in the consolidated statements of operations.

Life Flight Network

Legacy holds a 25% ownership interest in Life Flight Network, LLC, an air and ground life-saving emergency transport company whose members represent regional hospitals who provide trauma services. Legacy records financial activity of Life Flight operations on a 1-month lag, consistent with allowable accounting practice.

The following table represents assets, liabilities, and net assets of Life Flight per financial statements as of February 28 and the related operating results for the year ended February 28 consistent with the recognition period used by Legacy:

		2022	2021
Assets	$	340,743	230,860
Liabilities		35,110	36,966
Members equity/net assets:			
Life Flight Network, LLC members' equity		296,304	186,600
Life Flight Network Foundation net assets:			
Without donor restrictions		9,329	7,294
With donor restrictions		—	—
Total members' equity/net assets		305,633	193,894
Total liabilities, equity and net assets	$	340,743	230,860

(Dollars in thousands)

		2022	2021
Net patient service revenue	$	249,326	154,628
Other operating revenue		20,521	16,446
		269,847	171,074
Operating expenses		(166,861)	(135,448)
Income from operations		102,986	35,626
Other income		810	954
Net income	$	103,796	36,580

(8) Property, Plant, and Equipment

Property, plant, and equipment balances as of March 31 are as follows:

		2022	2021
Land	$	50,759	51,422
Land improvements		24,447	24,228
Buildings and improvements		1,391,446	1,249,676
Equipment and software		961,168	947,912
Construction in progress		18,997	143,617
		2,446,817	2,416,855
Accumulated depreciation		(1,665,601)	(1,603,449)
	$	781,216	813,406

There were capital expenditure purchase commitments outstanding as of March 31, 2022 for various construction and equipment projects. The estimated cost to complete such projects as of March 31, 2022 was $178,899, of which $43,425 was contractually committed.

(9) Leases

Legacy leases various equipment and real property and has classified these leases as operating leases. These leases generally contain renewal options for periods ranging from three to five years. Unless Legacy is reasonably certain to exercise these renewal options, the optional periods are not included in determining the lease term, and associated payments under these renewal options are excluded from lease payments. Legacy's leases do not include termination options for either party to the lease or restrictive financial or other covenants. Payments due under the lease contracts include fixed payments plus any variable payments. Some of Legacy's office and medical space leases require variable payments for Legacy's proportionate share of the building's property taxes, insurance, and common area maintenance. These variable lease payments are not included in lease payments used to determine lease liability and are recognized as variable costs when incurred.

(Dollars in thousands)

The following table represents lease information as of and for the year ended March 31:

		2022	2021
Operating lease cost	$	10,257	10,680
Variable lease cost		877	594
Short-term lease cost		7,614	6,196
Total lease cost	$	18,748	17,470
Operating lease liabilities	$	56,620	63,625
Operating lease ROU assets		56,124	62,250

Other information related to leases as of March 31 is as follows:

	2022	2021
Operating leases weighted average lease term	5.3 years	5.7 years
Operating leases weighted average discount rate	3.5 %	3.5 %

Maturities of lease liabilities under noncancelable operating leases as of March 31 are as follows:

2023	$	11,140
2024		10,078
2025		8,194
2026		6,856
2027		6,166
Thereafter		16,821
Total undiscounted lease payments		59,255
Less imputed interest		(2,635)
Total lease liabilities	$	56,620

(Dollars in thousands)

(10) Long-Term Debt

A summary of long-term debt as of March 31 is as follows:

	2022	2021
Hospital Revenue Bonds, Series 2008, payable in installments through 2038, subject to a seven-day put provision; variable interest rate	$ 100,000	100,000
Hospital Revenue Bonds, Series 2011A, payable in 2021 from $19,980 to $22,060 through 2021, at rates ranging from 4.125% to 5.25%	—	22,060
Hospital Revenue Bonds, Series 2014A, payable in installments from $2,985 to $10,540 through 2040, at fixed rate of 2.425% subject to a mandatory tender on June 30, 2021, at which time Legacy can remarket the bonds, convert the bonds to a different mode, or pay off the bonds	—	71,720
Hospital Revenue Bonds, Series 2016A, payable in installments from $1,950 to $28,330 through 2047, at rates ranging from 3.0% to 5.0%, callable on or after June 2026	288,635	288,635
Hospital Revenue Bonds, Series 2020A, payable in installments from $2,410 to $2,520 through 2030, at fixed rate of 1.71% callable on or after June 2027	19,735	22,225
Taxable bullet loan maturing April 2030, issued at 2.74% fixed rate	100,000	100,000
Taxable bullet loan maturing April 2023, issued at 1.83% fixed rate	100,000	100,000
Multi-draw taxable term loan maturing June 2030, issued at 1.75% fixed rate	43,030	20,970
Other debt	630	648
	652,030	726,258
Premiums and deferred financing costs	21,262	22,564
Less current portion	(18,032)	(24,871)
	$ 655,260	723,951

Interest cost incurred related to funds borrowed was $19,051 and $16,067 in 2022 and 2021, respectively. These amounts were reduced by $302 and $4,725 in 2022 and 2021, respectively, in the consolidated statements of operations for amounts capitalized for construction and other capital projects.

(Dollars in thousands)

Scheduled principal repayments of long-term debt, including mandatory tenders of bonds eligible for refinancing, according to long-term amortization schedules are as follows:

2023	$	18,084
2024		118,377
2025		18,808
2026		14,895
2027		15,101
Thereafter		466,765
	$	652,030

The master trust indenture and other loan agreements covering these obligations contain, among other things, provisions placing restrictions on additional borrowings and leases and require the maintenance of debt service coverage and other ratios. The Credit Group, which was formed to facilitate borrowing, includes Legacy, LEH, LGS, LMP, LMH, LSC, and the Foundations.

In November 2008, Legacy issued $150,000 of Revenue Bonds Series 2008 (2008 Bonds), which are unsecured, variable-rate debt in an initial short-term interest rate mode, through the Hospital Facility Authority of Clackamas County, Oregon. The proceeds from the 2008 Bonds were restricted for capital expenditures and to pay the expenses incurred with the issuance. The 2008 Bonds, while subject to a long-term amortization period, may be put to Legacy at the option of the bondholders at certain remarketing dates. Series C ($50,000) of the 2008 Bonds were refinanced in November 2016. In conjunction with the issuance, Legacy arranged letter of credit and reimbursement agreements with a national bank, whereby the bank will purchase any bonds that are put by bondholders and not successfully remarketed. The letter of credit is due to expire in June 2022. In the event of a draw under this agreement, there are no principal payments due within a year. If the bonds have not been remarketed or redeemed and amounts remain outstanding after a year, such amounts are converted to a term loan due in eight quarterly payments. As a result, the 2008 Bonds are classified as long-term. In May 2022, Legacy issued new long-term revenue bonds and repaid the 2008 bonds.

In May 2011, Legacy issued $111,470 of Refunding Revenue Bonds Series 2011A (2011 Bonds) through the Oregon Facilities Authority. The proceeds from the 2011 Bonds were used to refund previously issued debt and pay expenses for the issuance. This debt was paid off in May 2021 with the proceeds from the multi-draw taxable loan with J.P. Morgan Chase Bank, N.A.

In June 2014, Legacy issued $71,700 of Hospital Revenue Bonds Series 2014A (2014 Bonds) under a bond purchase agreement with the Oregon Facilities Authority and a commercial bank. The proceeds from the 2014 Bonds were used to refinance previously issued debt. This debt was paid off in June 2021 with cash on hand.

In November 2016, Legacy issued $288,635 of Revenue Bonds Series 2016A (2016 Bonds) through the Oregon Facilities Authority. The proceeds from the 2016 Bonds were used for capital expenditures, debt service during the construction period, and expenses incurred for the issuance. A portion of the proceeds was used to refinance Series C of the 2008 Bonds and other previously issued debt.

(Dollars in thousands)

In March 2020, Legacy issued $24,675 under a bond purchase agreement with the Oregon Facilities Authority and a commercial bank. The proceeds from the 2021 Bonds were used to refinance previously issued debt.

In April 2020, Legacy secured a taxable, 10-year $100,000 bullet, term loan with Wells Fargo Bank, N.A. In May 2020, Legacy secured a taxable, 3-year $100,0000 bullet, term loan with U.S. Bank, N.A. All principal on these bullet loans is due at loan maturity. In June 2022, the loan with U.S. Bank, NA was extended to 2032, with a new interest rate of 3.62%.

In May 2020, Legacy secured a taxable, multi-draw 10-year term loan with J.P. Morgan Chase Bank, N.A. The proceeds were used to pay debt service on the Series 2011A Bond. $20,970 was drawn in May 2020 and an additional $22,100 was drawn in May 2021 for a total of $43,030.

In April 2021, Legacy renewed a $100,000 revolving line of credit through U.S. Bank, N.A. The term of the line of credit is for 3 years and bears interest at a variable rate based upon LIBOR. No draws have occurred as of March 31, 2022.

In May 2021, Legacy secured a $100,000 revolving line of credit through J.P. Morgan Chase Bank, N.A. The term of the line of credit is for 12 months and bears interest at a variable rate based upon LIBOR. No draws have occurred as of March 31, 2022.

(11) Net Assets with Donor Restrictions

Net assets with donor restrictions are available for the following purposes as of March 31:

		Restricted to a specific time period or purpose		Principal restricted in perpetuity	
		2022	**2021**	**2022**	**2021**
Education	$	10,628	10,415	3,172	3,143
Patient care		27,423	28,517	12,109	11,937
Research		6,232	6,798	1,641	1,641
Capital acquisition		2,289	2,854	—	—
Other		6,258	6,273	384	382
	$	52,830	54,857	17,306	17,103

(12) Functional Expenses

Legacy provides hospital services, physician services, and referral lab and other health services. Support services include costs that benefit the entire organization but are not controllable by operational leadership. Costs that are controllable by operational leadership are directly assigned to the respective program activities. Employee benefits and other shared costs are allocated based on relative direct costs.

(Dollars in thousands)

Expenses related to providing services were as follows for the years ended March 31:

	2022				
	Hospital services	Physician services	Lab and other health services	Support services	Total
Wages, salaries, and benefits	$ 791,077	276,865	45,708	477,512	1,591,162
Supplies	333,769	11,228	27,844	34,999	407,840
Professional fees	46,715	2,202	8	19,620	68,545
Purchased services	1,599	3,333	76,878	72,685	154,495
Interaffiliate purchased services	120,507	(53,300)	(67,207)	—	—
Utilities, insurance, and other expenses	29,814	40,502	578	142,312	213,206
Depreciation	46,963	1,793	2,526	25,752	77,034
Interest and amortization	9,910	—	—	9,163	19,073
	$ 1,380,354	282,623	86,335	782,043	2,531,355

	2021				
	Hospital services	Physician services	Lab and other health services	Support services	Total
Wages, salaries, and benefits	$ 815,796	285,486	46,553	244,760	1,392,595
Supplies	288,664	13,585	25,896	34,522	362,667
Professional fees	42,729	2,766	28	10,550	56,073
Purchased services	9,606	4,843	67,434	53,147	135,030
Interaffiliate purchased services	95,496	(37,671)	(57,825)	—	—
Utilities, insurance, and other expenses	36,809	23,225	849	117,989	178,872
Depreciation	54,313	2,789	2,544	22,738	82,384
Interest and amortization	8,611	12	—	7,458	16,081
	$ 1,352,024	295,035	85,479	491,164	2,223,702

(13) Retirement Plans

(a) Defined Contribution Plans

Legacy sponsors defined contribution retirement plans that cover substantially all employees. The plans provide for employer matching contributions in an amount equal to a percentage of employee pretax contributions, up to a maximum. Expense related to these plans was $67,476 and $65,658 for 2022 and 2021, respectively.

(Dollars in thousands)

(b) Pension Benefit Plans

Legacy sponsors a pension plan, the Legacy Employees' Retirement Plan (the Plan). The retirement benefits of all participants in the Plan were frozen effective December 31, 2016 (the Freeze Date). No benefit service after the Freeze Date are taken into account in determining a participant's retirement benefits. After the Freeze Date, future retirement benefits are provided by the defined contribution plans.

Legacy maintains other retirement plans for certain management employees, which include a pension restoration plan, deferred compensation plans, and supplemental executive retirement plans.

A summary of changes in benefit obligations, fair values of plan assets, and the pension asset at March 31 and for the years then ended is as follows:

		2022	2021
Change in projected benefit obligation:			
Projected benefit obligation at beginning of year	$	902,082	918,835
Interest cost		28,444	30,259
Actuarial loss		(35,024)	8,918
Benefits paid		(56,579)	(55,930)
Projected benefit obligation at end of year		838,923	902,082
Change in plan assets:			
Fair value of assets at beginning of year		959,473	733,828
Actual return on plan assets		(6,416)	279,880
Employer contribution		126	1,695
Benefits paid		(56,579)	(55,930)
Fair value of assets at end of year		896,604	959,473
Funded status	$	57,681	57,391
Unrecognized net actuarial loss	$	130,946	120,633
Accumulated benefit obligation		838,923	902,082

The prior service credit and actuarial losses included in net assets without donor restrictions and expected to be recognized in net periodic pension cost during the year ending March 31, 2023 are $0 and $3,268, respectively.

(Dollars in thousands)

Net periodic pension benefit for the years ended March 31 included the following components:

		2022	2021
Interest cost	$	28,444	30,259
Expected return on plan assets		(44,465)	(43,489)
Special recognition curtailments and settlements		20	25
Recognized net actuarial loss		5,523	6,606
Net periodic pension benefit	$	(10,478)	(6,599)

(i) Assumptions

Legacy used the following actuarial assumptions to determine its benefit obligations at March 31 and its net periodic benefit cost for the years ended March 31:

	2022	2021
Benefit obligation (measured as of March 31):		
Discount rate	3.92 %	3.26 %

	2022	2021
Net periodic benefit cost (measured for the year ended March 31):		
Discount rate	3.26 %	3.39 %
Long-term rate of return	6.00	6.00

The source data for the discount rate used to determine the benefit obligation was a universe of AA or higher rated U.S. dollar denominated bonds with similar maturities to the projected benefit payments. The expected long-term rate of return on plan assets was based on Legacy's asset allocation mix and the long-term historical return for each asset class, taking into account current and expected market conditions. The source data for the mortality table utilized the Pri-2012 Blue Collar Tables for Employees and Annuitants, projected using MP-2021 and MP-2020, respectively, to reflect both current and future improvements in mortality.

(Dollars in thousands)

(ii) Pension Plan Assets

The asset allocation of Legacy's pension plans at March 31 and the target allocation are as follows:

	Target allocation	2022 Actual allocation	2021 Actual allocation
Equity securities	0–60%	39 %	63 %
Fixed income	40–100	58	34
Real estate	—	2	2
Alternative investments	— %	1	1

Pension plan assets are managed according to an investment policy adopted by the Legacy Health Retirement Committee. Professional investment managers are retained to manage specific asset classes and provide expert analysis and investment performance reporting. The primary objectives are to preserve and grow the assets to provide for long-term benefit payments. It is also an objective to invest a significant portion of the assets in fixed-income assets that have a similar interest rate sensitivity as the projected liabilities for the Plan. Assets are rebalanced when balances fall outside of the approved range for each asset class.

The following tables set forth by level, within the fair value hierarchy, the Plan's assets at fair value:

	March 31, 2022			
	Level 1	Level 2	Level 3	Total fair value
Cash and cash equivalents	$ 21,040	—	—	21,040
Mutual funds – equity	109,606	—	—	109,606
Equity securities:				
Domestic	128,541	—	—	128,541
Foreign	15,882	—	—	15,882
Mutual funds – fixed income	253,282	—	—	253,282
Domestic debt securities:				
State and federal government	—	70,956	—	70,956
Corporate and securitized	—	172,654	—	172,654
Foreign debt securities	—	61,667	—	61,667
Commingled funds	—	87,274	—	87,274
Derivative assets, net	—	(1,801)	—	(1,801)
	$ 528,351	390,750	—	919,101
Investments measured using NAV as a practical expedient				21,218
Unsettled trades				(43,715)
Total assets at fair value				$ 896,604

(Dollars in thousands)

	March 31, 2021			
	Level 1	Level 2	Level 3	Total fair value
Cash and cash equivalents	$ 16,291	—	—	16,291
Mutual funds – equity	241,729	—	—	241,729
Equity securities:				
Domestic	219,450	—	—	219,450
Foreign	31,282	—	—	31,282
Mutual funds – fixed income	55,058	—	—	55,058
Domestic debt securities:				
State and federal government	—	91,266	—	91,266
Corporate and securitized	—	177,945	—	177,945
Foreign debt securities	—	72,063	—	72,063
Commingled funds	—	105,660	—	105,660
Derivative assets, net	—	(319)	—	(319)
	$ 563,810	446,615	—	1,010,425
Investments measured using NAV as a practical expedient				22,163
Unsettled trades				(73,115)
Total assets at fair value				$ 959,473

The following table presents information for plan assets where the NAV was used as a practical expedient to measure fair value at March 31:

	2022	2021	Redemption frequency	Redemption notice period
Private real estate – core	$ 14,660	15,486	Quarterly	60–95 days
Private equity	6,558	6,677	N/A	N/A
Total	$ 21,218	22,163		

The Plan allows certain fixed-income investment managers to use derivative financial instruments to manage interest rate risk, which may include, but are not limited to, futures, options, swaps, and forward currency contracts.

(Dollars in thousands)

The following table presents gross investment derivative assets and liabilities reported on a net basis in plan investments:

		2022	2021
Derivative assets:			
Future contracts	$	4,672	397
		4,672	397
Derivative liabilities:			
Future contracts		(4,672)	(397)
Other derivatives and forward setting contracts		(1,801)	(319)
		(6,473)	(716)
Net investment derivative liabilities	$	(1,801)	(319)

(iii) Cash Flows

Legacy's policy with respect to funding the qualified plans is to fund at least the minimum required by the Employee Retirement Income Security Act of 1974, as amended, plus such additional amounts as deemed appropriate.

Benefit payments are expected to be paid as follows for the years ending December 31:

2023	$	61,830
2024		56,125
2025		55,153
2026		56,235
2027		59,033
2028–2032		273,272

These estimates are based on assumptions about future events. Actual benefit payments may vary significantly from these estimates.

(14) Commitments and Contingencies

(a) Professional and General Liability

Legacy is self-insured for professional and general liability coverage. Legacy accrues estimated general and professional liability claims based upon management's estimate of the ultimate costs for both reported claims and actuarially determined estimates of claims incurred but not reported. Coverage in excess of self-insurance limits is provided on a claims-made basis through Legacy's captive insurance company, LHSIC.

(b) Employee Benefits

Legacy is self-insured for workers' compensation, employee health, and long-term and short-term disability. Legacy accrues the unpaid portion of claims that have been reported and estimates of claims that have been incurred but not reported based on an actuarial study.

(c) Collective Bargaining Agreements

Approximately 11% of Legacy employees were covered under collective bargaining agreements at March 31, 2022, including certain service and maintenance employees. Approximately 35 employees are covered by collective bargaining agreements that expire within one year.

(15) Compliance with Laws and Regulations

The healthcare industry is subject to numerous laws and regulations from federal, state, and local governments, including those concerning Medicare and Medicaid, which are complex and subject to varying interpretation. As a result of investigations by government agencies, various healthcare organizations have received requests for information and notices regarding alleged noncompliance with those laws and regulations, which, in some instances, have resulted in organizations entering into significant settlement agreements. Compliance with such laws and regulations may also be subject to future government review and interpretation as well as significant regulatory action, including fines, penalties, and potential exclusion from the related programs. There can be no assurance that regulatory authorities will not challenge Legacy's compliance with these laws and regulations, and it is not possible to determine the impact (if any) such claim or penalties would have upon Legacy. In addition, the contracts Legacy has with commercial payors also provide for retroactive audit and review of claims.

Management is aware of certain asserted and unasserted claims and regulatory matters arising in the ordinary course of business. After consultation with legal counsel, management estimates these matters will be resolved without material adverse effect to Legacy's consolidated financial statements.

(16) Subsequent Events

In April 2022, Legacy signed a 17-year lease for office space commencing March 2023, representing future lease payments of approximately $81.7 million.

In May 2022, Legacy issued $187,695 of Revenue Bonds ("2022 Bonds", which comprise Series A of $98,070 and Series B of $98,070) through the Oregon Facilities Authority. The proceeds from the 2022 Bonds will be used to refinance 2008 Bond Issue and to fund construction projects. In conjunction with the bond issuance transaction, Legacy expanded the Credit Group to include Silverton Health.

Legacy evaluated and disclosed all material subsequent events through June 17, 2022, the date the consolidated financial statements were issued.

LEGACY HEALTH

Consolidating Schedule of Balance Sheet Information

March 31, 2022 and 2021

(Dollars in thousands)

Assets		Credit reporting group	Other affiliates and eliminations	March 31, 2022 consolidated	March 31, 2021 consolidated
Current assets:					
Cash and cash equivalents	$	316,904	110	317,014	563,629
Short-term investments		99,054	—	99,054	—
Accounts receivable from patients, net		321,052	15,544	336,596	299,669
Settlements receivable from third-party payors, net		—	—	—	—
Other receivables		57,999	20,221	78,220	54,755
Inventories		31,703	1,541	33,244	30,856
Prepaid expenses		22,560	832	23,392	20,044
Total current assets		849,272	38,248	887,520	968,953
Assets limited as to use		14,305	—	14,305	39,219
Property, plant, and equipment, net		754,287	26,929	781,216	813,406
Noncurrent investments		1,243,633		1,243,633	1,236,114
Investments in unconsolidated affiliates		384,139	(8,377)	375,762	339,590
Pension asset		57,681		57,681	57,391
Other assets		60,414	30,097	90,511	99,734
Interaffiliate receivable (payable)		(7,742)	7,742	—	—
Total assets	$	3,355,989	94,639	3,450,628	3,554,407
Liabilities and Net Assets					
Current liabilities:					
Accounts payable	$	70,479	6,182	76,661	77,327
Accrued wages, salaries, and benefits		216,144	10,633	226,777	202,510
Accrued interest		5,078	—	5,078	5,695
Settlements payable to third-party payors, net		22,162	3,630	25,792	36,004
Other current liabilities		95,209	17,551	112,760	79,910
Current portion of long-term debt		17,796	236	18,032	24,871
Total current liabilities		426,868	38,232	465,100	426,317
Long-term debt, less current portion		654,867	393	655,260	723,951
General and professional claims liability		33,140	4,181	37,321	48,960
Other liabilities		137,566	3,331	140,897	208,586
Total liabilities		1,252,441	46,137	1,298,578	1,407,814
Net assets:					
Without donor restrictions, controlling		2,034,493	27,052	2,061,545	2,053,647
Without donor restrictions, noncontrolling		—	20,369	20,369	20,986
With donor restrictions		69,055	1,081	70,136	71,960
Total net assets		2,103,548	48,502	2,152,050	2,146,593
Total liabilities and net assets	$	3,355,989	94,639	3,450,628	3,554,407

See accompanying independent auditors’ report.

LEGACY HEALTH

Consolidating Schedule of Operations Information

Years ended March 31, 2022 and 2021

(Dollars in thousands)

	Credit reporting group	Other affiliates and eliminations	Year ended March 31, 2022 consolidated	Year ended March 31, 2021 consolidated
Operating revenues:				
Net patient service revenue	$ 2,206,379	135,335	2,341,714	2,052,818
Other revenue	226,114	(5,379)	220,735	213,175
Total operating revenues	2,432,493	129,956	2,562,449	2,265,993
Operating expenses:				
Wages, salaries, and benefits	1,510,318	80,844	1,591,162	1,392,595
Supplies	392,757	15,083	407,840	362,667
Professional fees	62,986	5,559	68,545	56,073
Purchased services	142,565	11,930	154,495	135,030
Utilities, insurance, and other expenses	200,548	12,658	213,206	178,872
Depreciation	73,522	3,512	77,034	82,384
Interest and amortization	19,052	21	19,073	16,081
Management fees	(800)	800	—	—
Total operating expenses	2,400,948	130,407	2,531,355	2,223,702
Income from operations	31,545	(451)	31,094	42,291
Nonoperating (loss) income:				
Investment (loss) income, net	17,343	281	17,624	300,948
Other, net	(31,073)	229	(30,844)	20,096
Total nonoperating (loss) income	(13,730)	510	(13,220)	321,044
Excess of revenues over expenses	17,815	59	17,874	363,335
Change in pension liability	(10,313)	—	(10,313)	234,103
Net assets released from restriction	2,960	69	3,029	1,808
Distributions to joint venture partners	—	(3,309)	(3,309)	(1,583)
Other	—	—	—	35
Change in net assets without donor restrictions	$ 10,462	(3,181)	7,281	597,698

See accompanying independent auditors' report.

LEGACY HEALTH

Consolidated Financial and Statistical Highlights

Years ended March 31

(Unaudited)

	2022	2021	2020	2019
Utilization:				
Average number of available beds	1,267	1,267	1,256	1,253
Discharges	51,069	51,881	60,091	62,746
Adjusted discharges	109,067	108,307	126,112	125,605
Patient days	330,798	294,134	316,983	304,398
Average length of stay	6.5	5.7	5.3	4.9
Percentage occupancy	71.5 %	63.6 %	69.1 %	66.6 %
Emergency room visits	274,218	235,397	292,653	290,940
Clinic visits	1,411,467	1,258,556	1,339,231	1,267,733
Surgical cases – inpatient	11,553	13,106	15,636	16,572
Surgical cases – outpatient	30,601	28,033	30,594	29,153
Average full-time equivalent (FTE) employees:				
Number of paid FTEs	11,711	11,109	11,271	11,310
FTEs per adjusted occupied bed	6.1	6.6	6.2	6.8
Ratios:				
Operating margin	1.2 %	1.9 %	3.4 %	2.7 %
Net days in accounts receivable	51.5	48.6	42.8	45.9
Days cash on hand	244.1	303.6	177.0	180.6
Capitalization	24.0 %	26.1 %	27.0 %	26.9 %

See accompanying independent auditors' report.

LEGACY HEALTH

Consolidated Financial Statements and Other Financial Information

March 31, 2023 and 2022

(With Independent Auditors' Report Thereon)

LEGACY HEALTH

Table of Contents

KPMG LLP
Suite 3800
1300 South West Fifth Avenue
Portland, OR 97201

Independent Auditors' Report

The Board of Directors
Legacy Health:

Opinion

We have audited the consolidated financial statements of Legacy Health and its subsidiaries (the Company), which comprise the consolidated balance sheets as of March 31, 2023 and 2022, and the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as of March 31, 2023 and 2022, and the results of its operations and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with U.S. generally accepted accounting principles, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date that the consolidated financial statements are issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

KPMG LLP, a Delaware limited liability partnership and a member firm of
the KPMG global organization of independent member firms affiliated with
KPMG International Limited, a private English company limited by guarantee.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplemental information included in the consolidating schedule of balance sheet information and consolidating schedule of operations information is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

The consolidated financial and statistical highlights is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the consolidated financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

KPMG LLP

Portland, Oregon
June 30, 2023

LEGACY HEALTH

Consolidated Balance Sheets

March 31, 2023 and 2022

(Dollars in thousands)

Assets	2023	2022
Current assets:		
Cash and cash equivalents	$ 140,241	317,014
Short-term investments	—	99,054
Accounts receivable from patients, net	370,446	336,596
Settlements receivable from third-party payors, net	18,225	—
Other receivables	86,932	78,220
Inventories	32,073	33,244
Prepaid expenses	28,644	23,392
Total current assets	676,561	887,520
Assets limited as to use	92,959	14,305
Property, plant, and equipment, net	797,208	781,216
Noncurrent investments	1,169,930	1,243,633
Investments in unconsolidated affiliates	375,110	375,762
Pension asset	32,947	57,681
Other assets	105,809	90,511
Total assets	$ 3,250,524	3,450,628
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	$ 86,729	76,661
Accrued wages, salaries, and benefits	162,382	226,777
Accrued interest	8,104	5,078
Settlements payable to third-party payors, net	—	25,792
Other current liabilities	83,863	112,760
Current portion of long-term debt	84,160	18,032
Total current liabilities	425,238	465,100
Long-term debt, less current portion	743,912	655,260
General and professional claims liability	43,677	37,321
Other liabilities	163,603	140,897
Total liabilities	1,376,430	1,298,578
Net assets:		
Without donor restrictions, controlling	1,780,548	2,061,545
Without donor restrictions, noncontrolling	19,224	20,369
With donor restrictions	74,322	70,136
Total net assets	1,874,094	2,152,050
Total liabilities and net assets	$ 3,250,524	3,450,628

See accompanying notes to consolidated financial statements.

LEGACY HEALTH

Consolidated Statements of Operations

Years ended March 31, 2023 and 2022

(Dollars in thousands)

	2023	2022
Operating revenues:		
Patient service revenue	$ 2,414,938	2,341,714
Other revenue	177,814	220,735
Total operating revenues	2,592,752	2,562,449
Operating expenses:		
Wages, salaries, and benefits	1,765,501	1,591,162
Supplies	433,811	407,840
Professional fees	93,598	68,545
Purchased services	178,301	154,495
Utilities, insurance, and other expenses	194,217	213,206
Depreciation	73,262	77,034
Interest and amortization	25,712	19,073
Total operating expenses	2,764,402	2,531,355
(Loss) income from operations	(171,650)	31,094
Nonoperating (loss) income:		
Investment (loss) income, net	(60,411)	17,624
Other, net	(13,715)	(30,844)
Total nonoperating loss	(74,126)	(13,220)
(Deficit) excess of revenues over expenses	(245,776)	17,874
Change in pension	(34,628)	(10,313)
Net assets released from restriction	1,318	3,029
Distributions to joint venture partners	(4,154)	(3,309)
Other transfers	1,098	—
Change in net assets without donor restrictions	$ (282,142)	7,281

See accompanying notes to consolidated financial statements.

LEGACY HEALTH

Consolidated Statements of Changes in Net Assets

Years ended March 31, 2023 and 2022

(Dollars in thousands)

		Without donor restrictions, controlling	Without donor restrictions, noncontrolling	With donor restrictions	Total net assets
Balance, March 31, 2021	$	2,053,647	20,986	71,960	2,146,593
Excess of revenues over expenses		15,290	2,584	—	17,874
Change in pension liability		(10,313)	—	—	(10,313)
Restricted contributions and grants		—	—	6,807	6,807
Net assets released from restriction		3,029	—	(10,362)	(7,333)
Investment gain, net		—	—	1,731	1,731
Distributions to joint venture partners		(108)	(3,201)	—	(3,309)
Other transfers		—	—	—	—
Change in net assets		7,898	(617)	(1,824)	5,457
Balance, March 31, 2022		2,061,545	20,369	70,136	2,152,050
Excess of revenues over expenses		(248,785)	3,009	—	(245,776)
Change in pension liability		(34,628)	—	—	(34,628)
Restricted contributions and grants		—	—	14,417	14,417
Net assets released from restriction		1,318	—	(7,814)	(6,496)
Investment loss, net		—	—	(2,432)	(2,432)
Distributions to joint venture partners		—	(4,154)	—	(4,154)
Other transfers		1,098	—	15	1,113
Change in net assets		(280,997)	(1,145)	4,186	(277,956)
Balance, March 31, 2023	$	1,780,548	19,224	74,322	1,874,094

See accompanying notes to consolidated financial statements.

LEGACY HEALTH

Consolidated Statements of Cash Flows

Years ended March 31, 2023 and 2022

(Dollars in thousands)

		2023	2022
Cash flows from operating activities:			
Change in net assets	$	(277,956)	5,457
Adjustments to reconcile change in net assets to net cash from operating activities:			
Net distributions to noncontrolling partners		4,153	3,201
Depreciation and amortization		79,690	86,486
Loss (gain) on disposal of assets		225	(2,029)
Change in net realized and unrealized (gains) losses on investments		(90,712)	(16,933)
Restricted contributions		(249)	(357)
Net losses (earnings) from joint ventures and investment companies		1,981	(12,873)
Pension and other post retirement adjustments		24,734	10,313
Change in certain current assets and current liabilities		(170,662)	(28,655)
Change in certain long-term operating assets and liabilities		13,767	(82,518)
Net cash from operating activities		(415,029)	(37,908)
Cash flows from investing activities:			
Purchase of property, plant, and equipment		(98,689)	(48,777)
Proceeds from sale of assets		50	5,071
Addition to funds held by trustee		(100,002)	—
Draws on funds held by trustee		21,348	24,914
Change in other long-term assets		—	361
Investment in joint ventures		—	(29,500)
Net from joint ventures and investment companies		3,721	8,846
Purchases of investments		(378,163)	(384,161)
Sales of investments		636,582	291,612
Net cash from investing activities		84,847	(131,634)
Cash flows from financing activities:			
Proceeds from draw on line of credit		80,000	—
Repayment of line of credit		(10,000)	—
Proceeds from issuance of long-term debt		202,843	22,060
Financing cost paid		(1,974)	—
Repayment of long-term debt		(113,556)	(96,289)
Distributions to noncontrolling partners		(4,153)	(3,201)
Proceeds from restricted contributions		249	357
Net cash from financing activities		153,409	(77,073)
Change in cash and cash equivalents		(176,773)	(246,615)
Cash and cash equivalents, beginning of year		317,014	563,629
Cash and cash equivalents, end of year	$	140,241	317,014
Supplemental disclosures of cash flow information:			
Cash paid for interest (net of amount capitalized)	$	28,291	20,518
Change in amounts accrued for property, plant, and equipment, net		(198)	(7,148)
Right of use lease assets acquired		34,441	—

See accompanying notes to consolidated financial statements.

(1) Organization and Summary of Significant Accounting Policies

(a) Organization and Basis of Consolidation

Legacy Health (Legacy), an Oregon nonprofit corporation, is an integrated healthcare delivery system providing various healthcare-related services. The consolidated financial statements include Legacy and its direct affiliates, which are organized primarily as nonprofit corporations under the laws of the State of Oregon or Washington, and include the following:

Legacy Emanuel Hospital & Health Center (LEH)
Legacy Good Samaritan Hospital and Medical Center (LGS)
Legacy Meridian Park Hospital (LMP)
Legacy Mount Hood Medical Center (LMH)
Silverton Health (SH)
Legacy Salmon Creek Hospital (LSC)
Legacy Visiting Nurse Association and Affiliates (LVNA)
Managed HealthCare Northwest, Inc. (MHN)
Legacy Health System Insurance Company (LHSIC)
Legacy USP Surgery Centers, LLC (LUSC)

The consolidated financial statements also include the accounts of affiliated foundations (Legacy Health Foundation, Randall Children's Hospital Foundation, Good Samaritan Foundation, and Salmon Creek Hospital Foundation, collectively the Foundations, and Silverton Health Foundation). All significant inter-affiliate accounts and transactions have been eliminated.

On June 1, 2016, Legacy became the sole corporate member of SH and affiliates, assuming their operations and assets, in exchange for the assumption of their liabilities and outstanding debt obligations. Among the requirements of the affiliation agreement are for Legacy to operate SH's hospital and additional health facilities for 10 years, invest $57,580 within 8 years to grow and improve patient care services at SH (of which $27,434 has been invested as of March 31, 2023).

(b) Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

(c) Income Taxes

Legacy has been recognized as exempt from federal income taxes, except on unrelated business income, under Section 501(a) of the Internal Revenue Code (IRC) as an organization described in Section 501(c)(3) and further described as a public charitable organization under Section 509(a)(3). Substantially all of Legacy's direct affiliates have been granted exemptions from federal income tax under Section 501(a) of the IRC as charitable organizations described in Section 501(c)(3), except MHN, LHSIC, and Legacy United Surgical Partners. During 2023 and 2022, Legacy did not record any liability for uncertain tax benefits.

(d) (Loss) Income from Operations

(Loss) income from operations excludes certain items that Legacy deems to be outside the scope of its primary business. These nonoperating activities include investment income, Pacificsource Health Plan investment income, and lessor activities.

(e) (Deficit) Excess of Revenues Over Expenses

The performance indicator is (deficit) excess of revenues over expenses. Changes in net assets without donor restrictions that are excluded include certain changes in funded status of pension plans and net assets released from restriction for the purchase of property, plant, and equipment.

(f) Fair Value Measurements

Accounting Standards Codification Topic 820, *Fair Value Measurement*, establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

- Level 1 inputs include quoted prices (unadjusted) in active markets for identical assets and liabilities.
- Level 2 inputs include inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability.

The level in the fair value hierarchy within which a fair value measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement. Investments valued utilizing net asset value (NAV) as a practical expedient are excluded from the hierarchy.

(g) Patient Service Revenue

Patient service revenue is reported at the amount that reflects the consideration to which Legacy expects to be entitled in exchange for providing patient care. These amounts are due from patients, third-party payors (including health insurers and government programs), and others and includes variable consideration for retroactive revenue adjustments due to settlement of audits, reviews, and investigations. Generally, Legacy bills patients and third-party payors several days after the services are performed and/or the patient is discharged from the facility. Revenue for substantially all services is recognized as services are rendered.

Prices are based on standard charges for goods and services provided, reduced by contractual adjustments provided to third-party payors, discounts provided to uninsured patients in accordance with Legacy's policy, and/or implicit price concessions provided to uninsured patients. Legacy determines its estimates of contractual adjustments and discounts based on contractual agreements, its discount policy, and historical experience. Legacy determines its estimate of implicit price concessions based on its historical collection experience with each class of patient.

Retroactive settlements with third-party payors due to audits, reviews, or investigations are considered variable consideration and included in the estimated transaction price for providing patient care. These settlements are estimated based on the terms of the agreement with the payor, correspondence from the payor, and Legacy's historical settlement activity and are adjusted in future periods as adjustments become known or as years are settled or are no longer subject to such audits, reviews, and investigations. In 2023 and 2022, Legacy recorded an increase to patient service revenue of approximately $3,587 and $33,885, respectively, relating to settlement of prior years' reimbursement from Medicare and Medicaid programs.

Generally, patients who are covered by third-party payors are responsible for related deductibles and coinsurance. Legacy also provides services to uninsured patients and offers those uninsured patients a discount from standard charges. Legacy estimates the transaction price for patients with deductibles and coinsurance and from those who are uninsured based on historical experience and current market conditions. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to patient service revenue in the period of the change. Subsequent changes that are determined to be the result of an adverse change in the patient's ability to pay are recorded as bad debt expense. Bad debt expense for the years ended March 31, 2023 and 2022 was not significant.

Consistent with Legacy's mission, Legacy provides care without charge or at amounts less than its standard rates to patients who meet certain criteria under its financial assistance policy. Therefore, Legacy has determined it has provided price concessions to uninsured patients and patients with uninsured balances. The implicit price concessions included in estimating the transaction price represent the difference between amounts billed to patients and the amounts Legacy expects to collect based on its collection history with those patients who have been determined to qualify for financial assistance.

(h) Cash and Cash Equivalents

Cash equivalents include investments in highly liquid investments with original maturities of three months or less. Cash equivalents exclude amounts with donor or trustee restrictions, or amounts held within the investment portfolio.

(i) Inventories

Inventories are stated at the lower of average cost, as determined by the first-in, first-out method, or market.

(j) Property, Plant, and Equipment

Property, plant, and equipment are stated at cost. Donated items are reported at fair market value on the date of donation. Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of acquiring those assets.

Impairment of property, plant, and equipment is assessed when there is evidence that events or changes in circumstances have made recovery of the net carrying value of assets unlikely.

Depreciation is determined by the straight-line method, which allocates cost equally over the estimated useful life. Average useful lives are as follows: buildings and improvements, 30 years; equipment and software, 7 years; and land improvements, 14 years.

(k) Leases

Legacy is a lessee in several noncancellable operating leases for medical space, office space, and office equipment. Legacy determines if an arrangement is a lease, or contains a lease, at inception of a contract and when the terms of an existing contract are changed. Legacy recognizes a lease liability and a right of use (ROU) asset at the commencement date of the lease. The lease liability is initially and subsequently recognized based on the present value of its future lease payments. On the balance sheet, ROU assets are included in other assets and the current portion of lease liabilities are included in other current liabilities, whereas long-term lease liabilities are included in other liabilities. Variable payments are included in the future lease payments when those variable payments depend on an index or a rate. As the implicit rates are not readily determinable, Legacy uses its incremental borrowing rate based on the information available at the commencement date for all leases. Legacy's incremental borrowing rate for a lease is the rate of interest it would have to pay on a collateralized basis to borrow an amount equal to the lease payments under similar terms and in a similar economic environment. The ROU asset is subsequently measured throughout the lease term at the amount of the remeasured lease liability (i.e., present value of the remaining lease payments), plus unamortized initial direct costs, plus (minus) any prepaid (accrued) lease payments, minus the unamortized balance of lease incentives received, and any impairment recognized. Lease cost for lease payments is recognized on a straight-line basis over the lease term.

(l) Assets Limited as to Use, Investments, and Investment Income

Assets limited as to use include assets held by trustees under indenture agreements of $92,959 and $14,305 as of March 31, 2023 and 2022, respectively.

Noncurrent investments, which are accounted for as a trading portfolio, include investments in equity securities with readily determinable fair values, funds accounted for at NAV as a practical expedient, and investments in debt securities and are recorded at fair value in the consolidated balance sheets.

Investments in unconsolidated affiliates include investments in joint ventures over which Legacy does not exercise control and are accounted for using the equity method of accounting.

Investment income or loss, including unrealized gains or losses, is included in revenues in (deficit) excess of expenses unless the income or loss is restricted by donor or law.

(m) Net Assets with Donor Restrictions and Donor-Restricted Gifts

Net assets with donor restrictions include those whose use has been limited by donors to a specific time period or purpose or has been restricted by donors to be maintained in perpetuity. Income from net assets with donor restrictions is accounted for in accordance with donor instructions.

Unconditional promises to give cash and other assets to Legacy are reported at fair value at the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value at the date the condition is satisfied, or the gift is received. Gifts or grants are reported as restricted contributions if they are received with stipulations that limit their use. When the terms of a donor or grantor restriction are met, net assets with donor restrictions may be reclassified as net assets without donor restrictions and reported in the consolidated statements of operations or consolidated statements of changes in net assets as net assets released from restriction. Contributions whose restrictions are met within the same year as received are reported as unrestricted contributions.

(n) Charitable Gift Annuities

Legacy has certificates of authority from the State of Oregon and the State of Washington to receive transfers of money or property upon agreement to pay an annuity. A charitable gift annuity is an arrangement between a donor and Legacy in which the donor contributes assets to Legacy in exchange for Legacy's agreement to pay a fixed amount for a specified period of time to the donor or other individuals and organizations as designated by the donor (annuitant). Upon execution of such an arrangement, Legacy recognizes the assets received at fair value and an annuity payment liability at the present value of future cash flows expected to be paid. Contribution revenue is recognized based upon the difference between these two amounts and on donor intent for the proceeds. In subsequent periods, payments to the annuitant reduce the annuity liability. Adjustments to the annuity liability to reflect amortization of the discount, changes in life expectancy, and death of the annuitant are recognized as other operating expenses. The annuity liability included in other current liabilities in the consolidated balance sheets as of March 31, 2023 and 2022 was $54 and $57, respectively. The annuities are not issued by an insurance company and are not subject to regulation by the State of Oregon or protected by an insurance guaranty association.

Although Legacy is exempt under Oregon Revised Statute 731.039 from the requirement to maintain a separate and distinct trust fund adequate to meet the actuarially determined future payments of the charitable gift annuities, Legacy does maintain trust accounts with a bank for all gift annuities. The amounts under trust were $120 and $141 as of March 31, 2023 and 2022, respectively. These marketable securities are comprised of cash equivalents and other fixed income instruments.

(o) Reclassifications

Certain reclassifications have been made to prior year amounts to conform to the current year presentation.

(2) COVID-19 Pandemic

The Coronavirus Aid, Relief, and Economic Security (CARES) Act, which was enacted on March 27, 2020, authorized $100,000,000 in funding to hospitals and other healthcare providers. In 2021, that authorization was increased to $178,000,000 and CARES Act funds were distributed through the Public Health and Social Services Emergency Fund (the Fund). Payments from the Fund were intended to compensate healthcare providers for lost revenues and incremental expenses incurred in response to the COVID-19 pandemic and were not required to be repaid, provided the recipients attest to and comply with certain terms and conditions, including limitations on balance billing and not using this funding to reimburse expenses or losses that other sources are obligated to reimburse. Legacy recognized $13,773 and $49,826 in other operating revenue during the years ended March 31, 2023 and 2022, respectively.

As a way to increase cash flow to Medicare providers impacted by the COVID-19 pandemic, the CARES Act expanded the Medicare Accelerated and Advance Payment Program. Inpatient acute care hospitals requested accelerated payments of up to 100% of the Medicare payment amount for a six-month period (not including Medicare Advantage payments). Under this program, CMS based payment amounts for inpatient acute care hospitals on the provider’s Medicare fee-for-service reimbursements in the last six months of 2019. Such accelerated payments were interest free for inpatient acute care hospitals and Legacy’s ambulatory providers for up to 29 months. These liabilities were subject to repayment over an 18-month period beginning in April 2021. During the year ended March 31, 2021, Legacy received $116,458 of accelerated payments, of which $0 and $59,786 remained outstanding as of March 31, 2023 and 2022, respectively, in the accompanying consolidated balance sheets in settlements payable to third-party payors.

The CARES Act also provided for deferred payment of the employer portion of social security taxes between March 27, 2020 and December 31, 2020, with 50% of the deferred amount due December 31, 2021 and the remaining 50% due December 31, 2022. In addition, Legacy was granted a one-time credit against FICA expense of $5.4 million to compensate for 50% of the wage and benefit costs of employee payments for cancelled shifts and COVID exposures. As of March 31, 2023 and 2022, respectively, $0 and $17,350 remained outstanding in accrued wages, salaries and benefits in the accompanying consolidated balance sheets.

On March 20, 2020, President Donald J. Trump declared a major disaster under section 501(b) of the Robert T. Stafford Disaster Relief and Emergency Assistance Act in response to the COVID-19 pandemic. Under the declaration, private nonprofit organization, such as hospitals, are entitled monetary assistance for the cost of certain emergency protective measures. Assistance to public nonprofit organizations will be provided on qualifying costs incurred through May 15, 2023. During the year ended March 31, 2023, Legacy submitted a total of $25,772 for reimbursement from the Federal Emergency Management Agency (FEMA), of which $13,710 was obligated and therefore recognized in other revenue and other receivables.

(Dollars in thousands)

(3) Patient Service Revenue

The composition of accounts receivable from patients and patient service revenue as of and for the years ended March 31 was as follows:

	Accounts receivable from patients, net		Patient service revenue	
	2023	**2022**	**2023**	**2022**
Medicare	23.9 %	22.6 %	771,583	565,769
Medicaid	16.0	14.1	562,007	664,957
Blue cross	21.3	18.9	369,192	418,473
Private pay	3.2	3.7	11,201	5,049
Other	35.6	40.7	700,955	687,466
	100.0 %	100.0 %	2,414,938	2,341,714

The composition of patient revenue based on service lines for the years ended March 31 was as follows:

	2023	**2022**
Hospital	$ 2,122,604	2,044,317
Physician services	228,069	234,171
Hospice	10,884	9,367
Referral lab	34,637	37,467
Other	18,744	16,392
	$ 2,414,938	2,341,714

(Dollars in thousands)

(4) Benefits to the Community

Legacy provides services to the community both for people in need and to enhance the health status of the broader community as part of its charitable mission. The following tables represent the estimated cost of providing certain services to the community.

	March 31, 2023			
	In-kind costs	Costs of service	Offsetting revenue	Net cost
Services for people in need:				
Charity care	$ —	46,092	—	46,092
Medicaid	—	765,533	438,349	327,184
Medicare	—	1,025,143	751,236	273,907
Other government programs	—	41,853	29,216	12,637
	—	1,878,621	1,218,801	659,820
Benefits to the community:				
Medical education and research	—	32,090	10,236	21,854
Community health services	—	12,519	6,313	6,206
Community benefit activities	157	46	—	203
Contributions to community organizations	280	1,294	—	1,574
	437	45,949	16,549	29,837
	$ 437	1,924,570	1,235,350	689,657
Percentage of total operating expenses				24.9 %

(Dollars in thousands)

	March 31, 2022			
	In-kind costs	**Costs of service**	**Offsetting revenue**	**Net cost**
Services for people in need:				
Charity care	$ —	40,845	—	40,845
Medicaid	—	683,863	390,897	292,966
Medicare	—	874,941	609,107	265,834
Other government programs	—	37,383	23,443	13,940
	—	1,637,032	1,023,447	613,585
Benefits to the community:				
Medical education and research	—	26,389	8,215	18,174
Community health services	1,688	3,206	174	4,720
Community benefit activities	3,681	4	2,544	1,141
Contributions to community organizations	138	2,489	—	2,627
	5,507	32,088	10,933	26,662
	$ 5,507	1,669,120	1,034,380	640,247
Percentage of total operating expenses				25.3 %

(a) Services for People in Need

In support of its mission, Legacy provides medically necessary patient care services that are discounted or free of charge to persons who have insufficient resources and/or who are uninsured. The criteria for charity care are based on eligibility for insurance coverage, household income, qualified assets, catastrophic medical events, or other information supporting a patient’s inability to pay for services provided. Specifically, Legacy provides an uninsured discount of 35% to patients. Additional discounts, on a sliding scale, are available to patients whose household income is less than 400% of the federal poverty level. For patients whose household income is at or below 300% of the federal poverty level, a full subsidy is available. In addition to the household income criteria, patients’ qualified assets (e.g., 25% of household assets) and other catastrophic or economic circumstances are considered in determining eligibility for charity care. During 2023 and 2022, Legacy provided charity care benefiting patients associated with 51,545 and 48,810 patient accounts, respectively.

In addition to charity care, Legacy provides services under various states’ Medicaid programs for low-income patients, to Medicare beneficiaries, and to beneficiaries under other government programs (such as TRICARE). The cost of providing services to these beneficiaries exceeds the reimbursement from these programs.

Legacy also employs financial counselors and social workers who assist patients in obtaining coverage for their healthcare needs. This includes assistance with workers' compensation, motor vehicle accident policies, COBRA, and veterans' assistance and supports many patients in obtaining coverage through a third party, reducing the patients' financial responsibility. The costs associated with this program were $1,081 and $1,212 in 2023 and 2022, respectively.

(b) Benefits to the Community

Medical education and research include the unreimbursed cost of nursing education, graduate medical education, and research.

Community health services include classes provided to the community at minimal or no cost, health education for children and parents with young families, resource centers, support groups, health screenings, senior wellness, volunteer programs, caregiver respite, assistance with Medicaid enrollment and support for parish nursing programs.

Community benefit activities include activities that develop community health programs and partnerships. Contributions to community organizations include direct support provided to community organizations through cash or in-kind donations to enhance those organizations' missions of supporting health and human services, civic and community causes, and business development efforts. In-kind contributions provided by Legacy include facility space, staff availability for training and education opportunities, supplies, and professional services in collaboration with charitable, educational, and government organizations throughout its community.

(c) Other Benefits

In furtherance of its mission, Legacy commits significant time and resources to endeavors and critical services that meet unfilled community needs. Many of these activities are sponsored with the knowledge that they will not be self-supporting or financially viable. Such programs include mental and behavioral health; primary care clinics in underserved neighborhoods; free patient transportation; lodging, meals, and medications for transient patients when needed; participation in blood drives; and the provision of educational opportunities for students interested in pursuing medical-related careers.

Legacy also provides additional benefits to the community through the advocacy of community service by employees. Employees of Legacy serve numerous organizations through board representation, membership in associations, and other related activities.

Legacy pays taxes associated with various states' local business and occupation taxes and property taxes that local and state governments use to fund healthcare, civil, and education services to the community. Legacy paid $10,486 and $11,514 in local and state taxes in 2023 and 2022, respectively.

(Dollars in thousands)

(5) Liquidity and Availability

As of March 31, 2023 and 2022, Legacy had working capital of $251,323 and $422,420 and average days (based on normal expenditures) cash on hand of 175.2 and 244.1, respectively. As part of Legacy's liquidity management plan, cash in excess of daily requirements is invested in cash equivalents and short-term investments. Noncurrent investments are classified as such as management does not intend to use them in the next year; however, they are sufficiently liquid that they would be available if needed except those held in private equity and private value-added real estate. Financial assets available for general expenditures within one year of the balance sheet date consist of the following:

		2023	2022
Cash and cash equivalents	$	140,241	317,014
Short term investments		—	99,054
Accounts receivable from patients, net		370,446	336,596
Other receivables		86,932	78,220
Noncurrent investments		1,169,930	1,243,633
Total financial assets		1,767,549	2,074,517
Less amounts not available to be used within one year:			
Funds held in private equity and private value-added real estate		101,245	65,291
Financial assets available to meet general expenditures within one year	$	1,666,304	2,009,226

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(Dollars in thousands)

(6) Investments

Legacy invests in different classes of securities for a variety of financial assets, including short-term investments, assets limited as to use, and noncurrent investments. The composition of these investments is as follows:

	March 31, 2023			
	Level 1	Level 2	Level 3	Total fair value
Cash equivalents	$ 38,656	—	—	38,656
Mutual funds – equity	379,611	—	—	379,611
Equity securities:				
Domestic	240,271	—	—	240,271
Foreign	36,268	—	—	36,268
Mutual funds – fixed income	36,341	—	—	36,341
Domestic debt securities:				
State and federal governments	—	72,874	—	72,874
Corporate and securitized	—	232,546	—	232,546
Foreign debt securities	—	29,075	—	29,075
Commingled funds	—	69,948	—	69,948
Interest rate swaps	—	4,219	—	4,219
	$ 731,147	408,662	—	1,139,809
Investments measured using NAV as a practical expedient				123,080
Total investments				$ 1,262,889

(Dollars in thousands)

	March 31, 2022			
	Level 1	Level 2	Level 3	Total fair value
Cash equivalents	$ 17,722	—	—	17,722
Mutual funds – equity	414,036	—	—	414,036
Equity securities:				
Domestic	269,726	—	—	269,726
Foreign	34,803	—	—	34,803
Mutual funds – fixed income	67,632	—	—	67,632
Domestic debt securities:				
State and federal governments	—	53,105	—	53,105
Corporate and securitized	—	283,395	—	283,395
Foreign debt securities	—	47,887	—	47,887
Commingled funds	—	77,001	—	77,001
Interest rate swaps	—	2,300	—	2,300
	$ 803,919	463,688	—	1,267,607
Investments measured using NAV as a practical expedient				89,385
Total investments				$ 1,356,992

Legacy's primary fixed income manager uses derivatives for both investment and hedging purposes and may take long and/or short positions. The derivative investments may include, but are not restricted to, futures and swaps.

Legacy participates in various funds that are not actively marketed on an open exchange. These investments consist of shares or units in investment funds as opposed to direct interests in the funds' underlying holdings, which may be marketable. Due to the nature of these funds, the NAV per share or its equivalent reported by each fund manager is used as a practical expedient to estimate the fair value of Legacy's interest therein. Legacy believes that the carrying amounts provided by the fund managers are reasonable estimates of fair value. The following table presents information for investments where the NAV was used as a practical expedient to measure fair value as of March 31:

	Fair value		Redemption	Redemption
	2023	2022	frequency	notice period
Private real estate – core	$ 21,835	24,094	Quarterly	60–95 days
Private real estate – value-added	21,767	11,966	N/A	N/A
Private equity	79,478	53,325	N/A	N/A
Total	$ 123,080	89,385		

(Dollars in thousands)

Core funds aim to generate a target return mainly from rental returns by income producing properties while value-added funds also seek market value returns in addition to rental income. Legacy's core fund is held via a pooled, commingled open-ended fund while value-added funds are held in the form of limited partnership/trust investments, similar to private equity and are discussed below.

As of March 31, 2023, Legacy had a capital commitment of $52,552 to private equity funds and $25,110 to value-added private real estate funds in the form of limited partnership/trust investments. These commitments are due on demand from the general partners/advisers. The private equity funds invest in emerging companies, venture capital funds, and other alternative investments. The termination of these partnerships/trusts is based upon specific provisions in the agreements. In most cases, the life of the trusts is a minimum of 10 years. Legacy can only transfer its interest in the investments with the consent of the general partner/adviser. The fair values of these investments are determined either by the underlying security value on the open market or by the general partner/adviser utilizing fair value principles.

As of March 31, 2023, approximately 10% of noncurrent investments require advance written notice of 90 days or longer to redeem the securities. For certain of these investments, it may take up to 90 days to receive the funds after the requested redemption date, and certain redemptions may be subject to other restrictions in accordance with subscription agreements.

Legacy has executed the following basis swaps with investment-banking firms:

Notional amount	Cash flow settlement	Legacy pays	Legacy receives	Termination date
$ 82,000	Semiannually	SIFMA index	62% of LIBOR, plus 1.011%	December 2033
50,000	Quarterly	SIFMA index	67% of LIBOR, plus 0.6% for three years; 94.1% of LIBOR thereafter	April 2029
50,000	Quarterly	SIFMA index	67% of LIBOR, plus 0.6% for three years; 84.45% of LIBOR thereafter	September 2030
50,000	Quarterly	SIFMA index	67% of LIBOR, plus 0.6% for three years; 84% of LIBOR thereafter	September 2030

The objective of these transactions is to assume the tax-basis risk for a portion of the fixed-rate exposure on outstanding long-term indebtedness in exchange for positive cash flows. These transactions do not meet the criteria for hedge accounting; therefore, any changes in fair value under these agreements are recorded as part of investment income in the consolidated statements of operations. The fair value of these swaps is determined by the spread in interest rates.

(Dollars in thousands)

(7) Investments in Unconsolidated Affiliates

Investments in unconsolidated affiliates as of March 31 are as follows:

		2023	2022
PacificSource	$	284,815	286,306
Life Flight Network		77,116	76,408
Other		13,179	13,048
Total investments in unconsolidated affiliates	$	375,110	375,762

PacificSource

Legacy holds a 50% ownership interest in PacificSource (PS). PS is the sole corporate member of PacificSource Health Plans, a not-for-profit community health plan offering commercial medical and dental plans in Oregon, Idaho, Montana, and Washington. PS is also the sole corporate member of PacificSource Community Health Plans, a health insurance company licensed in the states of Oregon, Idaho, and Montana, which offers Medicare Advantage and, through a subsidiary, Medicaid plans. PS owns 60% of the outstanding shares of Idaho Physicians Network, Inc., a physician contracting network.

Legacy records financial activity of PacificSource operations on a 3-month lag, consistent with allowable accounting practice. The following table represents assets, liabilities, and net assets of PS per audited financial statements as of December 31 and the related operating results for the year ended December 31:

		2022	2021
Assets	$	1,198,817	1,153,548
Liabilities	$	673,689	636,696
Net assets:			
Without donor restrictions		551,622	522,657
Accumulated other comprehensive loss		(27,008)	(6,277)
Noncontrolling interests		514	472
Total net assets without donor restrictions		525,128	516,852
Total liabilities and net assets	$	1,198,817	1,153,548

(Dollars in thousands)

		2022	2021
Underwriting income	$	90,575	(63,070)
Other (loss) income		(49,995)	29,604
Income tax expense		(11,573)	8,377
Net income (loss)	$	29,007	(25,089)

Legacy recorded total net loss, including amortization expense, on the investment in PS of $1,492 and $23,897 in 2023 and 2022, respectively, which is included in nonoperating income (loss), other in the consolidated statements of operations.

Legacy paid PS $4,144 and $3,931 in 2023 and 2022, respectively, for third-party health claims administration services for Legacy's self-insured health benefit plan, which are included in wages, salaries, and benefits in the consolidated statements of operations.

Life Flight Network, LLC

Legacy holds a 25% ownership interest in Life Flight Network, LLC (LFN), an air and ground life-saving emergency transport company whose members represent regional hospitals who provide trauma services. Legacy records financial activity of LFN operations on a 1-month lag, consistent with allowable accounting practice.

The following table represents assets, liabilities, and net assets of LFN per financial statements as of February 28 and the related operating results for the year ended February 28 consistent with the recognition period used by Legacy:

		2023	2022
Assets	$	365,050	340,743
Liabilities	$	56,586	35,110
Members equity/net assets		308,464	305,633
Total liabilities, equity and net assets	$	365,050	340,743

(Dollars in thousands)

		2023	2022
Net patient service revenue	$	208,991	249,326
Other operating revenue		16,601	20,521
		225,592	269,847
Operating expenses		(192,733)	(166,861)
Income from operations		32,859	102,986
Other income		2,085	810
Net income	$	34,944	103,796

(8) Property, Plant, and Equipment

Property, plant, and equipment balances as of March 31 are as follows:

		2023	2022
Land	$	50,759	50,759
Land improvements		24,746	24,447
Buildings and improvements		1,402,759	1,391,446
Equipment and software		981,135	961,168
Construction in progress		69,948	18,997
		2,529,347	2,446,817
Accumulated depreciation		(1,732,139)	(1,665,601)
	$	797,208	781,216

There were capital expenditure purchase commitments outstanding as of March 31, 2023 for various construction and equipment projects. The estimated cost to complete such projects as of March 31, 2023 was $214,488, of which $59,848 was contractually committed.

(9) Leases

Legacy leases various equipment and real property and has classified these leases as operating leases. These leases generally contain renewal options for periods ranging from three to five years. Unless Legacy is reasonably certain to exercise these renewal options, the optional periods are not included in determining the lease term, and associated payments under these renewal options are excluded from lease payments. Legacy's leases do not include termination options for either party to the lease or restrictive financial or other covenants. Payments due under the lease contracts include fixed payments plus any variable payments. Some of Legacy's office and medical space leases require variable payments for Legacy's proportionate share of the building's property taxes, insurance, and common area maintenance. These variable lease payments are not included in lease payments used to determine lease liability and are recognized as variable costs when incurred.

(Dollars in thousands)

The following table represents lease information as of and for the year ended March 31:

		2023	2022
Operating lease cost	$	10,408	10,257
Variable lease cost		701	877
Short-term lease cost		9,621	7,614
Total lease cost	$	20,730	18,748
Operating lease liabilities	$	71,016	56,620
Operating lease ROU assets		71,078	56,124

Other information related to leases as of March 31 is as follows:

	2023	2022
Operating leases weighted average lease term	11.1 years	5.3 years
Operating leases weighted average discount rate	3.5 %	3.5 %

Maturities of lease liabilities under noncancelable operating leases as of March 31 are as follows:

2024	$	11,734
2025		10,245
2026		9,113
2027		7,986
2028		6,419
Thereafter		39,856
Total undiscounted lease payments		85,353
Less imputed interest		(14,337)
Total lease liabilities	$	71,016

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(Dollars in thousands)

(10) Long-Term Debt

A summary of long-term debt as of March 31 is as follows:

	2023	2022
Hospital Revenue Bonds, Series 2008, payable in installments through 2038, subject to a seven-day put provision; variable interest rate	$ —	100,000
Hospital Revenue Bonds, Series 2016A, payable in installments from $1,950 to $28,330 through 2047, at rates ranging from 3.0% to 5.0%, callable on or after June 2026	282,380	288,635
Direct Purchase Bonds, Series 2020A, issued under a bond purchase agreement with the Oregon Facilities Authority and a commercial bank, at a fixed rate of 1.71%	17,215	19,735
Hospital Revenue Bonds, Series 2022A, payable in installments from $14,540 to $18,265 from 2047 through 2052, at rates ranging from 4.125% to 5.0%, callable on or after June 2032	98,070	—
Hospital Revenue Bonds, Series 2022B, bullet maturity in 2030, at a fixed rate of 5.0%	89,625	—
Taxable bullet loan maturing April 2030, issued at 2.74% fixed rate	100,000	100,000
Taxable bullet loan maturing April 2032, issued at 3.62% fixed rate	100,000	100,000
Multi-draw taxable term loan maturing June 2030, issued at 1.75% fixed rate	38,249	43,030
Line of credit	70,000	—
Other debt	917	630
	796,456	652,030
Premiums and deferred financing costs	31,616	21,262
Less current portion	(84,160)	(18,032)
	$ 743,912	655,260

Interest cost incurred related to funds borrowed was $25,687 and $19,051 in 2023 and 2022, respectively. These amounts were reduced by $71 and $302 in 2023 and 2022, respectively, in the consolidated statements of operations for amounts capitalized for construction and other capital projects.

(Dollars in thousands)

Scheduled principal repayments of long-term debt, including mandatory tenders of bonds eligible for refinancing, according to long-term amortization schedules are as follows:

2024	$	84,160
2025		14,540
2026		10,530
2027		10,406
2028		10,551
Thereafter		666,269
	$	796,456

The master trust indenture and other loan agreements covering these obligations contain, among other things, provisions placing restrictions on additional borrowings and leases and require the maintenance of debt service coverage and other ratios. The Credit Group, which was formed to facilitate borrowing, includes Legacy, LEH, LGS, LMP, LMH, LSC, SH and the Foundations.

In November 2008, Legacy issued $150,000 of Revenue Bonds Series 2008 (2008 Bonds), which are unsecured, variable-rate debt in an initial short-term interest rate mode, through the Hospital Facility Authority of Clackamas County, Oregon. The proceeds from the 2008 Bonds were restricted for capital expenditures and to pay the expenses incurred with the issuance. The 2008 Bonds, while subject to a long-term amortization period, may be put to Legacy at the option of the bondholders at certain remarketing dates. Series C ($50,000) of the 2008 Bonds were refinanced in November 2016. In May 2022, Legacy issued new long-term revenue bonds and repaid the 2008 bonds.

In November 2016, Legacy issued $288,635 of Revenue Bonds Series 2016A (2016 Bonds) through the Oregon Facilities Authority. The proceeds from the 2016 Bonds were used for capital expenditures, debt service during the construction period, and expenses incurred for the issuance. A portion of the proceeds was used to refinance Series C of the 2008 Bonds and other previously issued debt.

In March 2020, Legacy issued $24,675 under a bond purchase agreement with the Oregon Facilities Authority and a commercial bank. The proceeds from the 2021 Bonds were used to refinance previously issued debt.

In May 2022, Legacy issued Revenue Bonds Series 2022A (2022A Bonds) for $98,070 and Series 2022B (2022B Bonds) for $89,625 through the Oregon Facilities Authority. The proceeds from the 2022A bonds were used for capital expenditures and to pay for expenses incurred for the issuance. The proceeds from the 2022B bonds were primarily used to refinance the outstanding Series 2008 Bonds and to pay expenses incurred for the issuance. As part of this issuance, SH was added to the Credit Group.

In April 2020, Legacy secured a taxable, 10-year $100,000 bullet, term loan with Wells Fargo Bank, N.A. In May 2020, Legacy secured a taxable, 3-year $100,0000 bullet, term loan with U.S. Bank, N.A. All principal on these bullet loans is due at loan maturity. In June 2022, the loan with U.S. Bank, NA was extended to 2032, with a new interest rate of 3.62%.

(Dollars in thousands)

In May 2020, Legacy secured a taxable, multi-draw 10-year term loan with J.P. Morgan Chase Bank, N.A. The proceeds were used to pay debt service on the Series 2011A Bond. $20,970 was drawn in May 2020 and an additional $22,100 was drawn in May 2021 for a total of $43,030.

In April 2021, Legacy renewed a $100,000 revolving line of credit through U.S. Bank, N.A. The term of the line of credit is for 3 years, maturing May 2024, and bears interest at a variable rate based upon the Secured Overnight Financing Rate (SOFR, 5.27% at March 31, 2023). As of March 31, 2023, $70,000 was outstanding on the line of credit and was included in Current portion of long-term debt in the accompanying consolidated balance sheets.

In May 2022, Legacy renewed a $100,000 revolving line of credit through J.P. Morgan Chase Bank, N.A. The term of the line of credit is for 3 years and bears interest at a variable rate based upon SOFR. No draws have occurred as of March 31, 2023.

(11) Net Assets with Donor Restrictions

Net assets with donor restrictions are available for the following purposes as of March 31:

		Restricted to a specific time period or purpose		Principal restricted in perpetuity	
		2023	2022	2023	2022
Education	$	9,587	10,628	3,278	3,172
Patient care		32,732	27,423	12,252	12,109
Research		2,780	6,232	1,641	1,641
Capital acquisition		5,504	2,289	—	—
Other		6,165	6,258	383	384
	$	56,768	52,830	17,554	17,306

(12) Functional Expenses

Legacy provides hospital services, physician services, and referral lab and other health services. Support services include costs that benefit the entire organization but are not controllable by operational leadership. Costs that are controllable by operational leadership are directly assigned to the respective program activities. Employee benefits and other shared costs are allocated based on relative direct costs.

(Dollars in thousands)

Expenses related to providing services were as follows for the years ended March 31:

	2023				
	Hospital services	Physician services	Lab and other health services	Support services	Total
Wages, salaries, and benefits	$ 1,021,441	357,286	50,776	335,998	1,765,501
Supplies	376,802	14,017	27,044	15,948	433,811
Professional fees	56,272	1,932	2	35,392	93,598
Purchased services	55,001	4,246	10,665	108,389	178,301
Interaffiliate purchased services	130,620	(61,076)	(69,544)	—	—
Utilities, insurance, and other expenses	31,962	22,093	48	140,114	194,217
Depreciation	41,113	10,930	2,469	18,750	73,262
Interest and amortization	18,212	—	—	7,500	25,712
	$ 1,731,423	349,428	21,460	662,091	2,764,402

	2022				
	Hospital services	Physician services	Lab and other health services	Support services	Total
Wages, salaries, and benefits	$ 791,077	276,865	45,708	477,512	1,591,162
Supplies	333,769	11,228	27,844	34,999	407,840
Professional fees	46,715	2,202	8	19,620	68,545
Purchased services	1,599	3,333	76,878	72,685	154,495
Interaffiliate purchased services	120,507	(53,300)	(67,207)	—	—
Utilities, insurance, and other expenses	29,814	40,502	578	142,312	213,206
Depreciation	46,963	1,793	2,526	25,752	77,034
Interest and amortization	9,910	—	—	9,163	19,073
	$ 1,380,354	282,623	86,335	782,043	2,531,355

(13) Retirement Plans

(a) Defined Contribution Plans

Legacy sponsors defined contribution retirement plans that cover substantially all employees. The plans provide for employer matching contributions in an amount equal to a percentage of employee pretax contributions, up to a maximum. Expense related to these plans was $74,596 and $67,476 for 2023 and 2022, respectively.

(Dollars in thousands)

(b) Pension Benefit Plans

Legacy sponsors a pension plan, the Legacy Employees' Retirement Plan (the Plan). The retirement benefits of all participants in the Plan were frozen effective December 31, 2016 (the Freeze Date). No benefit service after the Freeze Date are taken into account in determining a participant's retirement benefits. After the Freeze Date, future retirement benefits are provided by the defined contribution plans.

Legacy maintains other retirement plans for certain management employees, which include a pension restoration plan, deferred compensation plans, and supplemental executive retirement plans.

A summary of changes in benefit obligations, fair values of plan assets, and the pension asset at March 31 and for the years then ended is as follows:

		2023	2022
Change in projected benefit obligation:			
Projected benefit obligation at beginning of year	$	838,923	902,082
Interest cost		31,674	28,444
Actuarial gain		(96,181)	(35,024)
Benefits paid		(56,618)	(56,579)
Projected benefit obligation at end of year		717,798	838,923
Change in plan assets:			
Fair value of assets at beginning of year		896,604	959,473
Actual return on plan assets		(89,399)	(6,416)
Employer contribution		158	126
Benefits paid		(56,618)	(56,579)
Fair value of assets at end of year		750,745	896,604
Funded status	$	32,947	57,681
Unrecognized net actuarial loss	$	165,574	130,946
Accumulated benefit obligation		717,798	838,923

The prior service credit and actuarial losses included in net assets without donor restrictions and expected to be recognized in net periodic pension cost during the year ending March 31, 2024 are $0 and $158, respectively.

(Dollars in thousands)

Net periodic pension benefit for the years ended March 31 included the following components:

		2023	2022
Interest cost	$	31,674	28,444
Expected return on plan assets		(44,677)	(44,465)
Special recognition curtailments and settlements		—	20
Recognized net actuarial loss		3,268	5,523
Net periodic pension benefit	$	(9,735)	(10,478)

(i) Assumptions

Legacy used the following actuarial assumptions to determine its benefit obligations at March 31 and its net periodic benefit cost for the years ended March 31:

	2023	2022
Benefit obligation (measured as of March 31):		
Discount rate	5.28 %	3.92 %

	2023	2022
Net periodic benefit cost (measured for the year ended March 31):		
Discount rate	3.92 %	3.26 %
Long-term rate of return	6.00	6.00

The source data for the discount rate used to determine the benefit obligation was a universe of AA or higher rated U.S. dollar denominated bonds with similar maturities to the projected benefit payments. The expected long-term rate of return on plan assets was based on Legacy's asset allocation mix and the long-term historical return for each asset class, taking into account current and expected market conditions. The source data for the mortality table utilized the Pri-2012 Blue Collar Tables for Employees and Annuitants, projected using MP-2021 and MP-2020, respectively, to reflect both current and future improvements in mortality.

(Dollars in thousands)

(ii) Pension Plan Assets

The asset allocation of Legacy's pension plans at March 31 and the target allocation are as follows:

	Target allocation	2023 Actual allocation	2022 Actual allocation
Equity securities	0–60%	39 %	39 %
Fixed income	40–100	59	58
Real estate	—	2	2
Alternative investments	— %	—	1

Pension plan assets are managed according to an investment policy adopted by the Legacy Health Retirement Committee. Professional investment managers are retained to manage specific asset classes and provide expert analysis and investment performance reporting. The primary objectives are to preserve and grow the assets to provide for long-term benefit payments. It is also an objective to invest a significant portion of the assets in fixed-income assets that have a similar interest rate sensitivity as the projected liabilities for the Plan. Assets are rebalanced when balances fall outside of the approved range for each asset class.

The following tables set forth by level, within the fair value hierarchy, the Plan's assets at fair value:

	March 31, 2023			
	Level 1	Level 2	Level 3	Total fair value
Cash and cash equivalents	$ 18,013	—	—	18,013
Mutual funds – equity	100,276	—	—	100,276
Equity securities:				
Domestic	98,266	—	—	98,266
Foreign	14,567	—	—	14,567
Mutual funds – fixed income	195,054	—	—	195,054
Domestic debt securities:				
State and federal government	—	74,140	—	74,140
Corporate and securitized	—	151,723	—	151,723
Foreign debt securities	—	56,283	—	56,283
Commingled funds	—	70,812	—	70,812
Derivative assets, net	—	539	—	539
	$ 426,176	353,497	—	779,673
Investments measured using NAV as a practical expedient				16,070
Unsettled trades				(44,998)
Total assets at fair value				$ 750,745

(Dollars in thousands)

	March 31, 2022			
	Level 1	Level 2	Level 3	Total fair value
Cash and cash equivalents	$ 21,040	—	—	21,040
Mutual funds – equity	109,606	—	—	109,606
Equity securities:				
Domestic	128,541	—	—	128,541
Foreign	15,882	—	—	15,882
Mutual funds – fixed income	253,282	—	—	253,282
Domestic debt securities:				
State and federal government	—	70,956	—	70,956
Corporate and securitized	—	172,654	—	172,654
Foreign debt securities	—	61,667	—	61,667
Commingled funds	—	87,274	—	87,274
Derivative assets, net	—	(1,801)	—	(1,801)
	$ 528,351	390,750	—	919,101
Investments measured using NAV as a practical expedient				21,218
Unsettled trades				(43,715)
Total assets at fair value				$ 896,604

The following table presents information for plan assets where the NAV was used as a practical expedient to measure fair value at March 31:

	2023	2022	Redemption frequency	Redemption notice period
Private real estate – core	$ 11,490	14,660	Quarterly	60–95 days
Private equity	4,580	6,558	N/A	N/A
Total	$ 16,070	21,218		

The Plan allows certain fixed-income investment managers to use derivative financial instruments to manage interest rate risk, which may include, but are not limited to, futures, options, swaps, and forward currency contracts.

(Dollars in thousands)

The following table presents gross investment derivative assets and liabilities reported on a net basis in plan investments:

		2023	2022
Derivative assets:			
Future contracts	$	4,248	4,672
		4,248	4,672
Derivative liabilities:			
Future contracts		(4,248)	(4,672)
Other derivatives and forward setting contracts		539	(1,801)
		(3,709)	(6,473)
Net investment derivative liabilities	$	539	(1,801)

(iii) Cash Flows

Legacy's policy with respect to funding the qualified plans is to fund at least the minimum required by the Employee Retirement Income Security Act of 1974, as amended, plus such additional amounts as deemed appropriate. Funding of the qualified plans during the year ending March 31, 2024 is anticipated to be $0.

Benefit payments are expected to be paid as follows for the years ending December 31:

2024	$	68,300
2025		55,000
2026		54,900
2027		55,800
2028		59,600
2029–2033		263,100

These estimates are based on assumptions about future events. Actual benefit payments may vary significantly from these estimates.

(14) Commitments and Contingencies

(a) Professional and General Liability

Legacy is self-insured for professional and general liability coverage. Legacy accrues estimated general and professional liability claims based upon management's estimate of the ultimate costs for both reported claims and actuarially determined estimates of claims incurred but not reported. Coverage in excess of self-insurance limits is provided on a claims-made basis through Legacy's captive insurance company, LHSIC.

(b) Employee Benefits

Legacy is self-insured for workers' compensation, employee health, and long-term and short-term disability. Legacy accrues the unpaid portion of claims that have been reported and estimates of claims that have been incurred but not reported based on an actuarial study.

(c) Collective Bargaining Agreements

Approximately 14% of Legacy employees were covered under collective bargaining agreements at March 31, 2023, including certain service and maintenance employees. Approximately 181 employees are covered by collective bargaining agreements that expire within one year.

(15) Compliance with Laws and Regulations

The healthcare industry is subject to numerous laws and regulations from federal, state, and local governments, including those concerning Medicare and Medicaid, which are complex and subject to varying interpretation. As a result of investigations by government agencies, various healthcare organizations have received requests for information and notices regarding alleged noncompliance with those laws and regulations, which, in some instances, have resulted in organizations entering into significant settlement agreements. Compliance with such laws and regulations may also be subject to future government review and interpretation as well as significant regulatory action, including fines, penalties, and potential exclusion from the related programs. There can be no assurance that regulatory authorities will not challenge Legacy's compliance with these laws and regulations, and it is not possible to determine the impact (if any) such claim or penalties would have upon Legacy. In addition, the contracts Legacy has with commercial payors also provide for retroactive audit and review of claims.

Management is aware of certain asserted and unasserted claims and regulatory matters arising in the ordinary course of business. After consultation with legal counsel, management estimates these matters will be resolved without material adverse effect to Legacy's consolidated financial statements.

(16) Subsequent Events

Legacy evaluated all material subsequent events through June 30, 2023, the date the consolidated financial statements were issued.

LEGACY HEALTH

Consolidating Schedule of Balance Sheet Information

March 31, 2023 and 2022

(Dollars in thousands)

Assets		Credit reporting group	Other affiliates and eliminations	March 31, 2023 consolidated	March 31, 2022 consolidated
Current assets:					
Cash and cash equivalents	$	142,317	(2,076)	140,241	317,014
Short-term investments		—	—	—	99,054
Accounts receivable from patients, net		366,377	4,069	370,446	336,596
Settlements receivable from third-party payors, net		18,225	—	18,225	—
Other receivables		77,774	9,158	86,932	78,220
Inventories		31,530	543	32,073	33,244
Prepaid expenses		28,525	119	28,644	23,392
Total current assets		664,748	11,813	676,561	887,520
Assets limited as to use		92,959	—	92,959	14,305
Property, plant, and equipment, net		795,436	1,772	797,208	781,216
Noncurrent investments		1,169,930	—	1,169,930	1,243,633
Investments in unconsolidated affiliates		384,165	(9,055)	375,110	375,762
Pension asset		32,947	—	32,947	57,681
Other assets		76,513	29,296	105,809	90,511
Interaffiliate receivable (payable)		(18,527)	18,527	—	—
Total assets	$	3,198,171	52,353	3,250,524	3,450,628
Liabilities and Net Assets					
Current liabilities:					
Accounts payable	$	84,256	2,473	86,729	76,661
Accrued wages, salaries, and benefits		161,190	1,192	162,382	226,777
Accrued interest		8,104	—	8,104	5,078
Settlements payable to third-party payors, net		—	—	—	25,792
Other current liabilities		75,313	8,550	83,863	112,760
Current portion of long-term debt		83,861	299	84,160	18,032
Total current liabilities		412,724	12,514	425,238	465,100
Long-term debt, less current portion		743,294	618	743,912	655,260
General and professional claims liability		42,820	857	43,677	37,321
Other liabilities		161,223	2,380	163,603	140,897
Total liabilities		1,360,061	16,369	1,376,430	1,298,578
Net assets:					
Without donor restrictions, controlling		1,765,002	15,546	1,780,548	2,061,545
Without donor restrictions, noncontrolling		—	19,224	19,224	20,369
With donor restrictions		73,108	1,214	74,322	70,136
Total net assets		1,838,110	35,984	1,874,094	2,152,050
Total liabilities and net assets	$	3,198,171	52,353	3,250,524	3,450,628

See accompanying independent auditors' report.

LEGACY HEALTH

Consolidating Schedule of Operations Information

Years ended March 31, 2023 and 2022

(Dollars in thousands)

	Credit reporting group	Other affiliates and eliminations	Year ended March 31, 2023 consolidated	Year ended March 31, 2022 consolidated
Operating revenues:				
Patient service revenue	$ 2,385,301	29,637	2,414,938	2,341,714
Other revenue	178,975	(1,161)	177,814	220,735
Total operating revenues	2,564,276	28,476	2,592,752	2,562,449
Operating expenses:				
Wages, salaries, and benefits	1,752,102	13,399	1,765,501	1,591,162
Supplies	428,279	5,532	433,811	407,840
Professional fees	93,034	564	93,598	68,545
Purchased services	174,974	3,327	178,301	154,495
Utilities, insurance, and other expenses	191,427	2,790	194,217	213,206
Depreciation	72,534	728	73,262	77,034
Interest and amortization	25,687	25	25,712	19,073
Total operating expenses	2,738,037	26,365	2,764,402	2,531,355
Income from operations	(173,761)	2,111	(171,650)	31,094
Nonoperating (loss) income:				
Investment (loss) income, net	(59,903)	(508)	(60,411)	17,624
Other, net	(13,711)	(4)	(13,715)	(30,844)
Total nonoperating (loss) income	(73,614)	(512)	(74,126)	(13,220)
Excess of revenues over expenses	(247,375)	1,599	(245,776)	17,874
Change in pension liability	(34,628)	—	(34,628)	(10,313)
Net assets released from restriction	1,563	(245)	1,318	3,029
Distributions to joint venture partners	—	(4,154)	(4,154)	(3,309)
Other transfers	—	1,098	1,098	—
Transfer of Silverton Health to Credit reporting group	10,949	(10,949)	—	—
Change in net assets without donor restrictions	$ (269,491)	(12,651)	(282,142)	7,281

See accompanying independent auditors' report.

LEGACY HEALTH

Consolidated Financial and Statistical Highlights

Years ended March 31

(Unaudited)

	2023	2022	2021	2020
Utilization:				
Average number of available beds	1,261	1,267	1,267	1,256
Discharges	54,646	51,069	51,881	60,091
Adjusted discharges	116,708	109,067	108,307	126,112
Patient days	361,753	330,798	294,134	316,983
Average length of stay	6.6	6.5	5.7	5.3
Percentage occupancy	78.6 %	71.5 %	63.6 %	69.1 %
Emergency room visits	313,964	274,218	235,397	292,653
Clinic visits	1,489,773	1,411,467	1,258,556	1,339,231
Surgical cases – inpatient	12,716	11,553	13,106	15,636
Surgical cases – outpatient	31,574	30,601	28,033	30,594
Average full-time equivalent (FTE) employees:				
Number of paid FTEs	12,197	11,711	11,109	11,271
FTEs per adjusted occupied bed	6.1	6.1	6.6	6.2
Ratios:				
Operating margin	(6.6)%	1.2 %	1.9 %	3.4 %
Net days in accounts receivable	54.8	51.5	48.6	42.8
Days cash on hand	175.2	244.1	303.6	177.0
Long-term debt to capitalization	30.9 %	24.0 %	26.1 %	27.0 %

See accompanying independent auditors’ report.

Supplemental Materials J:
Copies of Current Governance Documents for OHSU

West's Oregon Revised Statutes Annotated
Title 30. Education and Culture (Refs & Annos)
Chapter 353. Oregon Health and Science University
General Provisions

O.R.S. § 353.010

353.010. Definitions

Currentness

As used in this chapter:

(1) "Board" means the Oregon Health and Science University Board of Directors established under ORS 353.040.

(2) "Public corporation" means an entity that is created by the state to carry out public missions and services. In order to carry out these public missions and services, a public corporation participates in activities or provides services that are also provided by private enterprise. A public corporation is granted increased operating flexibility in order to best ensure its success, while retaining principles of public accountability and fundamental public policy. The board of directors of a public corporation is appointed by the Governor and confirmed by the Senate but is otherwise delegated the authority to set policy and manage the operations of the public corporation.

(3) "University" or "Oregon Health and Science University" means the Oregon Health and Science University public corporation created under ORS 353.020.

Credits

Added by Laws 1995, c. 162, § 1. Amended by Laws 1999, c. 291, § 1.

O. R. S. § 353.010, OR ST § 353.010
Current through laws enacted in the 2022 Regular Session of the 81st Legislative Assembly, which convened February 1, 2022 and adjourned sine die March 4, 2022, pending classification of undesignated material and text revision by the Oregon Reviser. See ORS 173.160. Coverage also includes 2022 Ballot Measures 111-114, decided by the voters at the November 8, 2022 general election. Some statute sections may be more current, see credits for details.

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West's Oregon Revised Statutes Annotated
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O.R.S. § 353.020

353.020. Establishment and status of the Oregon Health and Science University as a public corporation

Currentness

Oregon Health and Science University is established as a public corporation and shall exercise and carry out all powers, rights and privileges that are expressly conferred upon it, are implied by law or are incident to such powers. The university shall be a governmental entity performing governmental functions and exercising governmental powers. The university shall be an independent public corporation with statewide purposes and missions and without territorial boundaries. The university shall be a governmental entity but shall not be considered a unit of local or municipal government or a state agency for purposes of state statutes or constitutional provisions.

Credits
Added by Laws 1995, c. 162, § 2. Amended by Laws 1999, c. 291, § 2; Laws 2001, c. 123, § 1.

O. R. S. § 353.020, OR ST § 353.020
Current through laws enacted in the 2022 Regular Session of the 81st Legislative Assembly, which convened February 1, 2022 and adjourned sine die March 4, 2022, pending classification of undesignated material and text revision by the Oregon Reviser. See ORS 173.160. Coverage also includes 2022 Ballot Measures 111-114, decided by the voters at the November 8, 2022 general election. Some statute sections may be more current, see credits for details.

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O.R.S. § 353.030

353.030. Public policy; mission and purpose of university

Currentness

(1) It shall be the public policy of the Oregon Health and Science University in carrying out its missions as a public corporation:

(a) To serve the people of the State of Oregon by providing education in health, science, engineering and their management for students of the state and region.

(b) To provide:

(A) An environment that stimulates the spirit of inquiry, initiative and cooperation between and among students, faculty and staff;

(B) Research in health care, engineering, biomedical sciences and general sciences; and

(C) The delivery of health care to contribute to the development and dissemination of new knowledge.

(2) The university will strive for excellence in education, research, clinical practice, scholarship and community service while maintaining compassion, personal and institutional integrity and leadership in carrying out its missions.

(3) The university is designated to carry out the following public purposes and missions on behalf of the State of Oregon:

(a) Provide high quality educational programs appropriate for a health and science university;

(b) Conduct research in health care, engineering, biomedical sciences and general sciences;

(c) Engage in the provision of inpatient and outpatient clinical care and health care delivery systems throughout the state;

(d) Provide outreach programs in education, research and health care;

(e) Serve as a local, regional and statewide resource for health care providers; and

(f) Continue a commitment to provide health care to the underserved patient population of Oregon.

(4) The university shall carry out the public purposes and missions of this section in the manner that, in the determination of the Oregon Health and Science University Board of Directors, best promotes the public welfare of the people of the State of Oregon.

Credits

Added by Laws 1995, c. 162, § 3. Amended by Laws 2001, c. 123, § 3.

O. R. S. § 353.030, OR ST § 353.030

Current through laws enacted in the 2022 Regular Session of the 81st Legislative Assembly, which convened February 1, 2022 and adjourned sine die March 4, 2022, pending classification of undesignated material and text revision by the Oregon Reviser. See ORS 173.160. Coverage also includes 2022 Ballot Measures 111-114, decided by the voters at the November 8, 2022 general election. Some statute sections may be more current, see credits for details.

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O.R.S. § 353.035

353.035. Certain laws liberally construed

Currentness

Chapter 162, Oregon Laws 1995, shall be liberally construed to effect the purposes and intent thereof. If any provision of chapter 162, Oregon Laws 1995, or the application of that provision to any particular circumstance or person, shall be held invalid, the remainder of chapter 162, Oregon Laws 1995, and the application of that provision to circumstances or persons other than those to which it is held invalid shall not be affected thereby.

Credits
Added by Laws 1995, c. 162, § 90.

O. R. S. § 353.035, OR ST § 353.035
Current through laws enacted in the 2022 Regular Session of the 81st Legislative Assembly, which convened February 1, 2022 and adjourned sine die March 4, 2022, pending classification of undesignated material and text revision by the Oregon Reviser. See ORS 173.160. Coverage also includes 2022 Ballot Measures 111-114, decided by the voters at the November 8, 2022 general election. Some statute sections may be more current, see credits for details.

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KeyCite Yellow Flag - Negative Treatment
Proposed Legislation

West's Oregon Revised Statutes Annotated
Title 30. Education and Culture (Refs & Annos)
Chapter 353. Oregon Health and Science University
Board of Directors

O.R.S. § 353.040

353.040. Appointing board of directors; membership; meetings; removal of members

Currentness

(1) There is established an Oregon Health and Science University Board of Directors consisting of nine members. The directors, except for the president of the university, shall be appointed by the Governor and shall be confirmed by the Senate in the manner prescribed in ORS 171.562 and 171.565.

(2) Except for the president of the university, the term of office of each nonstudent member is four years. The term of office of the student member is two years. Before the expiration of the term of a member, the Governor shall appoint a successor whose term begins on October 1 next following. A member is eligible for reappointment for one additional term. If there is a vacancy for any cause, the Governor shall make an appointment to become effective immediately for the unexpired term. The board shall nominate a slate of candidates whenever a vacancy occurs or is announced and shall forward the recommended candidates to the Governor for consideration. To assist the Governor in appointing the student member, the duly organized and recognized entity of student government shall submit a list of nominees to the Governor for consideration.

(3) The membership of the board shall be as follows:

(a) Seven representatives who, in the discretion of the Governor, have experience in areas related to the university missions or that are important to the success of Oregon Health and Science University, including but not limited to higher education, health care, scientific research, engineering and technology and economic and business development.

(b) One representative who is a student enrolled at the university.

(c) The president of the university, who shall be an ex officio voting member.

(4) Directors must be citizens of the United States. Except for the president of the university, no voting member may be an employee of the university.

(5) The board shall select one of its members as chairperson and another as vice chairperson for such terms and with such duties and powers as the board considers necessary for performance of the functions of those offices. The board shall adopt bylaws concerning how a quorum shall be constituted and when a quorum shall be necessary.

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(6) The board shall meet at least once every three months at Oregon Health and Science University. The board shall meet at such other times and places specified by the chairperson or by a majority of the members of the board.

(7) The Governor may remove any member of the board at any time for cause, after notice and public hearing, but not more than three members shall be removed within a period of four years, unless it is for corrupt conduct in office.

Credits

Added by Laws 1995, c. 162, § 4. Amended by Laws 1999, c. 291, § 3; Laws 2001, c. 123, § 4; Laws 2015, c. 767, § 162, eff. July 27, 2015, operative Oct. 1, 2017.

O. R. S. § 353.040, OR ST § 353.040

Current through laws enacted in the 2022 Regular Session of the 81st Legislative Assembly, which convened February 1, 2022 and adjourned sine die March 4, 2022, pending classification of undesignated material and text revision by the Oregon Reviser. See ORS 173.160. Coverage also includes 2022 Ballot Measures 111-114, decided by the voters at the November 8, 2022 general election. Some statute sections may be more current, see credits for details.

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Chapter 353. Oregon Health and Science University
Board of Directors

O.R.S. § 353.050

353.050. Board and university officials powers and duties

Currentness

Except as otherwise provided in this chapter, the Oregon Health and Science University Board of Directors, or university officials acting under the authority of the board, shall exercise all the powers of the Oregon Health and Science University and shall govern the university. In carrying out its powers, rights and privileges, the university shall be a governmental entity performing governmental functions and exercising governmental powers. The university or the board may either within or outside the state:

(1) Determine or approve policies for the organization, administration and development of the university.

(2) Appoint and employ any instructional, administrative, professional, trade, occupational and other personnel as are necessary or appropriate to carry out the missions of the university, and prescribe their compensation and terms of office or employment.

(3) Make any and all contracts and agreements, enter into any partnership, joint venture or other business arrangement, create and participate fully in the operation of any business structure, including but not limited to the development of business structures for health care delivery systems and networks with any public or private government, nonprofit or for-profit person or entity that in the judgment of the university or the board is necessary or appropriate to carry out the university's missions and goals.

(4) Acquire, purchase, receive, hold, control, convey, sell, manage, operate, lease, license, lend, invest, improve, develop, use, dispose of and hold title to real and personal property of any nature, including intellectual property, in its own name.

(5) Sue in its own name and be sued, plead and be impleaded in all actions, suits or proceedings in any forum brought by or against it by any and all private or state, local, federal or other public entities, agencies or persons.

(6) Encourage gifts and donations for the benefit of the university, and subject to the terms of the gift, retain, invest and use such gifts as deemed appropriate by the university or the board.

(7) Acquire, receive, hold, keep, pledge, control, convey, manage, use, lend, expend and invest all funds, appropriations, gifts, bequests, stock and revenue from any source to the university.

(8) Borrow money for the needs of the university, in such amounts and for such time and upon such terms as may be determined by the university or the board.

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(9) Erect, construct, improve, develop, repair, maintain, equip, furnish, lease, lend, convey, sell, manage, operate, use, dispose of and hold title to buildings, structures and lands for the university.

(10) Purchase any and all insurance, operate a self-insurance program or otherwise arrange for the equivalent of insurance coverage of any nature and the indemnity and defense of its officers, agents and employees or other persons designated by the university to carry out or further the missions of the university.

(11) Create, develop, supervise, control and adopt academic programs, including standards, qualifications, policies or practices relating to admissions, curriculum, academic advancement, grading policy, student conduct, credits and scholarships and the granting of academic degrees, certificates and other forms of recognition.

(12) Authorize, create, eliminate, establish, operate, reorganize, reduce or expand any program, school, institute, health care facility or other unit of operation.

(13) Establish, charge, collect and use charges for enrollment into the university, including charges such as tuition for education and general services, incidental fees and such other charges found by the university to be necessary to carry out its educational programs. Fees realized in excess of amounts allocated and exceeding required reserves shall be considered surplus incidental fees and shall be allocated for programs under the control of the board and found to be advantageous to the cultural or physical development of students of the university upon the recommendation of the recognized student government of the university.

(14) Establish, charge, collect and use charges and fees for university services and the use of university facilities.

(15) Impose charges, fines, fees and such other regulations considered convenient or necessary to control and regulate traffic and parking of vehicles to the same extent allowed governing boards of public universities listed in ORS 352.002. This authority includes the authority to enforce the regulations of the university in a court to the extent allowed the governing board of a public university listed in ORS 352.002 in ORS 352.118.

(16) Enforce and recover for payment to the university any fines that are authorized by this chapter.

(17) Adopt, amend or repeal bylaws, administrative rules, regulations and orders applicable to the matters that are the subject of this chapter.

(18) Contract with any state agency for the performance of such duties, functions and powers as is appropriate. A state agency shall not charge the university for such services an amount that is greater than the actual cost of the services.

(19) Purchase, receive, subscribe for or otherwise acquire, own, hold, vote, use, sell, mortgage, lend, pledge, invest in or otherwise dispose of and deal in or with the shares, stock or other equity or interests in or obligations of any other entity. Separate funds may be established for such investments. The State of Oregon shall have no proprietary or other interest in such investments or such funds.

(20) Make available, by lease or otherwise, or control access to any health care facilities or services or other of its properties and assets to such persons, firms, partnerships, associations or corporations and on such terms as considered appropriate, charge and collect rent or other fees or charges therefor and terminate or deny any such access or any such lease or other agreement for such reasons as considered appropriate and as may be consistent with its obligations under any such lease or other agreement.

(21) Contract for the operation of any department, section, equipment or holdings of the university and enter into any agreements with any person, firm or corporation for the management by said person, firm or corporation on behalf of the university of any of its properties or for the more efficient or economical performance of clerical, accounting, administrative and other functions relating to its health care facilities.

(22) Select and appoint faculty as medical and dental staff members and others licensed to practice the healing arts, delineate and define the privileges granted each such individual, adopt and direct a plan for faculty clinical income and set the terms and conditions of that plan (including such modifications to any such existing plan as considered necessary or appropriate upon expiration of the term of such plan), and determine the extent to which and the terms upon which each such individual may provide teaching, research, consulting or other services at the university or any other health care facility.

(23) Enter into affiliation, cooperation, territorial, management or other similar agreements with other public or private universities or health care providers for the sharing, division, allocation or furnishing of services on an exclusive or a nonexclusive basis, referral of patients, management of facilities, formation of health care delivery systems and other similar activities.

(24) Perform any other acts that in the judgment of the board or university are requisite, necessary or appropriate in accomplishing the purposes described in or carrying out the powers granted by this chapter.

(25) Exercise these powers, notwithstanding that as a consequence of the exercise of such powers, the university engages in activities that might otherwise be deemed anticompetitive within the contemplation of state or federal antitrust laws.

Credits

Added by Laws 1995, c. 162, § 8. Amended by Laws 1997, c. 853, § 38; Laws 1999, c. 291, § 4; Laws 2009, c. 895, § 1, eff. Jan. 1, 2010; Laws 2013, c. 180, § 61, eff. May 16, 2013, operative Jan. 1, 2014; Laws 2015, c. 767, § 164, eff. July 27, 2015.

O. R. S. § 353.050, OR ST § 353.050

Current through laws enacted in the 2022 Regular Session of the 81st Legislative Assembly, which convened February 1, 2022 and adjourned sine die March 4, 2022, pending classification of undesignated material and text revision by the Oregon Reviser. See ORS 173.160. Coverage also includes 2022 Ballot Measures 111-114, decided by the voters at the November 8, 2022 general election. Some statute sections may be more current, see credits for details.

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Board of Directors

O.R.S. § 353.060

353.060. University president

Currentness

The Oregon Health and Science University Board of Directors shall appoint a president of the university. The president is the president of the faculty and is the executive and governing officer of the university. Subject to the supervision of the board, the president has authority to direct the affairs of the university.

Credits
Added by Laws 1995, c. 162, § 11.

O. R. S. § 353.060, OR ST § 353.060
Current through laws enacted in the 2022 Regular Session of the 81st Legislative Assembly, which convened February 1, 2022 and adjourned sine die March 4, 2022, pending classification of undesignated material and text revision by the Oregon Reviser. See ORS 173.160. Coverage also includes 2022 Ballot Measures 111-114, decided by the voters at the November 8, 2022 general election. Some statute sections may be more current, see credits for details.

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Chapter 353. Oregon Health and Science University
Authority and Duties
(Generally)

O.R.S. § 353.070

353.070. Definitions; products of disabled individuals; duties of university; rules; publication of product sources

Currentness

(1) As used in this section:

(a) "Direct labor" includes all work required for preparation, processing and packing, but not supervision, administration, inspection or shipping.

(b) "Individual with a disability" means an individual who, because of the nature of the individual's disability, is not able to participate fully in competitive employment, and for whom specialized employment opportunities must be provided.

(c) "Qualified nonprofit agency for individuals with disabilities" means a nonprofit activity center or rehabilitation facility:

(A) Organized under the laws of the United States or of this state and operated in the interest of individuals with disabilities, and the net income of which does not inure in whole or in part to the benefit of any shareholder or other individual;

(B) That complies with any applicable occupational health and safety standards required by the laws of the United States or of this state; and

(C) That in the manufacture of products and in the provision of services during the fiscal year employs individuals with disabilities for not less than 75 percent of the work hours of direct labor required for the manufacture or provision of the products or services.

(2) The Oregon Health and Science University Board of Directors shall further the policy of this state to encourage and assist individuals with disabilities to achieve maximum personal independence through useful and productive gainful employment by ensuring an expanded and constant market for sheltered workshop and activity center products and services, thereby enhancing the dignity and capacity of individuals with disabilities for self-support and minimizing their dependence on welfare and need for costly institutionalization.

(3) It shall be the duty of Oregon Health and Science University to:

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(a) Determine the price of all products manufactured and services offered for sale to the university by any qualified nonprofit agency for individuals with disabilities. The price shall recover for the workshops the cost of raw materials, labor, overhead, delivery costs and a margin held in reserve for inventory and equipment replacement;

(b) Revise such prices from time to time in accordance with changing cost factors;

(c) Make such rules regarding specifications, time of delivery and other relevant matters of procedure as shall be necessary; and

(d) Utilize prices and specifications, in its discretion, established by the Oregon Department of Administrative Services.

(4) The university shall establish and publish a list of sources or potential sources of products produced by any qualified nonprofit agency for individuals with disabilities and the services provided by any such agency that the university determines are suitable for its procurement. The university, in its discretion, may utilize any list established and published by the Oregon Department of Administrative Services.

(5) If the university intends to procure any product or service on the procurement list, the university shall procure such product or service at the price established by the university from a qualified nonprofit agency for individuals with disabilities, provided the product or service is of the appropriate specifications and is available at the location and within the period required by the university.

(6) It is the intent of the Legislative Assembly that there be close cooperation between the board, the university and qualified nonprofit agencies for individuals with disabilities. The university, on behalf of the board, is authorized to enter into such contractual agreements, cooperative working relationships or other arrangements as may be necessary for effective coordination and efficient realization of the objectives of this section.

Credits

Added by Laws 1995, c. 162, § 16a. Amended by Laws 1999, c. 291, § 5; Laws 2007, c. 70, § 148, eff. Jan. 1, 2008.

O. R. S. § 353.070, OR ST § 353.070

Current through laws enacted in the 2022 Regular Session of the 81st Legislative Assembly, which convened February 1, 2022 and adjourned sine die March 4, 2022, pending classification of undesignated material and text revision by the Oregon Reviser. See ORS 173.160. Coverage also includes 2022 Ballot Measures 111-114, decided by the voters at the November 8, 2022 general election. Some statute sections may be more current, see credits for details.

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Authority and Duties
(Generally)

O.R.S. § 353.080

353.080. Activities and operations report

Currentness

Oregon Health and Science University shall file with the Legislative Assembly, the Higher Education Coordinating Commission and the Governor, not later than April 15 of each year, a report of the university's activities and operations for the preceding year.

Credits

Added by Laws 1995, c. 162, § 7. Amended by Laws 1999, c. 291, § 6; Laws 2011, c. 637, § 256a, eff. July 20, 2011, operative July 1, 2012.

O. R. S. § 353.080, OR ST § 353.080

Current through laws enacted in the 2022 Regular Session of the 81st Legislative Assembly, which convened February 1, 2022 and adjourned sine die March 4, 2022, pending classification of undesignated material and text revision by the Oregon Reviser. See ORS 173.160. Coverage also includes 2022 Ballot Measures 111-114, decided by the voters at the November 8, 2022 general election. Some statute sections may be more current, see credits for details.

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Authority and Duties
(Generally)

O.R.S. § 353.100

353.100. Laws applicable to university

Effective: January 1, 2022
Currentness

(1) The provisions of ORS chapters 35, 190, 192, 244 and 295 and ORS 30.260 to 30.460, 200.005 to 200.025, 200.045 to 200.090, 236.605 to 236.640, 243.650 to 243.809, 297.040, 307.090 and 307.112 apply to Oregon Health and Science University under the same terms as they apply to public bodies other than the state.

(2) Except as otherwise provided by law, the provisions of ORS chapters 182, 183, 240, 270, 273, 276, 279A, 279B, 279C, 283, 291, 292, 293, 294 and 297 and ORS 35.550 to 35.575, 180.060, 180.210 to 180.235, 183.710 to 183.730, 183.745, 183.750, 184.305 to 184.345, 190.430, 190.480, 190.490, 192.105, 200.035, 243.105 to 243.585, 243.696, 278.011 to 278.120, 278.315 to 278.415, 279.835 to 279.855, 282.010 to 282.150, 283.085 to 283.092, 357.805 to 357.895 and 656.017 (2) do not apply to the university or any not-for-profit organization or other entity if the equity of the entity is owned exclusively by the university and if the organization or entity is created by the university to advance any of the university's statutory missions.

(3) The university, as a distinct governmental entity, or any organization or entity described in subsection (2) of this section is not subject to any provision of law enacted after January 1, 1995, with respect to any governmental entity, unless the provision specifically provides that it applies to the university or to the organization or entity.

(4) For purposes of determining the salary, as defined in ORS 238A.005 (17), paid between August 29, 2003, and January 1, 2020, to a member of the Public Employees Retirement System, remuneration paid to a member of the system in return for services to the university is deemed includable in the member's taxable income under Oregon law during a period of continuous employment with the Oregon Health and Science University if:

(a) The member was hired in a qualifying position, as defined in ORS 238A.005, by the university on or after August 29, 2003; and

(b) The remuneration was, or would have been if the member were an Oregon resident, includable in the member's taxable income under Oregon law during the period of continuous employment.

Credits

Added by Laws 1995, c. 162, § 9. Amended by Laws 1999, c. 291, § 7; Laws 2001, c. 921, § 27; Laws 2003, c. 534, § 13; Laws 2003, c. 794, § 263, eff. March 1, 2005; Laws 2007, c. 100, § 33, eff. Jan. 1, 2008; Laws 2012, c. 107, § 62, eff. April 11, 2012; Laws 2021, c. 135, § 13, eff. Jan. 1, 2022.

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O. R. S. § 353.100, OR ST § 353.100
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O.R.S. § 353.108

353.108. University facilities and real property; legal title; lease; management

Currentness

(1) Legal title to real property and facilities acquired by the State of Oregon prior to July 1, 1995, and utilized by Oregon Health and Science University shall remain with the State of Oregon. However, the university shall have the exclusive care, custody and control of such real property and facilities pursuant to an exclusive leasehold interest in the real property and facilities for a term of 99 years. The term of the leasehold shall begin on July 1, 1995, and shall renew automatically and perpetually for consecutive 99-year terms.

(2) Notwithstanding any other provisions of Oregon law concerning the authority of state agencies to lease real property and facilities, the Oregon Department of Administrative Services acting on behalf of the State of Oregon shall execute a ground lease for all real property and facilities utilized by the university consistent with the provisions of this section.

(3) The ground lease shall not be subject to any termination unless:

(a) The State of Oregon causes all outstanding obligations of the university to be defeased under the terms of any applicable master indenture or financing agreement; and

(b) There are no other conditions placed on the university.

(4) Upon execution of the ground lease, the university shall pay the State of Oregon the sum of $99 in consideration for the ground lease.

(5) The ground lease executed under this section shall supersede the lease entered into between the State of Oregon and the university in December 1995, with respect to the real property and facilities, including but not limited to provisions in the lease relating to or setting forth:

(a) Purported limitations on the authority of public universities listed in ORS 352.002 to bind the State of Oregon;

(b) The term of the lease and the absence of any renewal provisions; and

(c) Any circumstances under which the lease may be terminated.

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(6) The university shall manage and maintain all real property and facilities utilized by the university. Real property and facilities of the State of Oregon leased to the university pursuant to this section shall not be sold by the university but may be encumbered by the university. Such real property and facilities shall only be encumbered by the State of Oregon in accordance with state law and in a manner that would not impair the financial condition of the university or the rights of the holders of any obligations of the university issued or incurred under any master indenture or other financing agreement.

Credits

Added by Laws 1995, c. 162, § 34. Amended by Laws 1999, c. 291, § 18; Laws 2015, c. 767, § 165, eff. July 27, 2015.

O. R. S. § 353.108, OR ST § 353.108

Current through laws enacted in the 2022 Regular Session of the 81st Legislative Assembly, which convened February 1, 2022 and adjourned sine die March 4, 2022, pending classification of undesignated material and text revision by the Oregon Reviser. See ORS 173.160. Coverage also includes 2022 Ballot Measures 111-114, decided by the voters at the November 8, 2022 general election. Some statute sections may be more current, see credits for details.

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O.R.S. § 353.110

353.110. Acquisition of private property

Currentness

The Oregon Health and Science University may acquire, by condemnation or otherwise, private property that is necessary or convenient in carrying out any power granted to the university. The right to acquire property by condemnation shall be exercised as provided by ORS chapter 35.

Credits
Added by Laws 1995, c. 162, § 22. Amended by Laws 2003, c. 534, § 14.

O. R. S. § 353.110, OR ST § 353.110
Current through laws enacted in the 2022 Regular Session of the 81st Legislative Assembly, which convened February 1, 2022 and adjourned sine die March 4, 2022, pending classification of undesignated material and text revision by the Oregon Reviser. See ORS 173.160. Coverage also includes 2022 Ballot Measures 111-114, decided by the voters at the November 8, 2022 general election. Some statute sections may be more current, see credits for details.

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O.R.S. § 353.117

353.117. Creation and maintenance of tax-exempt entity by university

Currentness

(1) Pursuant to ORS 353.050, Oregon Health and Science University may create and maintain an entity that is exempt from federal income tax under section 501(c)(3) of the Internal Revenue Code, [1] as amended, for the purpose of conducting clinical care and practice and advancing other university missions by the faculty.

(2) Any entity created by the university under subsection (1) of this section shall be considered:

(a) A public employer for purposes of ORS 236.605 to 236.640 and ORS chapters 238 and 238A;

(b) A unit of local government for purposes of ORS 190.003 to 190.130;

(c) A public body for purposes of ORS 30.260 to 30.300 and 307.112;

(d) A public agency for purposes of ORS 200.090; and

(e) A public corporation for purposes of ORS 307.090.

Credits
Added by Laws 2001, c. 921, § 26. Amended by Laws 2003, c. 86, § 9, eff. May 24, 2003; Laws 2003, c. 733, § 75, eff. Aug. 29, 2003.

Footnotes

1 Internal Revenue Code sections are in Title 26 of U.S.C.A.

O. R. S. § 353.117, OR ST § 353.117

Current through laws enacted in the 2022 Regular Session of the 81st Legislative Assembly, which convened February 1, 2022 and adjourned sine die March 4, 2022, pending classification of undesignated material and text revision by the Oregon Reviser. See ORS 173.160. Coverage also includes 2022 Ballot Measures 111-114, decided by the voters at the November 8, 2022 general election. Some statute sections may be more current, see credits for details.

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O.R.S. § 353.120

353.120. Adoption and implementation of alcohol and drug abuse policy

Currentness

The Oregon Health and Science University, in consultation with the Alcohol and Drug Policy Commission, shall adopt a comprehensive alcohol and drug abuse policy and implementation plan.

Credits

Added by Laws 1995, c. 162, § 27. Amended by Laws 2011, c. 673, § 10, eff. Jan. 1, 2012.

O. R. S. § 353.120, OR ST § 353.120

Current through laws enacted in the 2022 Regular Session of the 81st Legislative Assembly, which convened February 1, 2022 and adjourned sine die March 4, 2022, pending classification of undesignated material and text revision by the Oregon Reviser. See ORS 173.160. Coverage also includes 2022 Ballot Measures 111-114, decided by the voters at the November 8, 2022 general election. Some statute sections may be more current, see credits for details.

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O.R.S. § 353.123

353.123. Tuition for students who are not citizens or lawful permanent residents, or who are refugees, special immigrant visa holders, or COFA islanders; scholarship eligibility

Effective: July 27, 2021
Currentness

(1) The Oregon Health and Science University Board of Directors may exempt a student who is not a citizen or a lawful permanent resident of the United States, or who is a refugee, special immigrant visa holder or COFA islander, from paying nonresident tuition and fees for enrollment at Oregon Health and Science University consistent with policies adopted by the board or by university officials acting under authority of the board.

(2) A student who is not a citizen or a lawful permanent resident of the United States, or who is a refugee, special immigrant visa holder or COFA islander, is eligible to receive scholarships and other financial aid from the university consistent with policies adopted by the board or university officials acting under the authority of the board.

(3) As used in this section, "COFA islander," "refugee" and "special immigrant visa holder" have the meanings given those terms in ORS 352.287.

Credits
Added by Laws 2018, c. 122, § 3, eff. April 13, 2018. Amended by Laws 2021, c. 652, § 2, eff. July 27, 2021.

O. R. S. § 353.123, OR ST § 353.123
Current through laws enacted in the 2022 Regular Session of the 81st Legislative Assembly, which convened February 1, 2022 and adjourned sine die March 4, 2022, pending classification of undesignated material and text revision by the Oregon Reviser. See ORS 173.160. Coverage also includes 2022 Ballot Measures 111-114, decided by the voters at the November 8, 2022 general election. Some statute sections may be more current, see credits for details.

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O.R.S. § 353.125

353.125. Oregon Health and Science University; establishment of police department

Currentness

(1) The Oregon Health and Science University Board of Directors, or Oregon Health and Science University officials acting under the authority of the board, may establish a police department and commission one or more employees as police officers. A police department established under this section has all of the authority and immunity of a municipal police department of this state.

(2) Police officers commissioned under this section:

(a) May enforce criminal laws and any administrative rules and policies adopted by the university; and

(b) Have all the authority and immunity of a peace officer or police officer of this state.

(3) When the university establishes a police department and commissions one or more employees as police officers under this section, the university, in cooperation with the chief of the police department, shall establish a process by which the university will receive and respond to complaints involving the policies of the police department and the conduct of the police officers.

(4) The university may:

(a) Enter into an agreement with a municipal corporation or any department, agency or political subdivision of this state for the provision of mutual aid by their respective police officers; and

(b) Adopt rules to carry out the provisions of this section.

Credits
Added by Laws 2013, c. 180, § 1, eff. May 16, 2013, operative Jan. 1, 2014.

O. R. S. § 353.125, OR ST § 353.125
Current through laws enacted in the 2022 Regular Session of the 81st Legislative Assembly, which convened February 1, 2022 and adjourned sine die March 4, 2022, pending classification of undesignated material and text revision by the Oregon Reviser.

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O.R.S. § 353.130

353.130. Public contract policy

Currentness

The Oregon Health and Science University subscribes to the policy set forth under ORS 279A.015 regarding public contracting, and shall develop contract policies that support openness, impartiality and competition in the awarding of contracts in accordance with that provision. The university subscribes to the intent of the social policies of ORS 279.835 to 279.855 and ORS chapters 279A, 279B and 279C and shall develop contract policies that are appropriate to the university and are designed to encourage affirmative action, recycling, inclusion of art in public buildings, the purchase of services and goods from individuals with disabilities, the protection of workers through the payment of prevailing wages as determined by the Bureau of Labor and Industries, the provision of workers' compensation insurance to workers on contracts and the participation of minority-owned businesses, woman-owned businesses, businesses that service-disabled veterans own and emerging small businesses, as those terms are defined in ORS 200.005.

Credits

Added by Laws 1995, c. 162, § 16. Amended by Laws 2003, c. 794, § 264, eff. March 1, 2005; Laws 2007, c. 70, § 149, eff. Jan. 1, 2008; Laws 2015, c. 565, § 21, eff. June 25, 2015, operative Jan. 1, 2016.

O. R. S. § 353.130, OR ST § 353.130
Current through laws enacted in the 2022 Regular Session of the 81st Legislative Assembly, which convened February 1, 2022 and adjourned sine die March 4, 2022, pending classification of undesignated material and text revision by the Oregon Reviser. See ORS 173.160. Coverage also includes 2022 Ballot Measures 111-114, decided by the voters at the November 8, 2022 general election. Some statute sections may be more current, see credits for details.

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O.R.S. § 353.140

353.140. Biennial funding request; budget

Currentness

(1) By September 1 of each even-numbered year the Oregon Health and Science University shall submit to the Oregon Department of Administrative Services a funding request for each biennium. The Oregon Department of Administrative Services shall include and submit a university funding request to the Legislative Assembly as part of the Governor's budget. Any such request approved by the Legislative Assembly shall be appropriated to the Higher Education Coordinating Commission for direct allocation to the university. The university funding request to the Legislative Assembly shall include a presentation on tuition and student fee levels.

(2) The university funding request shall be prepared in accordance with generally accepted accounting principles and adopted by the Oregon Health and Science University Board of Directors in accordance with ORS 192.610 to 192.690.

Credits

Added by Laws 1995, c. 162, § 13. Amended by Laws 2015, c. 171, § 2, eff. May 26, 2015; Laws 2016, c. 117, § 60, eff. April 4, 2016.

O. R. S. § 353.140, OR ST § 353.140

Current through laws enacted in the 2022 Regular Session of the 81st Legislative Assembly, which convened February 1, 2022 and adjourned sine die March 4, 2022, pending classification of undesignated material and text revision by the Oregon Reviser. See ORS 173.160. Coverage also includes 2022 Ballot Measures 111-114, decided by the voters at the November 8, 2022 general election. Some statute sections may be more current, see credits for details.

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O.R.S. § 353.160

353.160. Audits; disclosure

Currentness

Nothing in this chapter affects the constitutional duties and authority of the Secretary of State to audit public accounts. However, the Oregon Health and Science University shall conduct independent audits if the audits are considered advisable by the university. Subject to ORS 297.250, the audits are subject to the exclusive discretion and control of the university. The audits are subject to disclosure pursuant to ORS 192.311 to 192.478.

Credits
Added by Laws 1995, c. 162, § 14. Amended by Laws 2009, c. 578, § 3, eff. Jan. 1, 2010.

O. R. S. § 353.160, OR ST § 353.160
Current through laws enacted in the 2022 Regular Session of the 81st Legislative Assembly, which convened February 1, 2022 and adjourned sine die March 4, 2022, pending classification of undesignated material and text revision by the Oregon Reviser. See ORS 173.160. Coverage also includes 2022 Ballot Measures 111-114, decided by the voters at the November 8, 2022 general election. Some statute sections may be more current, see credits for details.

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O.R.S. § 353.180

353.180. Student education records

Currentness

Oregon Health and Science University may adopt policies relating to the creation, use, custody and disclosure, including access, of student education records of the university that are consistent with the requirements of applicable state and federal law. Whenever a student has attained 18 years of age or is attending the university, the permission or consent required of and the rights accorded to a parent of the student regarding education records shall thereafter only be required of and accorded to the student.

Credits
Added by Laws 1995, c. 162, § 26. Amended by Laws 1999, c. 291, § 8.

O. R. S. § 353.180, OR ST § 353.180
Current through laws enacted in the 2022 Regular Session of the 81st Legislative Assembly, which convened February 1, 2022 and adjourned sine die March 4, 2022, pending classification of undesignated material and text revision by the Oregon Reviser. See ORS 173.160. Coverage also includes 2022 Ballot Measures 111-114, decided by the voters at the November 8, 2022 general election. Some statute sections may be more current, see credits for details.

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O.R.S. § 353.190

353.190. Student religious beliefs; admission and attendance

Currentness

(1) No student shall be refused admission to the Oregon Health and Science University or be expelled for the sole reason that, because of religious beliefs, the student is unable to attend classes on a particular day.

(2) Any student in the university who, because of religious beliefs, is unable to attend classes on a particular day shall be excused on that day from any examination, study requirement or work requirement. However, at the student's own expense the student shall make up the examination, study requirement or work requirement missed because of the absence.

Credits

Added by Laws 1995, c. 162, § 30.

O. R. S. § 353.190, OR ST § 353.190

Current through laws enacted in the 2022 Regular Session of the 81st Legislative Assembly, which convened February 1, 2022 and adjourned sine die March 4, 2022, pending classification of undesignated material and text revision by the Oregon Reviser. See ORS 173.160. Coverage also includes 2022 Ballot Measures 111-114, decided by the voters at the November 8, 2022 general election. Some statute sections may be more current, see credits for details.

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O.R.S. § 353.200

353.200. Rights of students called to active duty

Effective: April 3, 2018
Currentness

(1) A student at the Oregon Health and Science University who is a member of the military, a member of the commissioned corps of the National Oceanic and Atmospheric Administration or a member of the Public Health Service of the United States Department of Health and Human Services detailed by proper authority for duty with the Army or Navy of the United States and who is ordered to federal or state active duty for more than 30 consecutive days has the following rights:

(a) With regard to a course in which the student is enrolled and for which the student has paid tuition and fees, the right to:

(A) Withdraw from the course, subject to the provisions of subsection (2) of this section;

(B) Receive a grade of incomplete and, upon release from active duty, complete the course in accordance with the practice of the university for completion of incomplete courses; or

(C) Continue and complete the course for full credit, subject to the provisions of subsection (3) of this section;

(b) The right to a credit described in ORS 353.202 for all amounts paid for room, board, tuition and fees;

(c) If the student elects to withdraw from the university, the right to be readmitted and reenrolled at the university within one year after release from active duty without a requirement of redetermination of admission eligibility; and

(d) The right to continuation of scholarships and grants awarded to the student that were funded by the university or the Higher Education Coordinating Commission before the student was ordered to active duty. The commission may adopt rules for the administration of scholarships and grants described in this paragraph that are funded by the commission.

(2) If the student elects to withdraw from a course under subsection (1)(a)(A) of this section, the university may not:

(a) Give the student academic credit for the course from which the student withdraws;

(b) Give the student a failing grade or a grade of incomplete or make any other negative annotation on the student's record; or

(c) Alter the student's grade point average due to the student's withdrawal from the course.

(3) A student who elects to continue and complete a course for full credit under subsection (1)(a)(C) of this section is subject to the following conditions:

(a) Course sessions the student misses due to active duty shall be counted as excused absences and may not adversely impact the student's grade for the course or rank in the student's class.

(b) The student may not be automatically excused from completing course assignments due during the period the student serves on active duty.

(c) A letter grade or a grade of pass may be awarded only if, in the opinion of the teacher of the course, the student completes sufficient work and demonstrates sufficient progress toward meeting course requirements to justify the grade.

(4) If a student at the university who is a member of the military, a member of the commissioned corps of the National Oceanic and Atmospheric Administration or a member of the Public Health Service of the United States Department of Health and Human Services detailed by proper authority for duty with the Army or Navy of the United States is ordered to federal or state active duty for 30 or fewer consecutive days and misses a course session, assignment, examination or other course work due to serving on active duty or receiving medical treatment for an injury sustained on active duty:

(a)(A) In accordance with a policy or practice of the university for excused absences, the student may complete any missed course assignment, examination or other course work after the student has returned from active duty or medical treatment and has been provided a reasonable amount of time to complete the assignment or other course work or prepare for and take the examination; or

(B) The teacher may award a letter grade or grade of pass without requiring the student to complete the missed assignment, examination or other course work if the teacher determines that the student has completed sufficient work and demonstrated sufficient progress toward meeting course requirements to justify the student's grade without completion of the missed assignment, examination or other course work;

(b) The student's grade may not be adversely impacted solely due to the late completion of an assignment, examination or other course work if the assignment, examination or other course work is timely completed under the provisions of paragraph (a)(A) of this subsection; and

(c) Course sessions the student misses due to active duty or medical treatment shall be counted as excused absences and may not adversely impact the student's grade for the course or rank in the student's class.

(5) The Oregon Health and Science University Board of Directors shall adopt rules for the administration of this section.

(6) Nothing in this section prevents the university from providing rights in addition to those provided in this section to students who are ordered to federal or state active duty.

(7) As used in this section, "member of the military" means a person who is a member of:

(a) The Oregon National Guard or the National Guard of any other state or territory; or

(b) The reserves of the Army, Navy, Air Force, Marine Corps or Coast Guard of the United States.

Credits

Added by Laws 2005, c. 170, § 8, eff. June 7, 2005. Amended by Laws 2005, c. 836, § 17, eff. Nov. 4, 2005; Laws 2011, c. 637, § 257, eff. July 20, 2011, operative Jan. 1, 2012; Laws 2012, c. 106, § 9, eff. April 11, 2012; Laws 2013, c. 747, § 152, eff. Aug. 14, 2013, operative July 1, 2014; Laws 2018, c. 82, § 3, eff. April 3, 2018.

O. R. S. § 353.200, OR ST § 353.200

Current through laws enacted in the 2022 Regular Session of the 81st Legislative Assembly, which convened February 1, 2022 and adjourned sine die March 4, 2022, pending classification of undesignated material and text revision by the Oregon Reviser. See ORS 173.160. Coverage also includes 2022 Ballot Measures 111-114, decided by the voters at the November 8, 2022 general election. Some statute sections may be more current, see credits for details.

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O.R.S. § 353.202

353.202. Credit for amounts paid

Currentness

(1)(a) The amount of the credit specified in ORS 353.200 (1)(b) shall be based on:

(A) The amount of room and board paid by the student for a term that the student does not complete because the student is ordered to active duty; and

(B) The amount of tuition and fees paid by the student for a course from which the student withdraws.

(b) The amount of the credit shall be prorated based on the number of weeks remaining in the term or course when the student withdraws.

(c) At the time a student withdraws from a course at the Oregon Health and Science University or from the university, the student must elect to claim the credit:

(A) As a credit toward tuition and fees or room and board if the student reenrolls at the university under ORS 353.200 (1)(c); or

(B) As a monetary payment.

(2) A student who elects to claim the credit by the method described in subsection (1)(c)(A) of this section may change the method of claiming the credit to the method described in subsection (1)(c)(B) of this section by giving notice to the university.

(3) A student who elects to claim the credit by the method described in subsection (1)(c)(A) of this section must use the credit or change the method of claiming the credit under subsection (2) of this section within one year after release from active duty.

(4) A personal representative of a student who elected to claim the credit by the method described in subsection (1)(c)(A) of this section may claim a monetary payment upon presenting evidence to the university that the student died while serving on active duty.

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(5) The Oregon Health and Science University Board of Directors shall adopt rules for the administration of this section, including rules that determine the amount of credit and the method by which the credit is prorated.

Credits

Added by Laws 2005, c. 170, § 9, eff. June 7, 2005.

O. R. S. § 353.202, OR ST § 353.202

Current through laws enacted in the 2022 Regular Session of the 81st Legislative Assembly, which convened February 1, 2022 and adjourned sine die March 4, 2022, pending classification of undesignated material and text revision by the Oregon Reviser. See ORS 173.160. Coverage also includes 2022 Ballot Measures 111-114, decided by the voters at the November 8, 2022 general election. Some statute sections may be more current, see credits for details.

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O.R.S. § 353.205

353.205. Credit for serving in the Armed Forces of the United States

Currentness

The Oregon Health and Science University shall give credit for education and training obtained by a person while serving in the Armed Forces of the United States, as defined in ORS 352.313. The education and training for which credit may be given must meet the standards adopted by the Oregon Health and Science University Board of Directors by rule.

Credits

Added by Laws 2005, c. 518, § 5.

O. R. S. § 353.205, OR ST § 353.205

Current through laws enacted in the 2022 Regular Session of the 81st Legislative Assembly, which convened February 1, 2022 and adjourned sine die March 4, 2022, pending classification of undesignated material and text revision by the Oregon Reviser. See ORS 173.160. Coverage also includes 2022 Ballot Measures 111-114, decided by the voters at the November 8, 2022 general election. Some statute sections may be more current, see credits for details.

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West's Oregon Revised Statutes Annotated
Title 30. Education and Culture (Refs & Annos)
Chapter 353. Oregon Health and Science University
Authority and Duties
(Physical Access Committee)

O.R.S. § 353.210

353.210. Physical access committee

Currentness

(1) The Oregon Health and Science University shall convene a physical access committee to identify barriers to access by persons with disabilities at the university. The committee shall include, but not be limited to:

(a) One or more students with disabilities or, if there are no students with disabilities willing to participate, a person with a disability who uses the university's facilities;

(b) One or more members of the faculty or staff with disabilities;

(c) The coordinator of services for students with disabilities for the university;

(d) One or more administrators of the university; and

(e) One or more members of the physical plant staff of the university.

(2) The physical access committee shall present its findings and recommendations to the administration of the university, listing access needs and priorities for meeting those needs. These findings and recommendations shall identify the barriers to access that prevent persons with disabilities from meaningfully utilizing campus facilities related to instruction, academic support, assembly and residence life.

(3) In preparing budget requests for each biennium, the university shall include amounts for capital improvement that will be applied to the substantial reduction and eventual elimination of barriers to access by persons with disabilities as identified by the physical access committee.

(4) Nothing in this section and ORS 185.155 and 341.937 requires the university to undertake projects for accessibility that are not otherwise required unless such projects are funded specifically by the Legislative Assembly.

Credits
Added by Laws 1995, c. 162, § 29. Amended by Laws 2007, c. 70, § 150, eff. Jan. 1, 2008.

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O. R. S. § 353.210, OR ST § 353.210
Current through laws enacted in the 2022 Regular Session of the 81st Legislative Assembly, which convened February 1, 2022 and adjourned sine die March 4, 2022, pending classification of undesignated material and text revision by the Oregon Reviser. See ORS 173.160. Coverage also includes 2022 Ballot Measures 111-114, decided by the voters at the November 8, 2022 general election. Some statute sections may be more current, see credits for details.

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Personnel

O.R.S. § 353.250

353.250. Alternative retirement programs

Currentness

Notwithstanding the provisions of ORS chapters 238 and 238A, the Oregon Health and Science University may offer to its employees, in addition to the Public Employees Retirement System, alternative retirement programs.

Credits

Added by Laws 1995, c. 162, § 15. Amended by Laws 1997, c. 249, § 111; Laws 2003, c. 733, § 76, eff. Aug. 29, 2003.

O. R. S. § 353.250, OR ST § 353.250

Current through laws enacted in the 2022 Regular Session of the 81st Legislative Assembly, which convened February 1, 2022 and adjourned sine die March 4, 2022, pending classification of undesignated material and text revision by the Oregon Reviser. See ORS 173.160. Coverage also includes 2022 Ballot Measures 111-114, decided by the voters at the November 8, 2022 general election. Some statute sections may be more current, see credits for details.

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Personnel

O.R.S. § 353.260

353.260. Control and access to personnel records

Currentness

(1) Oregon Health and Science University may adopt policies governing access to university personnel records that are less than 25 years old.

(2) Policies adopted under subsection (1) of this section shall require that personnel records be subjected to restrictions on access unless the president of the university finds that the public interest in maintaining individual rights to privacy in an adequate educational environment would not suffer by disclosure of such records. Access to such records may be limited to designated classes of information or persons, or to stated times and conditions, or to both, but cannot be limited for records more than 25 years old.

(3) No rule or order adopted pursuant to this section shall deny to a faculty member full access to the member's personnel file or records kept by the university, except as provided in subsection (4)(d) and (e) of this section.

(4)(a) The files relating to the evaluation of a faculty member shall be kept in designated, available locations.

(b) Any evaluation received by telephone shall be documented in each of the faculty member's files by means of a written summary of the conversation with the names of the conversants identified.

(c) A faculty member shall be entitled to submit, for placement in the files, evidence rebutting, correcting, amplifying or explaining any document contained therein and other material that the member believes might be of assistance in the evaluation process.

(d) Letters and other information for a faculty member of the university submitted in confidence to the State Board of Higher Education or its public universities or offices, schools or departments prior to July 1, 1975, shall be maintained in the files designated by paragraph (a) of this subsection. However, if a faculty member requests access to those files, the anonymity of the contributor of letters and other information obtained prior to July 1, 1975, shall be protected. The full text shall be made available, except that portions of the text that would serve to identify the contributor shall be excised by a faculty committee. Only the names of the contributors and the excised portions of the documents may be kept in a file other than the files designated by paragraph (a) of this subsection.

(e) Confidential letters and other information submitted to or solicited by the university after July 1, 1995, and prior to the employment of a prospective faculty member are exempt from the provisions of this paragraph. However, if the member is employed by the university, the confidential preemployment materials shall be placed in the files designated by paragraph (a) of this subsection. If a faculty member requests access to the member's files, the anonymity of the contributor of confidential preemployment letters and other preemployment information shall be protected. The full text shall be made available, except that portions of the text that would serve to identify the contributor shall be excised and retained in a file other than the files designated by paragraph (a) of this subsection.

(f) Classroom survey evaluations by students of a faculty member's classroom or laboratory performance shall be anonymous. The record of tabulated reports shall be placed in at least one of the files designated by paragraph (a) of this subsection. All survey instruments used to obtain evaluation data shall be returned to the faculty member.

(g) The university, when evaluating its employed faculty members, shall not solicit or accept letters, documents or other materials, given orally or in written form, from individuals or groups who wish their identity kept anonymous or the information they provide kept confidential.

(5) No policy or order adopted pursuant to this section limits the authority of the university to prepare, without identification of individual persons who have not consented thereto, statistical or demographic reports from personnel records.

(6) Any category of personnel records specifically designated as confidential pursuant to valid policies or orders as provided in this section shall not be deemed a public record for the purposes of ORS 192.314.

(7) As used in this section, "personnel records" means records containing information kept by the university concerning a faculty member and furnished by the faculty member or by others about the faculty member at the member's or at the university's request, including but not limited to information concerning discipline, membership activity, employment performance or other personal records of individual persons.

Credits

Added by Laws 1995, c. 162, § 23. Amended by Laws 1999, c. 291, § 9; Laws 2011, c. 637, § 258, eff. July 20, 2011, operative Jan. 1, 2012.

O. R. S. § 353.260, OR ST § 353.260

Current through laws enacted in the 2022 Regular Session of the 81st Legislative Assembly, which convened February 1, 2022 and adjourned sine die March 4, 2022, pending classification of undesignated material and text revision by the Oregon Reviser. See ORS 173.160. Coverage also includes 2022 Ballot Measures 111-114, decided by the voters at the November 8, 2022 general election. Some statute sections may be more current, see credits for details.

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Chapter 353. Oregon Health and Science University
Personnel

O.R.S. § 353.270

353.270. Officer and employee compensation; conflicts of interest

Effective: April 3, 2018
Currentness

(1) Oregon Health and Science University may authorize receipt of compensation for any officer or employee of the university from private or public resources, including but not limited to income from:

(a) Consulting;

(b) Appearances and speeches;

(c) Intellectual property conceived, reduced to practice or originated and therefore owned within the university;

(d) Providing services or other valuable consideration for a private corporation, individual or entity, whether paid in cash or in kind, stock or other equity interest, or anything of value regardless of whether there is a licensing agreement between the university and the private entity;

(e) Performing public duties paid by private organizations, including university corporate affiliates, that augment an officer's or employee's publicly funded salary. Such income shall be authorized and received in accordance with policies established by the university; and

(f) Providing medical and other health services.

(2) The university may not authorize compensation, as described in subsection (1) of this section, that, in the university's judgment, does not comport with the missions of the university or substantially interferes with an officer's or employee's duties to the university.

(3) Any compensation described and authorized under subsection (1) of this section is considered official compensation or reimbursement of expenses for purposes of ORS 244.040 and is not considered an honorarium prohibited by ORS 244.042. If authorization or receipt of the compensation creates a potential conflict of interest, the officer or employee shall report the potential conflict in writing in accordance with policies of the university. The disclosure is a public record subject to public inspection.

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(4) Compensation described and authorized under subsection (1) of this section that is not paid by Oregon Health and Science University is not salary for purposes of ORS chapter 238 or 238A.

(5) The university shall adopt standards governing employee outside employment and activities of employees, including potential conflicts of interest, as defined by the university and consistent with ORS 244.020, and the public disclosure thereof, and procedures for reporting and hearing potential or actual conflict of interest complaints.

Credits

Added by Laws 1995, c. 162, § 24. Amended by Laws 1999, c. 291, § 10; Laws 2007, c. 877, § 27, eff. Jan. 1, 2008; Laws 2018, c. 54, § 3, eff. April 3, 2018.

O. R. S. § 353.270, OR ST § 353.270

Current through laws enacted in the 2022 Regular Session of the 81st Legislative Assembly, which convened February 1, 2022 and adjourned sine die March 4, 2022, pending classification of undesignated material and text revision by the Oregon Reviser. See ORS 173.160. Coverage also includes 2022 Ballot Measures 111-114, decided by the voters at the November 8, 2022 general election. Some statute sections may be more current, see credits for details.

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O.R.S. § 353.280

353.280. Status and powers of faculty

Currentness

The president and professors constitute the faculty of the Oregon Health and Science University and as such have the immediate government and discipline of it and the students therein. The faculty may, subject to the supervision of the Oregon Health and Science University Board of Directors, prescribe the course of study to be pursued at the university and the textbooks to be used.

Credits
Added by Laws 1995, c. 162, § 28.

O. R. S. § 353.280, OR ST § 353.280
Current through laws enacted in the 2022 Regular Session of the 81st Legislative Assembly, which convened February 1, 2022 and adjourned sine die March 4, 2022, pending classification of undesignated material and text revision by the Oregon Reviser. See ORS 173.160. Coverage also includes 2022 Ballot Measures 111-114, decided by the voters at the November 8, 2022 general election. Some statute sections may be more current, see credits for details.

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O.R.S. § 353.290

353.290. Faculty reductions; affirmative action plans and goals

Currentness

The Oregon Health and Science University shall consider and maintain affirmative action plans and goals when reductions in faculty and staff are required as a result of:

(1) Reductions in revenue that necessitate discontinuance of its educational program at its anticipated level;

(2) Elimination of classes due to decreased student enrollment; or

(3) Reduction in courses due to administrative decisions.

Credits
Added by Laws 1995, c. 162, § 31.

O. R. S. § 353.290, OR ST § 353.290
Current through laws enacted in the 2022 Regular Session of the 81st Legislative Assembly, which convened February 1, 2022 and adjourned sine die March 4, 2022, pending classification of undesignated material and text revision by the Oregon Reviser. See ORS 173.160. Coverage also includes 2022 Ballot Measures 111-114, decided by the voters at the November 8, 2022 general election. Some statute sections may be more current, see credits for details.

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O.R.S. § 353.300

353.300. Prohibition of political or sectarian test in appointment of faculty or employees

Currentness

No political or sectarian test shall ever be allowed or applied in the appointment of faculty and other employees of the Oregon Health and Science University.

Credits
Added by Laws 1995, c. 162, § 25.

O. R. S. § 353.300, OR ST § 353.300
Current through laws enacted in the 2022 Regular Session of the 81st Legislative Assembly, which convened February 1, 2022 and adjourned sine die March 4, 2022, pending classification of undesignated material and text revision by the Oregon Reviser. See ORS 173.160. Coverage also includes 2022 Ballot Measures 111-114, decided by the voters at the November 8, 2022 general election. Some statute sections may be more current, see credits for details.

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West's Oregon Revised Statutes Annotated
Title 30. Education and Culture (Refs & Annos)
Chapter 353. Oregon Health and Science University
Finance
(Generally)

O.R.S. § 353.330

353.330. Effect of law on bonds, certificates of participation or agreements for borrowing money; responsibility for payment; rights of holders of obligations

Currentness

(1) Nothing in chapter 162, Oregon Laws 1995, shall be construed in any way to impair the obligations or agreements of the State of Oregon or the Oregon Department of Administrative Services with respect to bonds, certificates of participation, financing agreements or other agreements for the borrowing of money issued prior to July 1, 1995, by the State of Oregon on behalf of the State Board of Higher Education for equipment or projects for Oregon Health and Science University. The university and the department shall take all actions necessary to ensure full compliance with all indentures, resolutions, declarations, agreements and other documents issued with respect to the bonds, certificates of participation, financing agreements or other agreements for the borrowing of money issued prior to July 1, 1995, by the State of Oregon on behalf of the State Board of Higher Education for equipment or projects for the university. The department and the university shall establish, in a written agreement that is approved by the State Treasurer, the responsibility of the university for the payment to the department of moneys sufficient to pay when due all principal, interest and any other charges on bonds, certificates of participation, financing agreements or other agreements for the borrowing of money issued prior to July 1, 1995, by the State of Oregon on behalf of the State Board of Higher Education for equipment or projects for the university.

(2) Holders of obligations issued by the university on or after July 1, 1995, may be paid pari passu with the obligations issued by the State of Oregon on behalf of the State Board of Higher Education for equipment or projects for the university prior to July 1, 1995, from the rents, revenues, receipts, appropriations or other income of the university, but only to the extent that:

(a) Such holders have no rights, liens or other interests with respect to such rents, revenues, receipts, appropriations or other income of the university that are senior or superior to the rights granted to the holders of obligations issued prior to July 1, 1995, by the State of Oregon on behalf of the State Board of Higher Education for equipment or projects for the university; and

(b) The department or the State of Oregon, acting for the benefit of such holders of obligations, is granted a lien or other security interest in the rents, revenues, receipts, appropriations or other income of the university that is not junior to and is at least pari passu with any lien or other security interest granted to the holders of obligations issued by the university.

(3) Any expenses, including legal expenses, judgments, liabilities and federal arbitrage and rebate penalties arising from the actions of the university, if incurred with respect to bonds, certificates of participation, financing agreements or other agreements for the borrowing of money issued prior to July 1, 1995, by the State of Oregon on behalf of the State Board of Higher Education for equipment or projects for the university, shall be paid when due by the university, subject to the university's right to reasonably contest such charges, judgments, liabilities or penalties. The university shall assist the department in making any necessary calculations and filing any necessary reports related to arbitrage and rebate on such indebtedness.

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(4) Any amounts deposited with the State Treasurer, the department or its designated agents in any debt service in reserve accounts for the debt service associated with any bonds, certificates of participation, financing agreements or other agreements for the borrowing of money issued prior to July 1, 1995, by the State of Oregon on behalf of the State Board of Higher Education for equipment or projects for the university shall remain with the State Treasurer, the department or its designated agents until such time as the bonds, certificates of participation, financing agreements or other agreements for the borrowing of money for which such reserve accounts have been established have been retired or defeased. The university shall be credited with the investment earnings on such reserve accounts.

Credits

Added by Laws 1995, c. 162, § 58. Amended by Laws 1999, c. 291, § 11; Laws 2015, c. 767, § 23, eff. July 27, 2015.

O. R. S. § 353.330, OR ST § 353.330

Current through laws enacted in the 2022 Regular Session of the 81st Legislative Assembly, which convened February 1, 2022 and adjourned sine die March 4, 2022, pending classification of undesignated material and text revision by the Oregon Reviser. See ORS 173.160. Coverage also includes 2022 Ballot Measures 111-114, decided by the voters at the November 8, 2022 general election. Some statute sections may be more current, see credits for details.

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Finance
(Bonds)

O.R.S. § 353.340

353.340. University issuance and sale of revenue bonds

Currentness

Oregon Health and Science University may from time to time issue and sell revenue bonds in accordance with ORS chapter 287A. However, the provisions contained in ORS 287A.150 (2) to (6) do not apply to revenue bonds issued by the university. Such revenue bonds shall not in any manner nor to any extent be a general obligation of the university nor a charge upon any revenues or property of the university not specifically pledged thereto. An obligation described in this section is not an indebtedness of the State of Oregon.

Credits

Added by Laws 1995, c. 162, § 59. Amended by Laws 1999, c. 291, § 12; Laws 2007, c. 783, § 156, eff. Jan. 1, 2008.

O. R. S. § 353.340, OR ST § 353.340
Current through laws enacted in the 2022 Regular Session of the 81st Legislative Assembly, which convened February 1, 2022 and adjourned sine die March 4, 2022, pending classification of undesignated material and text revision by the Oregon Reviser. See ORS 173.160. Coverage also includes 2022 Ballot Measures 111-114, decided by the voters at the November 8, 2022 general election. Some statute sections may be more current, see credits for details.

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Finance
(Bonds)

O.R.S. § 353.350

353.350. Revenue bonds considered bonds of political subdivision

Currentness

Revenue bonds issued by the Oregon Health and Science University pursuant to ORS chapter 287A shall be considered to be bonds of a political subdivision of the State of Oregon for the purposes of all laws of the state.

Credits
Added by Laws 1995, c. 162, § 60. Amended by Laws 2007, c. 783, § 157, eff. Jan. 1, 2008.

O. R. S. § 353.350, OR ST § 353.350
Current through laws enacted in the 2022 Regular Session of the 81st Legislative Assembly, which convened February 1, 2022 and adjourned sine die March 4, 2022, pending classification of undesignated material and text revision by the Oregon Reviser. See ORS 173.160. Coverage also includes 2022 Ballot Measures 111-114, decided by the voters at the November 8, 2022 general election. Some statute sections may be more current, see credits for details.

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Finance
(Bonds)

O.R.S. § 353.360

353.360. University authority to issue refunding bonds and advance refunding bonds

Currentness

Refunding bonds of the same character and tenor as those replaced thereby may be issued by the Oregon Health and Science University pursuant to ORS 287A.360 to 287A.380.

Credits

Added by Laws 1995, c. 162, § 61. Amended by Laws 2007, c. 783, § 158, eff. Jan. 1, 2008.

O. R. S. § 353.360, OR ST § 353.360

Current through laws enacted in the 2022 Regular Session of the 81st Legislative Assembly, which convened February 1, 2022 and adjourned sine die March 4, 2022, pending classification of undesignated material and text revision by the Oregon Reviser. See ORS 173.160. Coverage also includes 2022 Ballot Measures 111-114, decided by the voters at the November 8, 2022 general election. Some statute sections may be more current, see credits for details.

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Chapter 353. Oregon Health and Science University
Finance
(Bonds)

O.R.S. § 353.370

353.370. Notice required to Legislative Assembly if shortfall in moneys exists for payment of amounts under bonds, certificates of participation or agreements for borrowing money

Currentness

In addition to, and not in limitation of, the means of satisfying state general obligation bond obligations under ORS 291.445, Oregon Health and Science University, promptly upon the discovery of any shortfall in moneys available to the university for the payment when due of amounts under any bonds, certificates of participation, financing agreements or other agreements for the borrowing of moneys issued prior to July 1, 1995, by the State of Oregon on behalf of the State Board of Higher Education for equipment or projects for the university, shall notify in writing the Legislative Assembly, or if the Legislative Assembly is not in session, the Emergency Board, of the existence and amount of the shortfall. The Legislative Assembly or the Emergency Board, as the case may be, may provide funds to satisfy the payment of any such amount. By enacting this provision, the Legislative Assembly acknowledges its current intention to provide, from funds other than those appropriated or otherwise made available to public universities listed in ORS 352.002, funds to pay such amount. However, except as may be required by the Oregon Constitution or ORS 291.445, neither the Legislative Assembly nor the Emergency Board shall have any legal obligation to provide funds under this section.

Credits

Added by Laws 1995, c. 162, § 61a. Amended by Laws 1999, c. 291, § 13; Laws 2015, c. 767, § 24, eff. July 27, 2015.

O. R. S. § 353.370, OR ST § 353.370
Current through laws enacted in the 2022 Regular Session of the 81st Legislative Assembly, which convened February 1, 2022 and adjourned sine die March 4, 2022, pending classification of undesignated material and text revision by the Oregon Reviser. See ORS 173.160. Coverage also includes 2022 Ballot Measures 111-114, decided by the voters at the November 8, 2022 general election. Some statute sections may be more current, see credits for details.

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West's Oregon Revised Statutes Annotated
Title 30. Education and Culture
Chapter 353. Oregon Health and Science University
Finance
(Temporary Provisions Relating to OHSU Cancer Institute)

O.R.S. T. 30, Ch. 353, Refs & Annos
Currentness

O. R. S. T. 30, Ch. 353, Refs & Annos, OR ST T. 30, Ch. 353, Refs & Annos
Current through laws enacted in the 2022 Regular Session of the 81st Legislative Assembly, which convened February 1, 2022 and adjourned sine die March 4, 2022, pending classification of undesignated material and text revision by the Oregon Reviser. See ORS 173.160. Coverage also includes 2022 Ballot Measures 111-114, decided by the voters at the November 8, 2022 general election. Some statute sections may be more current, see credits for details.

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West's Oregon Revised Statutes Annotated
Title 30. Education and Culture (Refs & Annos)
Chapter 353. Oregon Health and Science University
Finance
(Financial Agreements)

O.R.S. § 353.380

353.380. Definitions

Currentness

As used in ORS 353.380 to 353.420:

(1) "Credit enhancement agreement" means any agreement or contractual relationship between the Oregon Health and Science University and any bank, trust company, insurance company, surety bonding company, pension fund or other financial institution providing additional credit on or security for a financing agreement or certificates of participation authorized by ORS 353.380 to 353.420.

(2) "Financing agreement" means a lease-purchase agreement, an installment sale agreement, a loan agreement, note agreement, short-term promissory notes, commercial papers, lines of credit or similar obligations or any other agreement to finance real or personal property that is or will be owned and operated by the university, or to refinance previously executed financing agreements.

(3) "Personal property" means tangible personal property, software and fixtures.

(4) "Property rights" means, with respect to personal property, the rights of a secured party under ORS chapter 79, and, with respect to real property, the rights of a trustee or lender under a lease authorized by ORS 353.410 (4).

(5) "Software" means software and training and maintenance contracts related to the operation of computing equipment.

Credits

Added by Laws 1995, c. 162, § 17. Amended by Laws 2001, c. 445, § 174.

O. R. S. § 353.380, OR ST § 353.380
Current through laws enacted in the 2022 Regular Session of the 81st Legislative Assembly, which convened February 1, 2022 and adjourned sine die March 4, 2022, pending classification of undesignated material and text revision by the Oregon Reviser. See ORS 173.160. Coverage also includes 2022 Ballot Measures 111-114, decided by the voters at the November 8, 2022 general election. Some statute sections may be more current, see credits for details.

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Chapter 353. Oregon Health and Science University
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(Financial Agreements)

O.R.S. § 353.390

353.390. Authorization of university to enter into financing agreements; limitations

Currentness

Oregon Health and Science University may enter into financing agreements in accordance with ORS 353.380 to 353.420, upon such terms as the university finds to be advantageous. Amounts payable by the university under a financing agreement shall be limited to funds specifically pledged, budgeted for or otherwise made available by the university. If there are insufficient available funds to pay amounts due under a financing agreement, the lender may exercise any property rights that the university has granted to it in the financing agreement against the property that was purchased with the proceeds of the financing agreement, and may apply the amounts so received toward payments scheduled to be made by the university under the financing agreement.

Credits

Added by Laws 1995, c. 162, § 18. Amended by Laws 1999, c. 291, § 14.

O. R. S. § 353.390, OR ST § 353.390

Current through laws enacted in the 2022 Regular Session of the 81st Legislative Assembly, which convened February 1, 2022 and adjourned sine die March 4, 2022, pending classification of undesignated material and text revision by the Oregon Reviser. See ORS 173.160. Coverage also includes 2022 Ballot Measures 111-114, decided by the voters at the November 8, 2022 general election. Some statute sections may be more current, see credits for details.

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O.R.S. § 353.400

353.400. Authority of board to delegate

Currentness

The Oregon Health and Science University Board of Directors may delegate to any board member, officer or employee of the Oregon Health and Science University the authority to determine maturity dates, principal amounts, redemption provisions, interest rates or methods for determining variable or adjustable interest rates, denominations and other terms and conditions of such obligations that are not appropriately determined at the time of enactment or adoption of the authorizing resolution. The board may also delegate entering into financing agreements or any other instruments authorized by law. This delegated authority shall be exercised subject to applicable requirements of law and such limitations and criteria as may be set forth in the authorizing resolution.

Credits

Added by Laws 1995, c. 162, § 19.

O. R. S. § 353.400, OR ST § 353.400

Current through laws enacted in the 2022 Regular Session of the 81st Legislative Assembly, which convened February 1, 2022 and adjourned sine die March 4, 2022, pending classification of undesignated material and text revision by the Oregon Reviser. See ORS 173.160. Coverage also includes 2022 Ballot Measures 111-114, decided by the voters at the November 8, 2022 general election. Some statute sections may be more current, see credits for details.

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(Financial Agreements)

O.R.S. § 353.410

353.410. Powers of university regarding financing agreements and credit enhancement agreements

Currentness

Oregon Health and Science University may:

(1) Enter into agreements with third parties to hold financing agreement proceeds, payments and reserves as security for lenders, and to issue certificates of participation in the right to receive payments due from the university under a financing agreement. Amounts so held shall be invested at the direction of the Oregon Health and Science University Board of Directors. Interest earned on any investments held as security for a financing agreement may, at the option of the board, be credited to the accounts held by the third party and applied in payment of sums due under a financing agreement.

(2) Enter into credit enhancement agreements for financing agreements or certificates of participation, provided that such credit enhancement agreements shall be payable solely from funds specifically pledged, budgeted for or otherwise made available by the university and amounts received from the exercise of property rights granted under such financing agreements.

(3) Use financing agreements to finance the costs of acquiring or refinancing real or personal property, plus the costs of reserves, credit enhancements and costs associated with obtaining the financing.

(4) Grant leases of real property with a trustee or lender. Such leases may be for a term that ends on the date on which all amounts due under a financing agreement have been paid or provision for payment has been made, or up to 20 years after the last scheduled payment under a financing agreement, whichever is later. Such leases may grant the trustee or lender the right to evict the university and exclude it from possession of the real property for the term of the lease if the university fails to pay when due the amounts scheduled to be paid under a financing agreement, or otherwise defaults under a financing agreement. Upon default, the trustee or lender may sublease the land to third parties and apply any rentals toward payments scheduled to be made under a financing agreement.

(5) Grant security interests in personal property to trustees or lenders.

(6) Make pledges for the benefit of trustees and lenders.

(7) Purchase fire and extended coverage or other casualty insurance for property that is acquired or refinanced with proceeds of a financing agreement, assign the proceeds thereof to a lender or trustee to the extent of their interest, and covenant to maintain such insurance while the financing agreement is unpaid, so long as available funds are sufficient to purchase such insurance.

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Credits

Added by Laws 1995, c. 162, § 20. Amended by Laws 1999, c. 291, § 15.

O. R. S. § 353.410, OR ST § 353.410

Current through laws enacted in the 2022 Regular Session of the 81st Legislative Assembly, which convened February 1, 2022 and adjourned sine die March 4, 2022, pending classification of undesignated material and text revision by the Oregon Reviser. See ORS 173.160. Coverage also includes 2022 Ballot Measures 111-114, decided by the voters at the November 8, 2022 general election. Some statute sections may be more current, see credits for details.

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Finance
(Financial Agreements)

O.R.S. § 353.420

353.420. Financing agreements; tax status

Currentness

A lease or financing agreement under ORS 353.380 to 353.420 shall not cause property to be subject to property taxation and shall be disregarded in determining whether property is exempt from taxation under ORS chapter 307.

Credits
Added by Laws 1995, c. 162, § 21.

O. R. S. § 353.420, OR ST § 353.420
Current through laws enacted in the 2022 Regular Session of the 81st Legislative Assembly, which convened February 1, 2022 and adjourned sine die March 4, 2022, pending classification of undesignated material and text revision by the Oregon Reviser. See ORS 173.160. Coverage also includes 2022 Ballot Measures 111-114, decided by the voters at the November 8, 2022 general election. Some statute sections may be more current, see credits for details.

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Programs

O.R.S. § 353.440

353.440. Legislative findings; coordination of programs with public universities

Currentness

The Legislative Assembly finds that:

(1) Public universities listed in ORS 352.002 and other educational sectors have academic programs that are related to or integrated with the programs of Oregon Health and Science University.

(2) It is in the best interest of the state that a coordinated approach be taken to these related and integrated academic programs.

(3) In order to best ensure the continued harmony of such academic programs, the Oregon Health and Science University and public universities shall coordinate such programs and shall advise each other of the following proposed changes to such academic programs:

(a) Creation or significant revision, such as a merger or closure, of degree programs;

(b) Creation or significant revision, such as a merger or closure, of schools; and

(c) Creation or significant revision of major academic policies.

(4) The Oregon Health and Science University and the Higher Education Coordinating Commission shall coordinate and advise each other of the following types of proposed changes to their related or integrated academic programs:

(a) Coordination of strategic plans for achieving higher education goals;

(b) Seeking advice and input from each other on modifications to statutory educational missions;

(c) Working to develop a statewide educational data system;

(d) Collaborating as necessary on the creation of any new degree programs; and

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(e) Notifying each other and commenting on tuition rate changes.

(5) In order to further the coordination described by this section, Oregon Health and Science University officers shall maintain a role in the appropriate committees of the Higher Education Coordinating Commission.

Credits

Added by Laws 1995, c. 162, § 12. Amended by Laws 1999, c. 291, § 16; Laws 2011, c. 637, § 259, eff. July 20, 2011, operative July 1, 2012; Laws 2013, c. 768, § 139, eff. Aug. 14, 2013, operative July 1, 2014; Laws 2015, c. 767, § 166, eff. July 27, 2015.

O. R. S. § 353.440, OR ST § 353.440

Current through laws enacted in the 2022 Regular Session of the 81st Legislative Assembly, which convened February 1, 2022 and adjourned sine die March 4, 2022, pending classification of undesignated material and text revision by the Oregon Reviser. See ORS 173.160. Coverage also includes 2022 Ballot Measures 111-114, decided by the voters at the November 8, 2022 general election. Some statute sections may be more current, see credits for details.

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O.R.S. § 353.445

353.445. University venture development fund; venture grant program and grant applicant requirements

Currentness

The Oregon Health and Science University Board of Directors shall adopt a policy that prescribes the requirements for a venture grant program and the requirements that a grant applicant must meet in order to receive grant moneys from the university venture development fund operated by Oregon Health and Science University, including requirements:

(1) That a grant recipient remain within this state for at least five years following the receipt of a grant or repay the grant plus interest;

(2) That the university report amounts of tax credit certificates issued by the university and cease issuing certificates until the total amount owed to the General Fund at any one time under ORS 350.550 (6) does not exceed $8.4 million and is allocated as provided in section 6, chapter 31, Oregon Laws 2016; and

(3) That the university maintain records of income realized by the university as the result of grants made from the fund and records of amounts paid to the General Fund.

Credits

Added by Laws 2005, c. 592, § 3. Amended by Laws 2007, c. 586, § 3, eff. June 25, 2007; Laws 2016, c. 31, § 4, eff. June 2, 2016.

O. R. S. § 353.445, OR ST § 353.445

Current through laws enacted in the 2022 Regular Session of the 81st Legislative Assembly, which convened February 1, 2022 and adjourned sine die March 4, 2022, pending classification of undesignated material and text revision by the Oregon Reviser. See ORS 173.160. Coverage also includes 2022 Ballot Measures 111-114, decided by the voters at the November 8, 2022 general election. Some statute sections may be more current, see credits for details.

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Programs

O.R.S. § 353.450
Formerly cited as OR ST § 352.095

353.450. Area Health Education Center program; rural area continuing education programs for physicians; rural area emergency medical services provider training

Currentness

(1) It is the finding of the Legislative Assembly that there is need to provide programs that will assist a rural community to recruit and retain physicians, physician assistants and nurse practitioners. For that purpose:

(a) The Legislative Assembly supports the development at the Oregon Health and Science University of an Area Health Education Center program as provided for under the United States Public Health Service Act, Section 781. [1]

(b) The university shall provide continuing education opportunities for persons licensed to practice medicine under ORS chapter 677 who practice in rural areas of this state in cooperation with the respective professional organizations, including the Oregon Medical Association and the Oregon Society of Physician Assistants.

(c) The university shall seek funding through grants and other means to implement and operate a fellowship program for physicians, physician assistants and nurse practitioners intending to practice in rural areas.

(2) With the moneys transferred to the Area Health Education Center program by ORS 442.870, the program shall:

(a) Establish educational opportunities for emergency medical services providers in rural counties;

(b) Contract with educational facilities qualified to conduct emergency medical training programs using a curriculum approved by the Emergency Medical Services and Trauma Systems Program; and

(c) Review requests for training funds with input from the State Emergency Medical Service Committee and other individuals with expertise in emergency medical services.

Credits
Formerly 352.095. Amended by Laws 1999, c. 1056, § 8; Laws 2011, c. 703, § 33, eff. Jan. 1, 2012.

Footnotes

1 See 42 U.S.C.A. § 294a.

O. R. S. § 353.450, OR ST § 353.450
Current through laws enacted in the 2022 Regular Session of the 81st Legislative Assembly, which convened February 1, 2022 and adjourned sine die March 4, 2022, pending classification of undesignated material and text revision by the Oregon Reviser. See ORS 173.160. Coverage also includes 2022 Ballot Measures 111-114, decided by the voters at the November 8, 2022 general election. Some statute sections may be more current, see credits for details.

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O.R.S. § 353.455

353.455. Family medicine residency network

Currentness

(1) The Area Health Education Center program created in ORS 353.450 is encouraged to create a family medicine residency network that:

(a) Facilitates an increase in the number of family medicine residency positions in this state in order to train more highly qualified family physicians who are likely to practice in this state.

(b) Supports and assists hospital systems in this state to work collaboratively with existing family medicine residency programs to develop new family medicine residency programs throughout this state.

(c) Helps family medicine residency programs in this state share resources through the creation of standardized curriculum, a common faculty development center, initiation of physician training in quality improvement, medical home development, chronic disease management, interprofessional team-based care and population care management, facilitation of primary care research projects through joint regulatory monitoring and other support and provision of grant writing resources for outside funding.

(2) The Area Health Education Center program may accept gifts, grants or contributions from any public or private source for the purpose of carrying out this section.

Credits
Added by Laws 2011, c. 289, § 1, eff. June 9, 2011.

O. R. S. § 353.455, OR ST § 353.455
Current through laws enacted in the 2022 Regular Session of the 81st Legislative Assembly, which convened February 1, 2022 and adjourned sine die March 4, 2022, pending classification of undesignated material and text revision by the Oregon Reviser. See ORS 173.160. Coverage also includes 2022 Ballot Measures 111-114, decided by the voters at the November 8, 2022 general election. Some statute sections may be more current, see credits for details.

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O.R.S. § 353.460
Formerly cited as OR ST § 352.073

353.460. Oregon Institute of Occupational Health Sciences; purpose

Currentness

(1) There is created the Oregon Institute of Occupational Health Sciences. The Oregon Health and Science University shall administer the institute.

(2) The purposes of the institute may include, but are not limited to, reducing the incidence of disease and reducing the costs and dangers to employers and employees associated with occupational disease. Specific functions of the institute may include:

(a) Basic and applied research into the incidence and causes of occupational diseases.

(b) Epidemiology and other data collection.

(c) Design of programs for clinical management of occupational diseases.

(d) Education and training programs.

(3) Although the output of the institute's programs is intended to be of statewide use for employers, employees, health professionals and the public concerning occupational disease, it is not intended that the institute shall assume any of the responsibilities or functions of the physical rehabilitation facility operated by the Director of the Department of Consumer and Business Services. The institute may offer programs of diagnosis and treatment of occupational disease, but it is expected that such services shall be compensable under ORS chapter 656.

Credits
Formerly 352.073. Amended by Laws 2013, c. 111, § 1, eff. Jan. 1, 2014.

O. R. S. § 353.460, OR ST § 353.460
Current through laws enacted in the 2022 Regular Session of the 81st Legislative Assembly, which convened February 1, 2022 and adjourned sine die March 4, 2022, pending classification of undesignated material and text revision by the Oregon Reviser. See ORS 173.160. Coverage also includes 2022 Ballot Measures 111-114, decided by the voters at the November 8, 2022 general election. Some statute sections may be more current, see credits for details.

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O.R.S. § 353.470
Formerly cited as OR ST § 352.083

353.470. Institute funding

Currentness

The Oregon Institute of Occupational Health Sciences shall operate, on an ongoing basis, from funds provided by the Department of Consumer and Business Services, in addition to any gifts, grants or donations made to carry out the activities of the institute. Oregon Health and Science University is not expected to provide funds for operation of the institute from any other sources of funds for operation of the university.

Credits

Formerly 352.083. Amended by Laws 1999, c. 291, § 20; Laws 2013, c. 111, § 2, eff. Jan. 1, 2014.

O. R. S. § 353.470, OR ST § 353.470

Current through laws enacted in the 2022 Regular Session of the 81st Legislative Assembly, which convened February 1, 2022 and adjourned sine die March 4, 2022, pending classification of undesignated material and text revision by the Oregon Reviser. See ORS 173.160. Coverage also includes 2022 Ballot Measures 111-114, decided by the voters at the November 8, 2022 general election. Some statute sections may be more current, see credits for details.

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O.R.S. § 353.480

353.480. Pediatric dental residency program; appropriation of funds

Currentness

Subject to the availability of funding, the Oregon Health and Science University shall establish the pediatric dental residency program only to the extent that funds are appropriated to the Oregon Department of Administrative Services for the Oregon Health and Science University public corporation to establish the program under section 1, chapter 1083, Oregon Laws 1999.

Credits

Added by Laws 1999, c. 1083, § 2.

O. R. S. § 353.480, OR ST § 353.480

Current through laws enacted in the 2022 Regular Session of the 81st Legislative Assembly, which convened February 1, 2022 and adjourned sine die March 4, 2022, pending classification of undesignated material and text revision by the Oregon Reviser. See ORS 173.160. Coverage also includes 2022 Ballot Measures 111-114, decided by the voters at the November 8, 2022 general election. Some statute sections may be more current, see credits for details.

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O.R.S. § 353.485

353.485. Oregon Psychiatric Access Line program established

Effective: November 15, 2019
Currentness

(1) There is established the Oregon Psychiatric Access Line program in the Oregon Health and Science University.

(2) The Oregon Psychiatric Access Line program shall provide telephone or electronic real-time psychiatric consultations, from 9 a.m. to 5 p.m. on all business days, to primary care providers who care for patients with mental health disorders.

(3) Psychiatrists providing advice to primary care providers through the Oregon Psychiatric Access Line program regarding prescription drug treatment options shall be informed by any applicable guidelines:

(a) In the Practitioner-Managed Prescription Drug Plan adopted by the Oregon Health Authority under ORS 414.334; or

(b) Recommended by the Pharmacy and Therapeutics Committee established by ORS 414.353.

Credits
Added by Laws 2019, c. 87, § 1, eff. Jan. 1, 2020.

O. R. S. § 353.485, OR ST § 353.485
Current through laws enacted in the 2022 Regular Session of the 81st Legislative Assembly, which convened February 1, 2022 and adjourned sine die March 4, 2022, pending classification of undesignated material and text revision by the Oregon Reviser. See ORS 173.160. Coverage also includes 2022 Ballot Measures 111-114, decided by the voters at the November 8, 2022 general election. Some statute sections may be more current, see credits for details.

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O.R.S. § 353.550

353.550. Definitions

Currentness

As used in ORS 353.550 to 353.559 and sections 10, 12, 14, 16 and 18, chapter 921, Oregon Laws 2001:

(1) "Bond-related costs" means:

(a) The costs and expenses of issuing, administering and maintaining bonds issued under ORS 353.550 to 353.559 and sections 10, 12, 14, 16 and 18, chapter 921, Oregon Laws 2001, and the bond program under ORS 353.550 to 353.559 and sections 10, 12, 14, 16 and 18, chapter 921, Oregon Laws 2001, including but not limited to:

(A) Paying or redeeming the bonds;

(B) Paying amounts due in connection with credit enhancement or any reserve instruments; and

(C) Paying the administrative costs and expenses of the State Treasurer and the Oregon Department of Administrative Services, including costs of consultants, attorneys and advisors retained by the State Treasurer or the Oregon Department of Administrative Services for the bonds or the bond program;

(b) The costs of funding any bond reserves;

(c) Capitalized interest for the bonds;

(d) Rebates or penalties due to the United States in connection with the bonds; and

(e) Any other costs or expenses that the State Treasurer or the Oregon Department of Administrative Services determines are necessary or desirable in connection with issuing the bonds or maintaining the bond program.

(2) "Capital costs" means the costs of acquiring, constructing, improving or equipping capital projects or other capital expenditures necessary or desirable to create, develop, maintain or directly or indirectly finance the Oregon Opportunity program.

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(3) “Indirect financing” means financing capital costs of Oregon Health and Science University unrelated to the Oregon Opportunity program so that an equivalent amount of moneys may be used to pay capital costs and noncapital costs of the Oregon Opportunity program.

(4) “Master Settlement Agreement” means the Master Settlement Agreement, and related documents, entered into on November 23, 1998, by the State of Oregon and leading United States tobacco products manufacturers.

(5) “Noncapital costs” means the costs of programs, scholarships, endowments, research infrastructure and recruitment of scientists and researchers, or other noncapital costs or expenses, necessary or desirable to create, develop, maintain or directly or indirectly finance the Oregon Opportunity program.

(6) “Oregon Opportunity program” means the program created by Oregon Health and Science University pursuant to ORS 353.559.

Credits
Added by Laws 2001, c. 921, § 3.

O. R. S. § 353.550, OR ST § 353.550
Current through laws enacted in the 2022 Regular Session of the 81st Legislative Assembly, which convened February 1, 2022 and adjourned sine die March 4, 2022, pending classification of undesignated material and text revision by the Oregon Reviser. See ORS 173.160. Coverage also includes 2022 Ballot Measures 111-114, decided by the voters at the November 8, 2022 general election. Some statute sections may be more current, see credits for details.

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O.R.S. § 353.553

353.553. Short title

Currentness

ORS 353.550 to 353.559 and sections 10, 12, 14, 16 and 18, chapter 921, Oregon Laws 2001, shall be known and may be cited as the Oregon Opportunity Act.

Credits
Added by Laws 2001, c. 921, § 2.

O. R. S. § 353.553, OR ST § 353.553
Current through laws enacted in the 2022 Regular Session of the 81st Legislative Assembly, which convened February 1, 2022 and adjourned sine die March 4, 2022, pending classification of undesignated material and text revision by the Oregon Reviser. See ORS 173.160. Coverage also includes 2022 Ballot Measures 111-114, decided by the voters at the November 8, 2022 general election. Some statute sections may be more current, see credits for details.

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O.R.S. § 353.556

353.556. Purpose; policy; legislative findings and intent

Currentness

(1) The purpose of ORS 353.550 to 353.559 and sections 10, 12, 14, 16 and 18, chapter 921, Oregon Laws 2001, is to directly or indirectly finance Oregon Health and Science University's Oregon Opportunity program.

(2) It is the policy of the State of Oregon that, in order to capture the health and economic benefits of the coming biotechnology boom for all Oregonians, the state enter into a partnership with Oregon Health and Science University to enhance medical research.

(3) The Legislative Assembly finds that:

(a) Oregon should take advantage of research breakthroughs in biomedicine, health care and technology that are opening an unprecedented new era. Research advances will someday show scientists how to block or replace genes that cause disease. The state should seize the opportunity to provide all Oregonians access to leading edge therapies and procedures.

(b) Research breakthroughs are expected to fuel tremendous economic growth, and Oregon must be poised to capitalize on these breakthroughs. Biotechnology is likely to be the next great economic engine in the United States, and the state should take positive action to ensure Oregon's participation in this emerging and important industry. A public commitment to biomedical and related research in Oregon is necessary to drive the formation, expansion and proliferation of biotechnology companies that will commercialize myriad new treatments, medications, biomedical equipment and other technology.

(c) The state should support Oregon Health and Science University in its efforts to continue to grow as a research power and an economic engine. Biomedical and technology research is necessary to create intellectual property, which serves as the raw material for biotechnology companies. The state should assist Oregon Health and Science University in securing the needed infrastructure to attain a critical mass of research talent in order to maximize the number of commercially viable discoveries.

(d) There is a limited window of opportunity to capitalize on the surge in biotechnology growth, stemming from the completion of the United States Human Genome Project.

(4) It is the intent of the Legislative Assembly that:

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(a) Oregon Health and Science University pursue the Oregon Opportunity program in a manner that is consistent with the public missions stated in ORS 353.030 (2), which directs the university to strive for excellence in education, research, clinical practice, scholarship and community service while maintaining compassion, personal and institutional integrity and leadership in carrying out its missions;

(b) The Oregon Opportunity program benefit all Oregonians through increased medical research and sustainable economic development from biotechnology and related fields; and

(c) The State Treasurer shall issue pursuant to a grant agreement, as soon as practicable, general obligation bonds during the 2001-2003 and 2003-2005 biennia in an aggregate principal amount that produces net proceeds for the Oregon Opportunity program in an amount equal to $200 million plus the amount of any costs and expenses of issuing the bonds.

(5) To maximize the benefits of low interest tax-exempt bonds, costs of the Oregon Opportunity program may be financed directly or indirectly by the state.

Credits

Added by Laws 2001, c. 921, § 4. Amended by Laws 2001, c. 921, § 4a.

O. R. S. § 353.556, OR ST § 353.556

Current through laws enacted in the 2022 Regular Session of the 81st Legislative Assembly, which convened February 1, 2022 and adjourned sine die March 4, 2022, pending classification of undesignated material and text revision by the Oregon Reviser. See ORS 173.160. Coverage also includes 2022 Ballot Measures 111-114, decided by the voters at the November 8, 2022 general election. Some statute sections may be more current, see credits for details.

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O.R.S. § 353.559

353.559. Creation of program; duties of university; expenditure of proceeds

Currentness

(1) Oregon Health and Science University shall create the Oregon Opportunity program to usher in a new era of breakthroughs in health care and biotechnology for Oregonians. Through the program, the university shall invest in facilities, endowments, research infrastructure, recruitment of scientists and researchers, scholarships and programs including but not limited to:

(a) Research on cancer, heart disease, multiple sclerosis, Parkinson's disease and Alzheimer's disease;

(b) Research on autism spectrum disorder;

(c) Children's health and women's health;

(d) Hearing research;

(e) Advanced eye research;

(f) Aging research;

(g) Rural health initiatives;

(h) Research on public health, health care ethics, health information science and health outcomes; and

(i) Other health care, biotechnology and related research.

(2) Oregon Health and Science University shall dedicate:

(a) Not less than five percent of the university's share of the net proceeds of royalties and licenses attributable to the Oregon Opportunity program to meeting the university's missions of providing access to medical services to people who are underserved and promoting further study in the areas of public health, health care ethics, health information science and health outcomes. The proceeds shall be distributed as follows:

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(A) 50 percent to providing access to medical services to people who are underserved; and

(B) 50 percent to establishing endowments to support research on public health, health care ethics, health information science and health outcomes.

(b) Not less than five percent of the university's share of the net proceeds of royalties and licenses attributable to the Oregon Opportunity program to the payment of bond-related costs then due and payable by the state and deposit those amounts into the Oregon Health and Science University Bond Fund established in section 14, chapter 921, Oregon Laws 2001. If the dedicated amount exceeds the amount necessary to pay bond-related costs, the excess shall be deposited in the General Fund.

(3) Notwithstanding subsection (2) of this section, any obligation of the university to dedicate or distribute a share of the net proceeds of royalties and licenses attributable to the Oregon Opportunity program under subsection (2) of this section:

(a) Shall be subordinate to the university's obligation to pay obligations issued under the university's Master Trust Indenture, dated December 1, 1995, as amended or supplemented; and

(b) Does not constitute a lien on the gross revenues of the university as “Lien” and “Gross Revenues” are defined in the Master Trust Indenture.

Credits
Added by Laws 2001, c. 921, § 5.

O. R. S. § 353.559, OR ST § 353.559
Current through laws enacted in the 2022 Regular Session of the 81st Legislative Assembly, which convened February 1, 2022 and adjourned sine die March 4, 2022, pending classification of undesignated material and text revision by the Oregon Reviser. See ORS 173.160. Coverage also includes 2022 Ballot Measures 111-114, decided by the voters at the November 8, 2022 general election. Some statute sections may be more current, see credits for details.

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KeyCite Red Flag - Severe Negative Treatment
KeyCite Red Flag Negative Treatment 353.563. Repealed by Laws 2011, c. 239, § 1, eff. Jan. 1, 2012

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O.R.S. § 353.563

353.563. Repealed by Laws 2011, c. 239, § 1, eff. Jan. 1, 2012

Currentness

O. R. S. § 353.563, OR ST § 353.563
Current through laws enacted in the 2022 Regular Session of the 81st Legislative Assembly, which convened February 1, 2022 and adjourned sine die March 4, 2022, pending classification of undesignated material and text revision by the Oregon Reviser. See ORS 173.160. Coverage also includes 2022 Ballot Measures 111-114, decided by the voters at the November 8, 2022 general election. Some statute sections may be more current, see credits for details.

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Nursing Education Program Grants

O.R.S. § 353.600

353.600. Definitions

Currentness

As used in ORS 353.600 to 353.612:

(1) "Committee" means the Oregon Nursing Shortage Coalition Committee created in ORS 353.606.

(2) "Post-secondary education institution" means:

(a) A public university listed in ORS 352.002;

(b) A community college operated under ORS chapter 341;

(c) A school or division of Oregon Health and Science University; or

(d) An Oregon-based, generally accredited, not-for-profit private institution of higher education.

Credits

Added by Laws 2003, c. 697, § 2, eff. July 1, 2003. Amended by Laws 2011, c. 637, § 260, eff. July 20, 2011, operative Jan. 1, 2012.

O. R. S. § 353.600, OR ST § 353.600

Current through laws enacted in the 2022 Regular Session of the 81st Legislative Assembly, which convened February 1, 2022 and adjourned sine die March 4, 2022, pending classification of undesignated material and text revision by the Oregon Reviser. See ORS 173.160. Coverage also includes 2022 Ballot Measures 111-114, decided by the voters at the November 8, 2022 general election. Some statute sections may be more current, see credits for details.

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West's Oregon Revised Statutes Annotated
Title 30. Education and Culture (Refs & Annos)
Chapter 353. Oregon Health and Science University
Nursing Education Program Grants

O.R.S. § 353.603

353.603. Grants to support nursing education programs

Currentness

(1) Oregon Health and Science University shall distribute grants to post-secondary education institutions to support nursing education programs based on the selections of the Oregon Nursing Shortage Coalition Committee and in accordance with appropriate university policies and procedures. If the university is not able to distribute a grant to a post-secondary education institution selected by the committee, the university shall report to the committee the reason for not distributing the grant.

(2) Grants distributed under this section to a community college or a public university listed in ORS 352.002 may be based on an intergovernmental agreement entered into by Oregon Health and Science University and the college or public university.

(3) Oregon Health and Science University may not use more than five percent of the amount received from the Nursing Education Grant Fund established in ORS 353.612 for the grant program in any biennium for administrative expenses incurred in administering ORS 353.600 to 353.612.

(4) Oregon Health and Science University may accept contributions of funds and assistance from the United States Government or its agencies, or from any other source, public or private, and agree to conditions placed on the funds not inconsistent with the purposes of ORS 353.600 to 353.612. The university shall use funds and assistance received under this subsection for grants distributed under this section or for administering ORS 353.600 to 353.612.

(5) Oregon Health and Science University shall deposit moneys received by the university for purposes of ORS 353.600 to 353.612 in the Nursing Education Grant Fund. The total amount of grants distributed under this section may not exceed the amount of moneys available for distribution in the fund.

Credits
Added by Laws 2003, c. 697, § 3, eff. July 1, 2003. Amended by Laws 2011, c. 637, § 261, eff. July 20, 2011, operative Jan. 1, 2012.

O. R. S. § 353.603, OR ST § 353.603
Current through laws enacted in the 2022 Regular Session of the 81st Legislative Assembly, which convened February 1, 2022 and adjourned sine die March 4, 2022, pending classification of undesignated material and text revision by the Oregon Reviser. See ORS 173.160. Coverage also includes 2022 Ballot Measures 111-114, decided by the voters at the November 8, 2022 general election. Some statute sections may be more current, see credits for details.

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West's Oregon Revised Statutes Annotated
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Chapter 353. Oregon Health and Science University
Nursing Education Program Grants

O.R.S. § 353.606

353.606. Oregon Nursing Shortage Coalition Committee

Currentness

(1) There is created the Oregon Nursing Shortage Coalition Committee.

(2) The committee consists of 10 members, as follows:

(a) Two members who represent the Oregon State Board of Nursing appointed by the board.

(b) Two members who represent the Northwest Organization of Nurse Executives appointed by the Oregon State Board of Nursing from a list of persons submitted to the board by the Northwest Organization of Nurse Executives.

(c) Two members who represent the Oregon Nurses Association appointed by the Oregon State Board of Nursing from a list of persons submitted to the board by the Oregon Nurses Association.

(d) One member appointed by the Oregon State Board of Nursing who represents Oregon-based, generally accredited, not-for-profit private institutions of higher education from a list of persons submitted to the board by the Oregon Independent Colleges Association.

(e) Two members appointed by the Director of the Office of Community Colleges and Workforce Development from a list of persons submitted to the director by the Oregon Community College Association.

(f) One member who represents Oregon Health and Science University appointed by the university.

(3) When appointing members to the committee, the Oregon State Board of Nursing, the Director of the Office of Community Colleges and Workforce Development and Oregon Health and Science University shall ensure that there is at least one member from each of the following areas of the state:

(a) Rural western Oregon.

(b) Coastal Oregon.

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(c) Eastern Oregon.

(d) Urban areas.

(4) The term of office of each member is four years, but a member serves at the pleasure of the appointing authority. Before the expiration of the term of a member, the appointing authority shall appoint a successor whose term begins on July 1 next following. A member is eligible for reappointment. If there is a vacancy for any cause, the appointing authority shall make an appointment to become immediately effective for the unexpired term.

(5) The committee shall elect one of its members to serve as chairperson and another to serve as vice chairperson, for the terms and with the duties and powers necessary for the performance of the functions of such offices as the committee determines.

(6) The committee shall meet at times and places specified by the call of the chairperson or of a majority of the members of the committee.

(7) A majority of the members of the committee constitutes a quorum for the transaction of business.

(8) Members of the committee are entitled to actual and necessary travel expenses in the manner and amounts provided for in ORS 292.495. Claims for expenses incurred in performing functions of the committee shall be paid out of funds received by Oregon Health and Science University for that purpose.

(9) Oregon Health and Science University shall provide staff support to the committee.

Credits

Added by Laws 2003, c. 697, § 4, eff. July 1, 2003. Amended by Laws 2015, c. 366, § 85, eff. July 1, 2015.

O. R. S. § 353.606, OR ST § 353.606

Current through laws enacted in the 2022 Regular Session of the 81st Legislative Assembly, which convened February 1, 2022 and adjourned sine die March 4, 2022, pending classification of undesignated material and text revision by the Oregon Reviser. See ORS 173.160. Coverage also includes 2022 Ballot Measures 111-114, decided by the voters at the November 8, 2022 general election. Some statute sections may be more current, see credits for details.

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Chapter 353. Oregon Health and Science University
Nursing Education Program Grants

O.R.S. § 353.609

353.609. Oregon Nursing Shortage Coalition Committee; powers and duties

Currentness

(1) The Oregon Nursing Shortage Coalition Committee shall:

(a) Adopt criteria for awarding grants to post-secondary education institutions under this section;

(b) Based on the criteria, select post-secondary education institutions to receive grants to support nursing education programs; and

(c) Determine the amounts of the grants to be distributed under ORS 353.603.

(2) The goal of the committee in adopting criteria and selecting grant recipients shall be to increase the capacity of nursing education programs statewide.

(3) The criteria adopted by the committee shall include, but not be limited to, consideration for:

(a) Whether the grant funds will be used to increase the capacity of a nursing education program;

(b) Whether the grant funds will be matched with funds from other sources or used to leverage additional funds from other sources;

(c) Ensuring that grant funds are awarded for nursing education programs in both urban areas and rural areas of the state;

(d) Ensuring that grant funds are used to increase the capacity for all levels of nursing education; and

(e) Ensuring that grant funds are used to increase the diversity of people who enter nursing education programs, including targeting underrepresented groups of people in the nursing profession.

(4) The total amount of grants awarded by the committee may not exceed the amount of moneys available for distribution as grants.

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(5) A post-secondary education institution awarded a grant under this section may use the grant funds to:

(a) Develop nursing education program infrastructure;

(b) Train additional nurse educators;

(c) Develop regional learning laboratories;

(d) Provide technical support to nursing education programs;

(e) Create learning materials that supplement available faculty expertise;

(f) Coordinate student clinical experiences statewide; and

(g) Expand the capacity of nursing education programs to train new nurses across the state.

Credits

Added by Laws 2003, c. 697, § 6, eff. July 1, 2003.

O. R. S. § 353.609, OR ST § 353.609

Current through laws enacted in the 2022 Regular Session of the 81st Legislative Assembly, which convened February 1, 2022 and adjourned sine die March 4, 2022, pending classification of undesignated material and text revision by the Oregon Reviser. See ORS 173.160. Coverage also includes 2022 Ballot Measures 111-114, decided by the voters at the November 8, 2022 general election. Some statute sections may be more current, see credits for details.

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Chapter 353. Oregon Health and Science University
Nursing Education Program Grants

O.R.S. § 353.612

353.612. Nursing Education Grant Fund; establishment

Currentness

(1) The Nursing Education Grant Fund is established separate and distinct from the General Fund. All moneys received by the Oregon Department of Administrative Services or Oregon Health and Science University for purposes of ORS 353.600 to 353.612 shall be deposited into the State Treasury and credited to the Nursing Education Grant Fund.

(2) Interest earned from the Nursing Education Grant Fund shall be credited to the fund.

(3) All moneys in the Nursing Education Grant Fund are continuously appropriated to the department for allocation to the university for the purposes of ORS 353.600 to 353.612.

Credits
Added by Laws 2003, c. 697, § 3a, eff. July 1, 2003.

O. R. S. § 353.612, OR ST § 353.612
Current through laws enacted in the 2022 Regular Session of the 81st Legislative Assembly, which convened February 1, 2022 and adjourned sine die March 4, 2022, pending classification of undesignated material and text revision by the Oregon Reviser. See ORS 173.160. Coverage also includes 2022 Ballot Measures 111-114, decided by the voters at the November 8, 2022 general election. Some statute sections may be more current, see credits for details.

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FIFTH AMENDED AND RESTATED BYLAWS
OF
OREGON HEALTH & SCIENCE UNIVERSITY

ARTICLE ONE
Name

The legal name of this corporation is Oregon Health and Science University ("University"), an Oregon public corporation. To the extent practical, the University shall be known as "Oregon Health & Science University" or "OHSU".

ARTICLE TWO
Purposes of Organization

The purposes for which the University is organized as a public corporation are to carry out and exercise the powers, rights and privileges expressly or impliedly conferred upon it and to pursue the missions defined for it by the Oregon Legislature.

ARTICLE THREE
Board of Directors

1. **Business and Affairs.** The business and affairs of the University shall be managed by the Board of Directors, which may exercise all such powers of the University as are permitted by law.

2. **Number of Directors.** The number of Directors of the University shall be ten (10).

3. **Membership.** The membership of the Board shall be as follows:

a. Eight representatives who, in the discretion of the Governor, have experience in areas related to the University missions or that are important to the success of the University, including but not limited to higher education, health care, scientific research, engineering and technology and economic and business development;

b. One representative who is a student enrolled at the University; and

c. The President of the University.

4. **Qualifications.** Members of the Board must be citizens of the United States. Except for the President, no voting member of the Board may be an employee of the University.

5. **Appointment of Directors.** With the exception of the President of the University, the members of the Board shall be appointed by the Governor of the State of Oregon and shall be confirmed by the Senate of the State of Oregon in the manner prescribed by law. To assist the Governor in appointing the student member, the duly organized and recognized entity of student government shall submit a list of nominees to the Governor for consideration. To assist the Governor in appointing Board members other than the student member and the President, the Board shall submit a list of nominees to the Governor for consideration whenever a vacancy on the Board occurs or is announced.

6. **Terms of Directors.** With the exception of the President of the University and the student member of the Board, and except as otherwise provided by law or specified in the appointment or confirmation process, the term of office of each member of the Board shall be four (4) years. The term of office of the student member shall be two (2) years, except as otherwise specified in the appointment or confirmation process. The term of office of the President of the University shall be determined by the Board. A Director may be reappointed for one (1) additional term.

7. **Vacancies.** A vacancy on the Board shall exist upon the death, resignation, removal or expiration of the term of any member of the Board. For any vacancy other than a vacancy of the President's position on the Board, the Governor shall appoint a successor to fill a vacancy for the unexpired term.

8. **Removal.** The Governor may remove a member of the Board other than the President at any time for cause, after notice and public hearing, but no more than three (3) members of the Board shall be removed within a period of four (4) years, unless it is for corrupt conduct in office. The Board may remove the President as a member of the Board in the manner, on the grounds and subject to the limitations it deems necessary and appropriate.

9. **Compensation; Reimbursement of Expenses.** Except for the President, Directors will not be compensated for their services as members of the Board. Upon approval by the Board, Directors may be reimbursed for expenses incurred in connection with the performance of their official duties.

ARTICLE FOUR
Meetings of the Board of Directors

1. **Types of Board Meetings.** "Public Meeting" of the Board of Directors is the convening of the members of the Board for a purpose for which a quorum is required in

order to make a decision or to deliberate toward a decision on any matter. “Public Meeting” does not include any on-site inspection of any project or program, the attendance of members of the Board of Directors at any national, regional or state association or the convening of directors for any purpose for which a quorum is not required. A “Private Meeting” of the Board is a meeting at which the Board’s decisions and deliberations concern only matters identified in Section 4 below, and those matters not requiring a quorum.

2. **Compliance with Public Meetings Law.** As used in these Bylaws, the term "Public Meeting" shall mean a meeting subject to the provisions of ORS 192.610 to 192.710, as the same shall be amended from time to time (the “Public Meetings Law”). All Public Meetings of the Board shall be conducted in compliance with the Public Meetings Law in effect from time to time, including without limitation those provisions relating to the location of meetings, notice, accessibility for the disabled, the conduct of meetings by means of telephonic or electronic communication, the preparation of minutes, and the provision of interpreters.

3. **Quorum for Public Meetings.** A quorum for the transaction of business at a Public Meeting of the Board shall be a majority of the Directors, plus one more Director, who are in office at the time of the meeting. A quorum is required to be present to conduct business at any Public Meeting at which the Board makes any of the following decisions but shall not otherwise be required:

a. Approval or adoption of an annual operating budget and capital expenditure plan for the University.

b. Approval of any transaction involving the purchase or sale of real property by the University, except for transactions involving exigent circumstances and transactions described in Section 4(b) or 4(c) below.

c. Approval of the University's institution of condemnation proceedings.

d. Adoption, amendment or repeal of these Bylaws.

e. Any decision for which applicable law or these Bylaws require the participation of a quorum of the Board of the University.

f. Any decision as to which the Board has adopted a resolution requiring the participation of a quorum of the Board.

4. **Private Board Meetings.** The Public Meetings Law provides that its provisions do not apply with respect to meetings of the Board or its designated committee regarding any or all of the following matters:

a. Meetings regarding candidates for the position of president of the University;

b. Meetings regarding sensitive business, financial or commercial matters of the University not customarily provided to competitors related to financings, mergers, acquisitions or joint ventures;

c. Meetings regarding sensitive business, financial or commercial matters of the University not customarily provided to competitors related to the sale or other disposition of, or substantial change in use of, significant real or personal property; and

d. Meetings regarding sensitive business, financial or commercial matters of the University not customarily provided to competitors related to health system strategies.

Decisions on any matter at a Private Meeting shall require the approval of not less than a majority of the members of the Board.

5. **Adjournment.** A majority of the Directors present at a meeting that is subject to the quorum requirements of this Article, although less than a quorum, may adjourn the meeting from time to time to a different time and place before the date of the next regular meeting without further notice of any adjournment. At such adjourned meeting at which a quorum is present, any business may be transacted that might have been transacted at the meeting originally held.

6. **Manner of Acting.**

a. Action upon a matter for which a quorum is required shall be taken upon the approval of a majority of the Directors present at a meeting at which a quorum is present. Action upon all other matters may be taken upon the approval of a majority of the Directors present at a meeting.

b. The Board may permit any or all Directors to participate in a meeting by, or conduct the meeting through use of, any means of telephonic or other electronic communication by which all Directors participating may simultaneously hear each other or otherwise communicate with each other during the meeting. Participation in such a meeting by a Director shall constitute such Director's presence in person at the meeting. With the conduct of a Public Meeting through such telephonic or electronic means, the Board shall make available to the public a location where the public can listen to the communication at the time it occurs by means of speakers or other devices.

7. **Waiver of Notice by Director**. A Director's attendance at or participation in a meeting waives any required notice of the meeting to the Director unless the Director at the beginning of the meeting, or promptly upon the Director's arrival, objects to the holding of the meeting or the transaction of business at the meeting and does not subsequently vote for or assent to action taken at the meeting. A Director may at any time waive any notice required by law or these Bylaws, with a writing signed by the Director and specifying the meeting for which notice is waived. Any such waiver of notice shall be filed with the minutes of the meeting for which notice is waived.

ARTICLE FOUR-A
Public Meeting Procedures

1. **Regular Meetings.** Regular Public Meetings of the Board shall be held at least once every three (3) months on such dates and at such times as specified by the Chair, and on such additional dates and at such times as specified by the Chair or a majority of the Directors then in office.

2. **Special Meetings.** Subject to the notice requirement described in Section 5a. below, special Public Meetings of the Board may be called at any time by the Chair and must be called by the Chair within twenty-four (24) hours after the Chair's receipt of a written request for a special Public Meeting signed by a majority of the Directors then in office and specifying the purpose of the meeting.

3. **Emergency Meetings.** Emergency Public Meetings of the Board may be called at any time by the Chair in instances of an actual emergency and must be called by the Chair within twenty-four (24) hours after the Chair's receipt of a written request for such a meeting signed by a majority of the Directors then in office, identifying the actual emergency and specifying the purpose of the meeting. Minutes of emergency Public Meetings shall describe the emergency justifying the emergency Public Meeting.

4. **Place of Meetings.** All regular Public Meetings and special Public Meetings of the Board shall be held within the state of Oregon and should generally be held at the University or at a location owned or controlled by the University. Emergency Public Meetings necessitating immediate action may be held at other locations.

5. **Notice of Meetings.**

a. **To the Public**. Notice of all regular Public Meetings shall be given in a manner reasonably calculated to give interested persons actual notice of the time and place of the meeting and principal subjects anticipated to be considered at the meeting. Notice of special meetings of the Board that are Public Meetings shall be given to the news media which have requested notice and to the general public, at least twenty-four (24) hours prior to the hour of the meeting. Notice of an emergency Public Meeting shall be such as is appropriate to the circumstance.

b. **To the Directors**. Notice of a regular, special or emergency Public Meeting must be given to each Director at least twenty-four (24) hours prior to the hour of the meeting. Notice of such a meeting may be given orally either in person or by telephone or may be delivered in writing, either personally, by mail, by electronic mail, or by facsimile transmission. If mailed other than by electronic mail, notice shall be deemed to be given three (3) days after deposit in the United States mail addressed to the Director at the Director's address on file with the Board secretary for the purpose of receiving Board correspondence, with postage thereon prepaid. If notice is sent by electronic mail or facsimile transmission, notice shall be deemed given immediately if the electronic mail notice is sent to the Director's electronic mail address or, as applicable, the Director's facsimile on file with the Board Secretary for the purpose of receiving such correspondence. Notice by all other means shall be deemed to be given when received by the Director.

6. **Minutes of Meetings.** The Board shall provide for the taking of written minutes of all Public Meetings, which minutes shall give a true reflection of the matters discussed at the Public Meetings and the views of the participants.

ARTICLE FOUR-B
Private Meeting Procedures

1. **<u>Regular Meetings</u>.** Regular Private Meetings of the Board shall be held on such dates and at such times as specified by the Chair or a majority of the Directors then in office.

2. **<u>Special Meetings</u>.** Special Private Meetings of the Board may be called at any time by the Chair and must be called by the Chair within twenty-four (24) hours after the Chair's receipt of a written request for a special Private Meeting signed by a majority of the Directors then in office and specifying the purpose of the meeting.

3. **<u>Emergency Meetings</u>.** Emergency Private Meetings of the Board may be called at any time by the Chair in instances of an actual emergency and must be called by the Chair within twenty-four (24) hours after the Chair's receipt of a written request for such a meeting signed by a majority of the Directors then in office identifying the actual emergency and specifying the purpose of the meeting. Minutes of emergency Private Meetings shall describe the emergency justifying the emergency Private Meeting.

4. **<u>Notice of Meetings</u>.** Notice of a regular, special or emergency Private Meeting must be given to each Director at least twenty-four (24) hours prior to the hour of the

meeting. Notice of such a meeting may be given orally either in person or by telephone or may be delivered in writing, either personally, by mail, or by facsimile transmission. If mailed other than by electronic mail, notice shall be deemed to be given three (3) days after deposit in the United States mail addressed to the Director at the Director's business address, with postage thereon prepaid. If notice is sent by electronic mail or facsimile transmission, notice shall be deemed given immediately if the electronic mail notice is sent to the Director's electronic mail address or, as applicable, the Director's facsimile on file with the Board Secretary for the purpose of receiving such correspondence. Notice by all other means shall be deemed to be given when received by the Director.

5. **Minutes.** Minutes of all Private Meetings shall be prepared when directed by the Chair. All such minutes shall constitute and be identified as sensitive business records or financial or commercial information of the University that is not customarily provided to business competitors for purposes of the Public Records Law, ORS 192.410 through 192.505.

6. **Written Consent in Lieu of Actual Meeting.** Any action that is permitted to be taken by the Board at a Private Meeting may be taken without a meeting if a consent in writing setting forth the action so taken shall be signed by all of the Directors entitled to vote on the matter. The action shall be effective on the date when the last signature is placed on the consent or at such earlier or later time as is set forth therein. Such consent, which shall have the same effect as a unanimous vote of the Directors, shall be filed with the minutes of all Private Meetings of the Board and shall constitute and be identified as sensitive business records or financial or commercial information of the University that is not customarily provided to business competitors for purposes of the Public Records Law, ORS 192.410 through 192.505.

ARTICLE FIVE
Officers

1. **Officers of the University.** The officers of the University shall be a Chair, a Vice Chair, a President, a Secretary and such other officers and assistant officers as may be deemed necessary by the Board to conduct its business. The officers shall have such powers and duties as set out in these Bylaws, and as may be prescribed by the Board and/or by law. The Chair and Vice Chair shall not be employees of the University and shall not, as such, be considered agents of the University or authorized to bind the University.

2. **Appointment and Term of Office.** Each of the Chair and Vice Chair shall be members of the Board, and each of the Chair, Vice Chair and Secretary shall be appointed by the Board and shall serve at the pleasure of the Board. Each Board officer shall hold office for one (1) year, or until a successor shall have been duly appointed and qualified or until the officer's death, resignation, or removal.

3. **Resignation and Removal.** An officer of the Board may resign at any time by delivering written notice to the Chair and the President of the University. Any officer appointed by the Board may be removed at any time, with or without cause.

4. **Vacancies.** A vacancy in any Board office because of death, resignation, removal, disqualification, or otherwise may be filled by the Board.

5. **Chair.** The Chair shall establish the agenda for and preside at all meetings of the Board. The Chair shall perform such other duties as assigned by the Board.

6. **Vice Chair.** In the absence of the Chair or in the event of the Chair's inability or refusal to act, the Vice Chair shall perform the duties of the Chair, and when so acting, shall have the powers of and be subject to all the restrictions upon the Chair. The Vice Chair shall perform such other duties as assigned by the Board.

7. **President of the University.** The President shall be the chief executive officer of the University and, subject to the control of the Board, shall supervise, direct and control the affairs of the University. The President shall, from time to time, report to the Board all matters within the President's knowledge affecting the University that should be brought to the attention of the Board. The President shall perform such other duties as assigned by the Board. The President may appoint other officers, who shall have such powers and duties as may be prescribed by the President

8. **Secretary.** The Secretary shall be responsible for the giving of required notices of meetings of the Board and the preparation of the minutes of meetings of the Board. The Secretary shall perform such other duties as may be assigned by the Board.

ARTICLE SIX
Board Committees

Subject to the requirements of applicable law, the Board may appoint such committees as it deems appropriate or necessary from time to time and shall define the duties of such committees and the reporting requirements of such committees and its members. Any committee of the Board and the members of any such committee shall serve at the pleasure of the Board.

ARTICLE SEVEN
Conflicts of Interest

Subject to the requirements of law and of this Article Seven, the Board may take any action involving either a potential conflict of interest or an actual conflict of interest (as defined in ORS Chapter 244). Prior to taking any action in an official capacity on any matter involving a potential conflict of interest or an actual conflict of interest for a Director, the

Director shall publicly announce the nature of the potential or actual conflict of interest. Any Director having an actual conflict of interest in a transaction with the University shall in addition (i) refrain from participating as a public official in any discussion or debate on the issue out of which the conflict arises, and (ii) refrain from voting on the issue, unless the Director's vote is necessary for Board action on the issue and is otherwise not prohibited by ORS Chapter 244.

ARTICLE EIGHT
Confidentiality of Business Records and Financial Information

Subject to the requirements of applicable law, the Board and officers of the University shall take such steps as are necessary to preserve the confidentiality of sensitive business records and financial and commercial information concerning or belonging to the University which is of a nature not customarily provided to business competitors.

ARTICLE NINE
Indemnification

1. **Indemnification.** The University shall indemnify and defend to the fullest extent not prohibited by law any Party to any Proceeding against all expenses (including attorneys' fees), judgments, fines, and amounts paid in settlement actually and reasonably incurred by the Party in connection with such Proceeding.

2. **Advancement of Expenses.** Expenses incurred by a Director or officer of the University in defending a Proceeding shall in all cases be paid by the University in advance of the final disposition of such Proceeding at the written request of such Director or officer if:

a. The conduct of such Director or officer was in good faith, and the Director or officer reasonably believed that such conduct was in the best interests of, or not opposed to the best interests of, the University.

b. The Director or officer furnishes the University a written undertaking to repay such advance to the extent it is ultimately determined by a court that such Director or officer is not entitled to be indemnified by the University under this Article or under any other indemnification rights granted by the University to such Director or officer.

Such advances shall be made without regard to the person's ability to repay such advances.

3. **Definition of Proceeding.** The term "Proceeding" shall include any threatened, pending, or completed action, suit, or proceeding, whether brought in the right of the University or otherwise and whether of a civil, administrative, or investigative nature. The term “Party” shall include any person who may be or may have been involved in a Proceeding as a party or otherwise by reason of the fact that the person is or was a Director or officer of the University, or is or was serving at the request of the University as a director, officer, or

fiduciary of an employee benefit plan of another corporation, partnership, joint venture, trust, or other enterprise, whether or not serving in such capacity at the time any liability or expense is incurred for which indemnification or advancement of expenses can be provided under this Article.

4. **Non-Exclusivity and Continuity of Rights.** This Article: (i) shall not be deemed exclusive of any other rights to which those indemnified may be entitled under any statute, agreement, general or specific action of the Board or otherwise, both as to action in the official capacity of the person indemnified and as to action in another capacity while holding office, (ii) shall continue as to a person who has ceased to be a Director or officer, (iii) shall inure to the benefit of the heirs, executors, and administrators of such person.

5. **Amendments.** Any repeal of this Article shall only be prospective and no repeal or modification hereof shall adversely affect the rights under this Article in effect at the time of the alleged occurrence of any action or omission to act that is the cause of any Proceeding.

ARTICLE TEN
Miscellaneous Provisions

1. **Contracts.** The Board may authorize any officer or officers and agent or agents to enter into any contract or execute and deliver any instrument in the name of and on behalf of the University, and such authority may be general or confined to specific instances.

2. **Severability.** Any determination that any provision of these Bylaws is for any reason inapplicable, invalid, illegal, or otherwise ineffective shall not affect or invalidate any other provision of these Bylaws.

3. **Amendment of Bylaws.** These Bylaws may be altered, amended, restated or repealed and new bylaws may be adopted by the Board at any regular or special Public Meeting.

UNIVERSITY HEALTH SYSTEM BOARD BYLAWS
Effective Date: August 17, 2018
No: HC-ADM-RPl-P004

PREAMBLE

The Board of Directors of Oregon Health & Science University ("OHSU Board") is the governing body for Oregon Health & Science University ("OHSU"), including the following OHSU units: OHSU Hospital, Doernbecher Children's Hospital, all OHSU ambulatory care practices (including primary and specialty care), the OHSU Practice Plan, the Joseph B. Trainer Health & Wellness Center and those units within the OHSU School of Nursing and the OHSU School of Dentistry involved in the delivery of clinical care (collectively, "OHSU Health System"). The OHSU Board has appointed the OHSU President to act on its behalf for the purposes of ensuring (i) high quality and safety in all clinical activities of the OHSU Health System ("Clinical Activities"), and (ii) compliance with all applicable Regulatory Requirements (defined below), including certain Regulatory Requirements that are required to be performed by a hospital governing body. As used in these bylaws, "Regulatory Requirements" means all applicable rules and regulations related to licensing or accreditation and issued by various regulatory agencies and associated commissions, including Centers for Medicare & Medicaid Services and the Oregon Health Authority.

UNIVERSITY HEALTH SYSTEM BOARD

The OHSU President has delegated to the University Health System Board ("UHSB") the responsibility for ensuring high quality and safety in all Clinical Activities and compliance with applicable Regulatory Requirements. All clinical functions report to the UHSB for the purposes identified in these bylaws.

UHSB ROLE, DUTIES AND RESPONSIBILITIES

The role of the UHSB is to ensure high quality and safety in all Clinical Activities and ensure compliance with applicable Regulatory Requirements. This role includes performing certain functions that are required of a hospital governing body per applicable Regulatory Requirements. The UHSB will report to the OHSU Board at least annually on its activities, including outcomes, initiatives and investments related to quality, safety, service excellence and compliance with Regulatory Requirements. Per the direction of the OHSU President, the UHSB, either directly or through one or more boards or committees that are representative of the clinical leadership, will do the following:

a. Oversee credentialing and privileging for Clinical Activities and serve as the credentialing and privileging body for practitioners involved in Clinical Activities, which includes granting, denying, limiting or restricting clinical privileges and approving or denying appointments to the Professional Staff. To expedite initial appointments to the Professional Staff, reappointments to the Professional Staff and the granting, renewal or modification of clinical privileges, the UHSB hereby delegates the authority to render those decisions to a committee of the UHSB, which shall consist of at least two voting members of the UHSB.

b. Oversee and coordinate clinical and operational process improvement activities for all Clinical Activities. In this role, the UHSB will receive reports, make recommendations or decisions, as appropriate, and ensure follow-up on these reports.

c. Oversee and ensure compliance with all Regulatory Requirements, which shall include the review and approval of policies that require hospital governing body approval.

d. Oversee the Professional Staff as described below.

e. Oversee the services furnished to the OHSU Health System, whether or not they are furnished under contract, to ensure the services are provided in a safe and effective manner and permit OHSU to comply with all applicable Regulatory Requirements and standards for the contracted services.

f. Perform such other functions that are required of a hospital governing body that are delegated to it by the OHSU President.

UHSB ORGANIZATIONAL STRUCTURE

For the purposes of those responsibilities outlined above, all OHSU Health System clinical units report through the UHSB.

PROFESSIONAL STAFF

The UHSB will oversee the Professional Staff involved in Clinical Activities in the OHSU Health System clinical units, which Staff shall be organized for the purpose of carrying out all functions common to a professional staff, including compliance with applicable Regulatory Requirements. The Professional Staff will be represented through a Professional Board. The Professional Board shall adopt Bylaws (subject to the approval of the UHSB) and shall report to the UHSB. The Professional Staff will develop the criteria that must be met for an individual practitioner to be eligible for expedited credentialing and privileging as described above in subsection (a) of the UHSB Role, Duties and Responsibilities section. Such criteria shall be set forth in the Professional Staff Bylaws.

MEMBERSHIP

The voting membership of the UHSB will be:

- OHSU President
- Chief Executive Officer, OHSU Health System
- Dean, OHSU School of Medicine
- Chief Medical Officer, OHSU Healthcare[1]
- Chief Nursing Officer, OHSU Healthcare
- OHSU Provost
- Chair of the Professional Board of the Professional Staff, OHSU Health System
- One or more outside members as may be appointed by the OHSU President
- One or more OHSU Board liaisons.

[1] OHSU Healthcare is comprised of individuals working in the Healthcare Home Org (i.e., all org numbers in mission 39).

The Chair shall be the Chief Executive Officer of the OHSU Health System or such other person as the OHSU President shall appoint. On invitation of the UHSB Chair, additional individuals may be invited to attend UHSB meetings as non-voting staff. The UHSB will be staffed by OHSU Healthcare Administration. Members of any UHSB committee shall be appointed by the UHSB Chair.

QUORUM AND VOTING

Attendance at a meeting by a majority of the voting members of the UHSB shall constitute a quorum, and the affirmative vote of a majority of the UHSB members at a meeting at which a quorum is present shall be required for action by the UHSB, except in the case of a bylaw amendment as described below. In the event a UHSB member is unable to attend a meeting, the member may vote electronically in advance of the meeting or by proxy by designating in writing another UHSB member to vote on the absent member's behalf. The written designation shall be provided to the Chair of the UHSB or designee electronically in advance of the meeting and must clearly outline whether the proxy has authority to vote on all matters or particular matters. A member who chooses to vote by proxy or vote electronically in advance of the meeting shall be counted towards the quorum necessary to vote on the matter(s) specified by the absent board member.

MEETING SCHEDULE

The meeting schedule will be established by the UHSB. However, special meetings may be called by the Chair, or upon the written request of three or more UHSB members, the Chair shall call a special meeting of the UHSB.

CONFIDENTIALITY AND CONFLICTS OF INTEREST

All members of the UHSB have a duty of loyalty and fidelity to the OHSU Health System and must govern their affairs honestly, exercising their best care, skill and judgment for the benefit of the OHSU Health System so as to avoid conflicts of interest and the appearance of impropriety.

Members of the UHSB and its committees shall disclose to the Chair of the UHSB any situation wherein such member has a conflict of interest that could possibly cause that member to act in other than the best interest of the OHSU Health System. In any such situation, the member shall abstain from acquiring any information developed by the OHSU Health System and from participating in any discussion or voting related to such situation. Upon a finding by a majority of the UHSB members that a member has a conflict as to a particular matter before the UHSB, the UHSB members may vote to require that such member abstain from voting on the matter.

All members of the UHSB and its committees shall keep confidential all sensitive information of every kind including the strategic goals of departments or divisions within the OHSU Health System to the extent permitted by law. Members of the UHSB and its committees shall abide by all confidentiality and conflict of interest policies and programs adopted by OHSU from time to time.

AMENDMENT

These bylaws may be amended at any regular meeting of the UHSB by a favorable vote of at least two-thirds of the members present and voting, but the proposed amendment must first have been stated in writing and sent to each member of the Board at least fifteen (15) calendar days prior to such meeting. The UHSB shall not adopt any amendment that is inconsistent with the delegation of authority issued by the OHSU President.

Supplemental Materials K:
Copies of Current Governance Documents for Legacy Health

2023

AMENDED AND RESTATED

BYLAWS

OF

LEGACY HEALTH

Adopted April 12, 1989

Restated February 5, 1998

Amended June 4, 1998, June 3, 1999, June 1, 2000,

October 5, 2000, February 7, 2002, June 5, 2003,

December 2, 2004, February 22, 2006, February 26, 2007,

September 13, 2007, November 8, 2007, March 13, 2008,

May 8, 2008, March 12, 2009, November 12, 2009,

March 10, 2010, January 20, 2011, May 11, 2011,

July 21, 2011, March 22, 2012, May 14, 2013,

June 4, 2013, September 26, 2013, July 24, 2014,

September 25, 2014, January 22, 2015, March 2, 2016,

July 28, 2016, November 14, 2017, January 18, 2018,

November 29, 2018, November 21, 2019, March 26, 2020, March 25, 2021,

April 21, 2023 and

Last Amended September 24, 2023

AMENDED AND RESTATED

BYLAWS OF LEGACY HEALTH

TABLE OF CONTENTS

AMENDED AND RESTATED

BYLAWS

OF

LEGACY HEALTH (2021)

ARTICLE 1

PURPOSES

SECTION 1.1 FOUNDATION

Legacy Health is a unique healthcare system founded on the tradition and values of community healthcare organizations, the healing ministries of the Lutheran and Episcopal churches, and community physicians. This partnership of healthcare providers is dedicated to caring, compassion and excellence. The individual strengths and traditions that each bring enable Legacy, as a system, to be of greater benefit to the communities we serve in our common mission.

SECTION 1.2 MISSION

Legacy's Mission is good health for our people, our patients, our communities and our world.

SECTION 1.3 VISION

Legacy's Vision is to be essential to the health of our region.

ARTICLE 2

NO MEMBERS; CORPORATE RIGHTS AND INTERESTS

SECTION 2.1 NO MEMBERS

Legacy Health shall have no members.

SECTION 2.2 CORPORATE RIGHTS AND INTERESTS

All rights and interests of Legacy Health as a member, shareholder or otherwise in other corporations, partnerships, ventures, organizations and entities shall be exercisable solely by the Board of Directors of Legacy Health, except to the extent such authority is delegated by the Board of Directors to one or more of its officers either generally or with respect to specific matters.

ARTICLE 3

BOARD OF DIRECTORS

SECTION 3.1 GOVERNANCE

The affairs of Legacy Health shall be governed by a Board of Directors, and each member thereof individually shall be known as a Director.

SECTION 3.2 NUMBER AND QUALIFICATIONS

(a) The Board of Directors shall consist of not more than eighteen (18) voting Directors. The exact number of voting Directors shall be determined by the Board of Directors.

(b) A person, in order to be qualified to be elected as a Director, should support both the vision and mission statement of Legacy Health. Individuals selected to serve should be able to devote appropriate time and effort to carrying out such person's proposed role including time to prepare for meetings, to regularly attend meetings, and to obtain or maintain knowledge regarding healthcare policy in general and Legacy Health in particular. It is the intent of Legacy Health that such individuals will be representative of the community served by Legacy Health.

(c) Each individual nominated shall bring specialized expertise or other background necessary and appropriate to the functions of the Board of Directors. Nominations shall be proposed under the process described in Sections 3.3 and 5.4 below.

SECTION 3.3 SELECTION, TERM AND REMOVAL

(a) The Board of Directors shall consist of no more than eighteen (18) voting members who shall be elected or serve ex officio as follows:

(1) The Bishop of the Oregon Synod of the Evangelical Lutheran Church in America (the "Oregon Synod") or the Bishop's designee, who shall serve ex officio;

(2) The Bishop of the Episcopal Diocese of Oregon (the "Episcopal Diocese") or the Bishop's designee, who shall serve ex officio;

(3) One (1) person elected by the Legacy Health Board of Directors pursuant to the process set forth in these Bylaws; provided, however, that such person shall be an active member of a Lutheran congregation in the Oregon Synod known to his/her local pastor, or alternatively a member of the clergy in the Oregon Synod ("Lutheran Director");

(4) One (1) person elected by the Legacy Health Board of Directors pursuant to the process set forth in these Bylaws; provided, however, that such person shall be an active member of an Episcopal congregation in the Episcopal Diocese known to his/her parish priest, or alternatively a member of the clergy in the Episcopal Diocese ("Episcopal Director");

(5) Four (4) physicians, elected at large from physicians recommended by any member of the active medical staffs of Legacy hospitals.

(6) Not more than nine (9) persons, elected at large by the Legacy Health Board of Directors, subject to the requirements set forth at paragraph 3.3(b) with respect to Silverton Health's nomination rights; and

(7) The President of Legacy Health, who shall serve ex officio; provided, that when the office of President of Legacy Health is vacant, the Acting President or other officer who is designated to exercise the authority of the President until the office of President is filled shall serve ex officio.

(b) A new member of the Legacy Health Board of Directors was nominated by Silverton Health to serve on the Legacy Health Board of Directors and was so elected by the Legacy Health Board of Directors effective May 31, 2016 ("New Legacy Director(s)"). New Legacy Directors will be re-nominated and re-elected to the Legacy Health Board of Directors to serve a total of three (3) consecutive three (3) year terms for so long as he or she faithfully fulfills his or her duties as a Director. In the event a New Legacy Director is no longer able or willing to serve prior to the expiration of this nine (9) year period, or a New Legacy Director is removed from the Legacy Health Board of Directors in accordance with the Legacy Articles of Incorporation and Bylaws, the successor Director shall be elected by the Legacy Health Board of Directors from a pool of three (3) nominees selected by Silverton Health.

(c) The election of the Episcopal Director is subject to approval by the Bishop of the Episcopal Diocese, who may object to the newly-elected director for any reason by delivering written notice to the Legacy President or Chair of the Board of Directors no later than one week after the election. The election of the Episcopal Director is also subject to approval by the Standing Committee of the Episcopal Diocese, who may object to the newly-elected director only on grounds that he/she is not an active member of an Episcopal congregation or a member of the Episcopal clergy in the Episcopal Diocese; such objection to be effected by delivering written notice to the Legacy President or Chair of the Board of Directors within five days after the next meeting of the Standing Committee or 45 days after the election, whichever is earlier. If the Bishop or Standing Committee timely object to the election of a new Episcopal Director, the election will be ineffective and that person will not be a director; otherwise, if no timely objection is received, that person shall be conclusively presumed to be the Episcopal Director for his/her full term or the remainder of an unexpired term to which elected.

(d) The election of the Lutheran Director is subject to approval by the Bishop of the Oregon Synod who may object to the newly-elected director for any reason by delivering notice to the Legacy President or the Chair of the Board of Directors no later than one week after the election. If the Bishop timely objects to the election of the new Lutheran Director, the election will be ineffective and that person will not be a director; otherwise, if no timely objection is received, that person shall be conclusively presumed to be the Lutheran Director for his/her full term or the remainder of an unexpired term to which elected.

(e) The Directors (other than ex officio Directors) shall be divided into three (3) classes of as nearly equal number as possible, and their terms shall be staggered by class. One such class of Directors shall be elected each year.

(f) The term of office of each Director (other than ex officio Directors and as provided in the Articles of Incorporation) shall be three (3) years.

(g) Directors (other than ex officio Directors) may be removed from office pursuant to vote of the Board of Directors.

(h) Successors to Directors whose terms have expired shall be selected as set forth in the Articles of Incorporation and these Bylaws.

(i) The Legacy Health Board of Directors may, from time-to-time, adopt, amend, modify or repeal policies or bylaws regarding the qualifications of elected Directors. Other than ex officio Directors, no Director shall serve more than three (3) consecutive full terms as a Director. Notwithstanding the foregoing, a Director who has been elected to the office of Chair of the Board of Directors may remain a Director past the expiration of his or her three (3) full terms for such period of time as he or she is elected to the office of Chair.

SECTION 3.4 VACANCIES

A vacancy on the Board of Directors shall exist upon the death or resignation of a Director, upon removal of any Director or upon the creation of an additional directorship subject to the Articles of Incorporation. The Board of Directors, acting at any meeting, may fill a vacancy on the Board of Directors for the unexpired portion of the term in the manner provided herein for the election or appointment of such Director.

SECTION 3.5 ANNUAL MEETINGS

An annual meeting of the Board of Directors shall be held each year during the month of May. At the annual meeting the Board of Directors shall elect or appoint Directors, officers and the Chair, and shall approve the Chair's appointments to Board and Management Committees. Notice of annual meetings shall be given not less than seven (7) and not more than fifty (50) days before the date of the meeting. Such notice may be given in any reasonable manner.

SECTION 3.6 REGULAR MEETINGS

Regular meetings of the Board of Directors shall be held at such times as the Board of Directors may determine. The Secretary shall annually provide a schedule of regular meetings to all Directors, but no further notice of regular meetings need be given.

SECTION 3.7 SPECIAL MEETINGS

Special meetings of the Board of Directors may be called by the Chair or upon written request by at least one-fourth of the Directors in office setting forth the business they wish to have conducted at the special meeting. Notice of special meetings shall be given at least twenty-four (24) hours before the meeting if called by the Chair or at least seventy-two (72) hours before the meeting if called by the Directors. Such notice may be given in any reasonable manner.

SECTION 3.8 PLACE OF MEETINGS; OTHER MEANS OF COMMUNICATION

All meetings of the Board of Directors shall be held at such place as is designated in the notice of meeting. Any or all Directors may participate in a regular or special meeting by, or conduct the meeting through, the use of any means of communication by which all Directors participating in the meeting may simultaneously hear each other during the meeting. A Director participating in a meeting by such means shall be deemed present in person at the meeting.

SECTION 3.9 QUORUM

A majority of the Directors in office shall constitute a quorum for the transaction of business. A minority of the Directors in the absence of a quorum may adjourn the meeting but may not transact any business.

SECTION 3.10 ACTION

The act of a majority of the Directors present at a meeting where there is a quorum shall be the act of the Board of Directors, unless otherwise provided in the Articles of Incorporation, these Bylaws, or by law. Except as specifically provided to the contrary in the Articles of Incorporation or these Bylaws, all Directors and committee members, including without limitation ex officio Directors and committee members, shall have voting rights in their respective capacities as members of the Board of Directors and the committees on which they serve.

Unless prohibited or limited by the Articles of Incorporation or these Bylaws, any action which may be taken at any annual, regular, or special meeting of the Board of Directors may be taken without a meeting by E-mail if: (1) Legacy has a record of all Directors E-mail addresses; and (2) Legacy maintains a copy of the announcement and record of the Director's votes in the corporate minutes.

The announcement shall be sent to each Director at the E-mail address stored in the corporate records and shall include: (1) A description of the action to be taken; (2) A deadline to respond with a vote which may not be less than forty-eight (48) hours; (3) A statement that a Director may change their vote any time prior to the deadline; and (4) An effective date if the action is intended to be effective at a date which is later than the deadline date.

The affirmative vote of a majority of all Directors is an act of the Board of Directors if the action is taken pursuant to this section, unless a greater number of affirmative votes for the proposed action is required by law, the Articles of Incorporation, or these Bylaws.

SECTION 3.11 CONFLICTS OF INTEREST

(a) A conflict of interest transaction for purposes of this section is a transaction with Legacy Health in which a Director has a direct or indirect interest. A conflict of interest transaction is not voidable by Legacy Health solely because of the Director's interest in the transaction if the transaction was (1) fair to Legacy Health, or (2) authorized, approved or ratified by the vote of the Board of Directors, or of a committee having and exercising the authority of the Board of Directors over such transaction, after disclosure to the Board of Directors or the committee of the material facts of the transaction and the Director's interest.

(b) For the purposes of this section, a Director has an indirect interest in a transaction if (1) another entity in which the Director has a material interest or in which the Director is a general partner is a party to the transaction, (2) the Director is a director, officer, or trustee of another entity which is not described in the last sentence of this paragraph and is a party to the transaction, and the transaction is or should be considered by the Board of Directors, or (3) the transaction involves a person who is related to the Director or a business associate of the Director. A Director does not have a direct or indirect interest in a transaction solely by serving as the director, officer, or trustee of an entity which substantially controls, is under substantially common control with, is wholly owned by or is substantially controlled by Legacy Health.

(c) For purposes of this section, a conflict of interest transaction is authorized, approved, or ratified if it receives the affirmative vote of a majority of the Directors on the Board of Directors, or on the committee, who have no direct or indirect interest in the transaction. A transaction may not be authorized, approved, or ratified under this section by a single Director. Notwithstanding any provision of these Bylaws to the contrary, if a majority of the Directors who have no direct or indirect interest in the transaction vote to authorize, approve, or ratify the transaction, a quorum is present for the purpose of taking action under this section. The presence of, or a vote cast by, a Director with a direct or indirect interest in the transaction does not affect the validity of any action taken under this section if the transaction is otherwise authorized, approved or ratified as provided in this section.

SECTION 3.12 LOANS TO DIRECTORS AND OFFICERS

Legacy Health will not make loans to Directors or officers except in conformity with the requirements and restrictions of ORS 65.364. Any such loan must be approved by members of the Board of Directors who have no direct or indirect interest in the transaction.

SECTION 3.13 STANDARDS OF CONDUCT

Directors are subject to Legacy's Standards of Conduct policy, as it may be amended from time to time.

ARTICLE 4

OFFICERS

SECTION 4.1 DESIGNATION AND QUALIFICATION

The officers of Legacy Health shall be a Chair, a Vice Chair, a President, a Secretary and a Treasurer. Only Directors shall be eligible to serve as the Chair and Vice Chair. Directors serving as officers shall retain their right to vote as Directors on matters presented to the Board of Directors. The Chair may elect to be referred to as the "Chairman," "Chairwoman" or "Chairperson" and the Vice Chair may make a similar election.

SECTION 4.2 ELECTION AND VACANCY

(a) Except as otherwise provided in this paragraph (a), the officers of Legacy Health shall be elected by the Board of Directors. At any time when the administrative office of Chief Legal Officer or its equivalent is filled, the individual so serving shall also serve as the Secretary of Legacy Health, and, at any time when the administrative office of Chief Financial Officer or its equivalent is filled, the individual so serving shall also serve as the Treasurer of Legacy Health.

(b) A vacancy in any office elected by the Board of Directors occurring because of death, resignation, removal, disqualification or otherwise may be filled by the Board of Directors at any meeting for the unexpired portion of the term in the manner prescribed in these Bylaws for regular elections to such office.

SECTION 4.3 TERM

Each elected officer of Legacy Health shall hold office for a term of one year commencing immediately following the annual meeting of the Board of Directors in the year of election, and continuing until his or her successor is elected, except for the Chair who will hold office for a term of two-years. Each officer designated under Section 4.2(a) above shall serve for so long as such officer holds the Legacy Health administrative office described in Section 4.2(a) above.

SECTION 4.4 RESIGNATION AND REMOVAL

Subject to the provisions of any employment contract, an officer of Legacy Health may be removed, either with or without cause, by the Board of Directors. Subject to the provisions of any employment contract, an officer of Legacy Health may resign at any time by giving written notice to the Board of Directors, the Chair or the Secretary.

SECTION 4.5 CHAIR

(a) The Chair shall preside at all meetings of the Board of Directors and shall have such other powers and perform such other duties as the Board of Directors or these Bylaws may prescribe. The Chair, after consultation with the Governance Committee, shall appoint the chairs and members of Board and Management Committees, subject to the approval of the Board of Directors.

(b) Unless otherwise provided in these Bylaws, the Chair shall serve ex officio on all Board and Management Committees and, when in attendance at a meeting, shall be counted for purposes of a quorum and shall have the right to vote.

SECTION 4.6 VICE CHAIR

In the absence of the Chair, the Vice Chair shall perform the duties of the Chair. The Vice Chair shall have such other powers and perform such other duties as the Board of Directors or these Bylaws may prescribe.

SECTION 4.7 SECRETARY

The Secretary shall cause minutes to be kept of all meetings of the Board of Directors. The Secretary shall cause appropriate notices to be given in accordance with these Bylaws, shall perform the customary duties pertaining to the office of Secretary and shall perform such other duties as the Board of Directors or these Bylaws may prescribe.

SECTION 4.8 TREASURER

The Treasurer shall be responsible for the financial affairs of Legacy Health. The Treasurer shall perform the customary duties pertaining to the office of Treasurer and shall perform such other duties as the Board of Directors or these Bylaws may prescribe.

SECTION 4.9 ASSISTANTS

The Board of Directors may appoint or authorize the appointment of assistants to the Secretary or Treasurer or both. Such assistants may exercise the power of the Secretary or Treasurer, as the case may be, and shall perform such duties as the Board of Directors may prescribe.

SECTION 4.10 PRESIDENT

(a) The Board of Directors shall elect a President, who shall be the Chief Executive Officer of Legacy Health and shall perform the customary duties and have the customary authority of a Chief Executive Officer.

(b) The President, subject to the authority and policies of the Board of Directors, shall have responsibility for the overall management of Legacy Health. The President shall provide executive liaison between Legacy's subsidiaries and affiliated entities and the Board of Directors of the corporation. In instances where the corporation is a member of a limited liability company, the President may exercise the powers of the corporation as a member of such company to appoint managers and take other actions consistent with Legacy's policies governing authorization of transactions.

(c) The President or his or her designee shall attend all meetings of the Board of Directors. The President shall cause reports on the activities of Legacy Health and on relevant events in the health care, business and political environment to be submitted to the Board of Directors.

(d) Unless otherwise provided in these Bylaws, the President shall serve ex officio on all Board and Management Committees except the Audit and Compensation Committees and, when in attendance at a meeting (except meetings of the Audit and Compensation Committees), shall be counted for purposes of a quorum and shall have the right to vote.

(e) The Board shall set the compensation of the President and review such compensation regularly.

(f) The Board may in its discretion terminate the employment of the President and/or remove him or her from the office of President upon ten days written notice to the President.

SECTION 4.11 OTHER ADMINISTRATIVE OFFICERS

(a) The President shall appoint the Chief Financial Officer, the Chief Legal Officer and other administrative officers of Legacy Health. The compensation of administrative officers of Legacy Health shall be fixed by the President under a compensation program approved by the Compensation Committee. Any administrative officer of Legacy Health may be removed by the President following consultation with the Board of Directors.

(b) The President, or his or her designee, in consultation with the Board of Directors, shall appoint the Hospital President, who shall perform the customary duties and have the customary authority of a Chief Executive Officer for such hospital for so long as such Hospital President holds the administrative office described in Section 4.11(b).

(c) The Hospital President, subject to the authority and policies of the Board of Directors, shall have responsibility for the overall management of the hospital. The Hospital President shall provide executive liaison between the Hospital and the President, or his or her designee and the Board of Directors of the corporation. In instances where the corporation is a member of a limited liability company, the Hospital President may exercise the powers of the corporation as a member of such company to appoint managers and take other actions consistent with Legacy's policies governing authorization of transactions.

SECTION 4.12 OFFICER PARTICIPATION IN MEETINGS OF THE BOARD OF DIRECTORS/BISHOP PARTICIPATION IN CASE OF DESIGNEE

The Chief Financial Officer/Treasurer and the Chief Legal Officer/Secretary (and the Bishop of the Oregon Synod of the Evangelical Lutheran Church in America and the Bishop of the Episcopal Diocese of Oregon if either has appointed a designee to serve as a Board member pursuant to Sections 3.3(a)(1) or 3.3(a)(2) of these Bylaws) shall each be authorized to attend meetings and participate in the deliberations of the Board of Directors of Legacy Health and such committees of the Board as the Chair of Legacy Health may designate. They shall not have the right to vote on matters coming before the Board of Directors or any such committee, and shall not be counted for purposes of a quorum. For the avoidance of doubt, an individual appointed as a designee to serve as a Board member pursuant to Sections 3.3(a)(1) or 3.3(a)(2) of these Bylaws shall retain their right to vote as a Director on matters presented to the Board of Directors.

ARTICLE 5

<u>COMMITTEES</u>

SECTION 5.1 BOARD COMMITTEES

The Board of Directors may, by resolution adopted by a majority of Directors in office, designate Board Committees and Subcommittees ("Committees") each of which shall consist of two or more Directors. To the extent permitted by law, these Bylaws and provided in such resolution, Board Committees shall have and exercise the authority of the Board of Directors in the management of Legacy Health. The Board of Directors shall approve the Chair's appointment of the chair and the members of Board and Management Committees. Legacy Health shall have at least the following Board Committees: a Finance Committee, a Medical Quality & Credentialing Committee, an Audit and Compliance Committee, a Governance Committee, a Compensation Committee, and a Strategic Collaborations Committee. The specific responsibilities and assignments for each Committee shall be determined by the Board of Directors, and shall be reflected in the Committee's charter. Each Committee member shall hold office at the pleasure of the Board of Directors. Only a Director may serve as a voting member of a Committee.

SECTION 5.2 FINANCE COMMITTEE

(a) The Finance Committee shall consist of the President and at least four additional Directors. The Finance Committee may have members who are not Directors if appointed by the Chair and approved by the Board of Directors. The Chief Financial Officer of Legacy Health shall staff the Finance Committee.

(b) Between meetings of the Board of Directors, the Finance Committee shall have and exercise all the authority of the Board of Directors in the management of the financial affairs of Legacy Health, including without limitation review and recommendation of the annual budget to the Board of Directors, development of financial policies, ways and means of raising funds, short-term borrowing limits for general operating purposes, and review and recommendation of proposals to incur debt or to make substantial expenditures of funds. Such authority shall be subject to the expenditure limits and other procedural requirements set forth in applicable policies of Legacy Health.

(c) The Investment Subcommittee of the Finance Committee shall formulate and periodically review the investment policy of Legacy Health and monitor Legacy's investments.

SECTION 5.3 MEDICAL QUALITY & CREDENTIALING COMMITTEE

(a) The Medical Quality & Credentialing Committee shall have no more than twenty-three (23) voting members selected in the manner provided in Sections 5.3(b) & (c).

(b) The persons holding the following offices shall serve as ex officio members of the Medical Quality & Credentialing Committee during the time such person holds the respective office:

(1) The President of Legacy Health;

(2) The Chief Medical Officer of Legacy Health (or its equivalent office); and

(3) The Presidents of the organized Medical Staffs of:

(i) Legacy Emanuel Hospital & Health Center;

(ii) Legacy Good Samaritan Hospital and Medical Center;

(iii) Legacy Meridian Park Hospital;

(iv) Legacy Mount Hood Medical Center;

(v) Legacy Salmon Creek Hospital; and

(vi) Silverton Health.

(4) The Randall Children's Hospital Chairman who serves as a member of the Legacy Emanuel Hospital & Health Center Medical Executive Committee.

(c) The Chair of the Board, after consultation with the Board Governance Committee, and subject to approval of the Board of Directors, shall appoint the remaining members of the Committee as set forth below:

(1) Two (2) to four (4) physicians who are Directors, one of whom shall serve as chair of the Medical Quality & Credentialing Committee;

(2) Two (2) to three (3) Directors who are not physicians;

(3) Three (3) to four (4) Medical Staff Presidents-elect of the hospitals listed above in Section 5.3(b)(3) and the Randall Children's Hospital Chairman-elect in the second year of their terms.

(4) One (1) provider from among the providers nominated by Legacy Medical Group; and

(5) One (1) or two (2) providers to serve at large, nominated by the other members of the Medical Quality & Credentialing Committee.

(d) Appointed members of the Medical Quality & Credentialing Committee shall serve for terms of three (3) years, staggered by class.

(e) The Medical Quality & Credentialing Committee shall have the responsibility to review recommendations made by the medical staffs at each of the Legacy Health facilities relating to medical staff credentialing. Its authority shall include taking actions and making recommendations to the Legacy Health Board of Directors concerning medical staff credentialing and privileges, and the organization and operation of medical staffs at Legacy Health facilities and programs. Such credentialing and privilege matters shall be carried out in conjunction with the medical staffs in accordance with their respective bylaws, rules and regulations. Delegation of responsibilities to the medical staffs, the Medical Quality & Credentialing Committee and the Credentials Subcommittee in the areas of credentialing, privileges, licensure, discipline and certification shall be determined by the Legacy Health Board of Directors following collaborative discussion with the Committee and medical staff representatives. The Medical Quality & Credentialing Committee shall also provide oversight and regular reports to the Board of Directors concerning quality assessment and clinical and professional operational matters relating to Legacy Health facilities and programs in order to maintain consistency with the Mission, Vision and Values of Legacy Health. Any physician Director who is personally or financially involved in any matter considered by the Committee shall not participate by discussion, vote or otherwise in the Committee's activities relating to such matter, and shall recuse him or herself from that portion of any meeting where such a matter is discussed or voted upon.

(1) The Medical Quality & Credentialing Committee shall have a Credentials Subcommittee, comprised of three (3) Directors who are members of the Medical Quality & Credentialing Committee. The chair of the Credentials Subcommittee shall be the chair of the Medical Quality & Credentialing Committee. The two (2) remaining members of the Credentials Subcommittee shall be a physician and a non-physician, who shall be appointed by the chair of the Medical Quality & Credentialing Committee. The Credentials Subcommittee members (excluding the chair) shall serve two (2) year terms of office.

(2) The Credentials Subcommittee shall have the authority to take action on such credentialing and privileging matters referred by the Medical Staffs as the Board of Directors may delegate from time to time.

(f) The Medical Quality & Credentialing Committee shall advise the Board of Directors and the President of Legacy Health on policy matters and matters of medical ethics. The Medical Quality & Credentialing Committee shall be the senior medical ethics advisory body of the Legacy medical staffs. Legacy Health shall provide staff support to the Medical Quality & Credentialing Committee. The Medical Quality & Credentialing Committee shall review proposals from Legacy Health and from individual medical staffs, shall review policies and make recommendations to the Legacy Health Board of Directors, and shall oversee Medical Staff implementation of system initiatives as directed by the Legacy Health Board of Directors.

SECTION 5.4 GOVERNANCE COMMITTEE

(a) The Governance Committee shall develop and monitor the effectiveness of the Board of Directors in the areas of governance and Board education. The Governance Committee shall periodically evaluate the tasks and responsibilities of each Board Committee. It shall develop and implement orientation, education and evaluation materials for the Board of Directors and Committee members. The Governance Committee shall recommend approval to the Board of Directors of Board policies and procedures, decision making processes, standards of conduct, and related operational matters. The Governance Committee shall recommend to the Board of Directors individuals to serve as Directors and Officers of Legacy Health and its affiliated corporations. The Governance Committee shall recommend changes to the Articles of Incorporation and Bylaws of Legacy Health and its affiliated corporations, and to the committee charters.

(b) The Governance Committee shall consist of at least three (3) voting Directors.

(c) The Governance Committee shall include at least one member of the Board of Directors who (i) is either the Lutheran Director or the Episcopal Director, or (ii) is either the

Bishop of the Oregon Synod or his or her designee or the Bishop of the Episcopal Diocese or his or her designee. The President and Chief Executive Officer will appoint staff to the Committee.

(d) The Governance Committee Board Succession Subcommittee ("Subcommittee") shall be a standing subcommittee of the Governance Committee. The Subcommittee shall consist of all Board Committee Chairs, Board Chair, Vice Chair, President & CEO, and two at- large Directors. Annually, the Governance Committee or its Chair shall convene a Subcommittee meeting prior to the Annual Meeting of the Board to discuss and recommend Board Chair and/or Vice Chair candidates to the Governance Committee then, together with its recommendation, on to the full Board.

SECTION 5.5 AUDIT AND COMPLIANCE COMMITTEE

(a) The purpose of the Audit and Compliance Committee (the "Committee") of the Board of Directors of Legacy Health is to ensure appropriate policies and procedures are in place to safeguard and preserve Legacy's assets, and to oversee the fair presentation of Legacy's financial statements, the effectiveness of the system of internal controls, compliance with non-clinical legal and regulatory requirements, the determination of the independent auditor's qualifications and independence, and the performance of Legacy's internal audit function and independent auditors.

(b) The Audit and Compliance Committee shall consist of at least five (5) members, including at least three (3) voting directors. All members shall be Fully Independent, as defined in Legacy's Director Independence Policy. At least one (1) member must qualify as an "Audit Committee financial expert", having knowledge and experience with complex financial statements, generally accepted accounting principles, especially as they relate to estimates, accruals and reserves, internal controls, and Committee functions. All other members of the Committee must have a basic knowledge of financial reporting at the time of appointment. The Chief Financial Officer and Chief Compliance Officer will staff the Committee.

SECTION 5.6 COMPENSATION COMMITTEE

(a) The Compensation Committee (Committee) is responsible for establishing and maintaining a competitive compensation program for the Chief Executive Officer (CEO), Senior Vice Presidents (SVPs), and Presidents (hospital and medical group). These positions will be referred to as "Key Executives". The Committee shall make recommendations to the Board of Directors with respect to the compensation for the CEO. The Committee shall approve salary ranges, guidelines, benefit plans and perquisites for SVPs and Presidents.

(b) The Compensation Committee shall consist of three (3) or more Fully Independent Directors, as defined in Legacy's Director Independence Policy. The President and Chief Executive Officer will appoint staff to the Committee.

(c) For purposes of obtaining the rebuttable presumption of reasonableness under Section 4958 of the Internal Revenue Code, the Committee has been designated an authorized body for approval of transactions with disqualified persons where the following criteria are satisfied: the amount of money in question is less than the maximum amount which can be approved by the Committee without subsequent ratification by the full Board of Directors, the

Committee relies on appropriate comparability data in establishing that the transaction is conducted for fair market value, no member of the Committee who has a conflict of interest with respect to the transaction as defined in Section 4958 of the Code is present during debate and voting on the issue, and the Committee promptly documents its decision in duly adopted minutes. The Committee will oversee the work of senior management with respect to evaluating the reasonableness of compensation pursuant to IRS Section 4958 to ensure adherence to the organization's compensation philosophy and that transactions with disqualified persons are fair and reasonable and meet all applicable legal criteria.

SECTION 5.7 STRATEGIC COLLABORATIONS COMMITTEE

(a) The Strategic Collaborations Committee (the "Committee") of the Board of Directors of Legacy Health (the "Health System") will work with senior management to develop, evaluate, oversee and prioritize opportunities for (i) material strategic transactions, and (ii) strategic affiliations, collaborations and other arrangements with health systems, payors and others. It will serve as the Board's liaison with respect to such matters and will solicit input from, and make regular reports to, the full Board, in addition to exercising any other authority delegated by the Board to the Committee from time to time.

(b) The Committee shall consist of six to twelve voting Directors, each of whom shall be Fully Independent, as defined in Legacy's Director Independence Policy. The members of the Committee shall include the Chair, the Vice Chair, and such other members as may be appointed by the Chair, which may include the chairs of the other standing committees and other Directors. Additional nonvoting members may be appointed to bring additional perspectives to the Committee's work. The President and Chief Executive Officer shall be a non-voting member and shall appoint staff to assist the Committee.

SECTION 5.8 MANAGEMENT COMMITTEES

The Board of Directors may create, assign functions to and abolish Management Committees. Management Committees shall not have or exercise any authority of the Board of Directors over the operation and affairs of Legacy Health unless authorized by the Board of Directors to exercise such authority with respect to specific matters. The Chair shall appoint the chair and all members of Management Committees, subject to the approval of the Board of Directors.

SECTION 5.9 QUORUM

A majority of the voting members of any Committee shall constitute a quorum for the conduct of business. The Chair shall serve ex officio on all Board and Management Committees and, when in attendance at a meeting, shall be counted for purposes of a quorum and shall have the right to vote. The President shall serve ex officio on all Board and Management Committees except the Audit and Compensation Committees and, when in attendance at a meeting (except meetings of the Audit and Compensation Committees), shall be counted for purposes of a quorum and shall have the right to vote. Nonvoting members of a Committee shall not be counted toward a quorum.

SECTION 5.10 MEETINGS

(a) Meetings of Committees shall be called by the Chair, the chair of the Committee, or a majority of the Committee's voting members. Each Committee shall meet as often as necessary to perform its duties, and, unless required by these Bylaws to meet more frequently, shall meet not less than once each year.

(b) Notice of the time and place of a Management Committee meeting may be given in any reasonable manner.

(c) Board Committees may provide by resolution for the place, time and hour of regular meetings. Such resolution may provide that its adoption shall constitute notice of such meetings. If no such provision is made, notice of regular meetings shall be given in writing at least seven (7) days prior to the date of the meeting. Special meetings may be held on twenty-four (24) hours' notice given in any reasonable manner.

SECTION 5.11 MINUTES

Each Committee shall keep written minutes of its meetings which shall be transmitted to the Board of Directors.

SECTION 5.12 TENURE, REMOVAL AND VACANCIES

(a) Unless otherwise provided in these Bylaws, the chair and members of each Committee shall be appointed by the Chair and approved by the Board at the annual meeting of the Board of Directors, and they shall hold their positions until the next annual meeting of the Board of Directors and until their successors are appointed, unless they shall sooner resign, be removed from the Committee, or cease to hold the position which is the basis for their appointment.

(b) The Board of Directors may remove any appointed member of any Board Committee, and, unless otherwise provided in these Bylaws, the Chair may remove any appointed member of any Management Committee or the Credentials Subcommittee. Any person who is a member of a Committee because he or she holds a designated position shall cease to be a member of the Committee when he or she ceases to hold such position.

(c) Vacancies in any Committee may at any time be filled for the unexpired portion of the term in the manner prescribed in these Bylaws for regular appointments to such position.

ARTICLE 6

<u>RECORDS AND EXECUTION</u>

SECTION 6.1 RECORDS

Legacy Health shall maintain adequate and correct books, records and accounts of its business and properties. All of such books, records and accounts shall be kept at its place of business.

SECTION 6.2 INSPECTION

All books, records and accounts of Legacy Health, and the original or a certified copy of the Articles of Incorporation, the Bylaws and any amendments thereto, shall be open to inspection by the Directors in the manner and to the extent required by law.

SECTION 6.3 SIGNATURE AUTHORITY

All checks, drafts or other orders for payment of money, notes or other evidences of indebtedness issued in the name of or payable to Legacy Health shall be signed or endorsed by such person or persons and in such manner as shall be determined by resolution of the Board of Directors.

SECTION 6.4 ANNUAL AUDIT

An annual audit shall be made of the books and accounts of Legacy Health.

SECTION 6.5 FISCAL YEAR

The fiscal year of Legacy Health shall be the annual period ending March 31.

SECTION 6.6 EXECUTION OF DOCUMENTS

Except as otherwise provided in the Bylaws, the Board of Directors may authorize any officer or agent to enter into any contract or execute any instrument in the name of and on behalf of Legacy Health. Such authority may be general or confined to specific instances.

ARTICLE 7

ASSOCIATED ORGANIZATIONS

SECTION 7.1 CREATION

The Board of Directors may authorize the formation of an Auxiliary, a Foundation, Associates and other associated organizations. The purpose of such associated organizations shall be to render service to Legacy Health and persons served by Legacy Health. Such service may include fund raising activities and participation in programs designed to enhance the reputation of the facilities operated or supported by Legacy Health.

SECTION 7.2 BYLAWS, RULES AND REGULATIONS

Each such organization shall propose and adopt bylaws, rules and regulations for the management of its affairs which shall not be inconsistent with these Bylaws and the same shall become effective when approved by the Board of Directors.

ARTICLE 8

AMENDMENTS

SECTION 8.1 REVIEW

Each year, the Governance Committee shall review and evaluate the Articles of Incorporation and Bylaws of Legacy Health and make recommendations for revision to the Board of Directors.

SECTION 8.2 PROCEDURE

These Bylaws may be amended or repealed or new Bylaws adopted only at a meeting of the Board of Directors upon receiving the affirmative vote of a majority of the Directors in office.

SECTION 8.3 RESTRICTIONS ON AMENDMENTS

Any amendment of the provisions of Sections 3.3(a)(1) and (3) and Section 3.3(d) shall be effective only upon the written approval of such amendment by the Oregon Synod Council. Any amendment of the provisions of Sections 3.3(a)(2) and (4) and Section 3.3(c) shall be effective only upon the written approval of such amendment by the Diocesan Council or the Convention of the Episcopal Diocese. Any amendment of the provisions of Sections 5.4(c), [5.6(a) or 5.6(b) of the Bylaws approved on March 12, 2009] shall be effective only upon the written approval of such amendment by the Diocesan Council or the Convention of the Episcopal Diocese and by the Oregon Synod Council. In any case where such written approval is required, and the amendment does not involve a significant substantive change with respect to the interest of either the Oregon Synod or the Episcopal Diocese in the judgment of the Bishop of the Oregon Synod or the Bishop of the Episcopal Diocese, respectively, then such written approval of the amendment may be given by the respective Bishop without action of the Diocesan Council or Convention of the Episcopal Diocese or the Oregon Synod Council.

ARTICLE 9

GENERAL PROVISIONS

SECTION 9.1 PARLIAMENTARY AUTHORITY

The parliamentary rules contained in Robert's Rules of Order, Newly Revised, shall govern in all cases where they do not conflict with any other rules of procedure adopted by Legacy Health.

SECTION 9.2 ACTION WITHOUT A MEETING

Any action required or permitted to be taken at any meeting of the Board of Directors or any committee may be taken without a meeting as set forth in Section 3.10 of the Legacy Health Bylaws. If action is taken by consent in writing, such consent shall be signed by all persons entitled to vote with respect to the subject matter thereof. Such consent shall have the same force and effect as a unanimous vote.

SECTION 9.3 WAIVER OF NOTICE

A written waiver of notice of any meeting of the Board of Directors or any of its committees, signed by the person entitled to notice, shall be equivalent to the giving of the notice. Attendance at a meeting shall constitute a waiver of notice of such meeting, except where the person attends a meeting for the express purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened. Notice of the time and place of holding an adjourned meeting need not be given if such time and place is fixed at the meeting adjourned.

CERTIFICATE OF SECRETARY

The undersigned hereby certifies that he is the duly elected and acting Secretary of Legacy Health, an Oregon nonprofit corporation. The within and foregoing Bylaws consisting of seventeen (17) pages were adopted by the Board of Directors of Legacy Health on April 12, 1989, were restated on November 1, 1996 to contain all of the amendments made to such Bylaws by the Board of Directors at meetings held on August 3, 1989, April 5, 1990, December 13, 1990, April 11, 1991, February 13, 1992, June 4, 1992, August 6, 1992, December 3, 1992, June 3, 1993, December 2, 1993, October 6, 1994, June 1, 1995, November 1, 1996, were amended and restated by consent on February 5, 1998, were amended and restated on June 4, 1998, June 3, 1999, June 1, 2000, October 5, 2000, February 7, 2002, June 5, 2003, December 2, 2004, February 22, 2006, February 26, 2007, September 13, 2007, November 8, 2007, March 13, 2008, May 8, 2008, March 12, 2009, November 12, 2009, March 10, 2010, January 20, 2011, May 11, 2011, July 21, 2011, March 22, 2012, May 14, 2013, June 4, 2014, were amended and restated by consent effective September 26, 2013, and were amended and restated on July 24, 2014, September 25, 2014, January 22, 2015, March 2, 2016, July 28, 2016, November 14, 2017, January 18, 2018, November 29, 2018, March 26, 2020, March 25, 2021, April 21, 2023, and September 24, 2023. These Restated Bylaws and each amendment thereto were adopted and restated by the vote of a majority of number of Directors in office.

Certified this 24th day of September 2023.

LEGACY HEALTH

By: *Craig Armstrong*
Craig Armstrong

Title: Secretary

Secretary of State
Corporation Division
255 Capitol Street NE, Suite 151
Salem, OR 97310-1327

Phone: (503) 986-2200
FAX: (503) 378-4381
sos.oregon.gov/business

REGISTRY NUMBER: 9118415
TYPE: DOMESTIC NONPROFIT CORPORATION

Next Renewal Date: 11/4/2023

LEGACY HEALTH
ATTN PRESIDENT
1919 NW LOVEJOY ST
PORTLAND OR 97209

Acknowledgment Letter

The document you submitted was recorded as shown below. Please review and verify the information listed for accuracy.

DOCUMENT	FILED ON	STATUS
RESTATED ARTICLES	9/28/2023	ACTIVE

NAME
LEGACY HEALTH

JURISDICTION
OREGON

NONPROFIT TYPE
PUBLIC BENEFIT

PRINCIPAL PLACE OF BUSINESS
LEGAL SERVICES DEPARTMENT
1919 NW LOVEJOY STREET
PORTLAND, OR 97209

REGISTERED AGENT
ALEXANDER GLADNEY
1919 NW LOVEJOY ST
PORTLAND, OR 97209

MAILING ADDRESS
ATTN PRESIDENT
1919 NW LOVEJOY ST
PORTLAND, OR 97209

PRESIDENT
KATHRYN CORREIA
1919 NW LOVEJOY ST
PORTLAND, OR 97209

SECRETARY
ALEXANDER GLADNEY
LEGAL SERVICES DEPARTMENT
1919 NW LOVEJOY
PORTLAND, OR 97209

GWELIE
ACK - RSTART
09/28/2023

Restated Articles of Incorporation - Nonprofit

Secretary of State - Corporation Division - 255 Capitol St. NE, Suite 151 - Salem, OR 97310-1327 – sos.oregon.gov/business - Phone: (503) 986-2200

FILED: SEP 28, 2023
OREGON SECRETARY OF STATE

9118415-25337937

LEGACY HEALTH RSTART

REGISTRY NUMBER: 091184-15

In accordance with Oregon Revised Statute 192.410-192.490, the information on this application is public record.
We must release this information to all parties upon request and it will be posted on our website.

For office use only

Please Type or Print Legibly in Black Ink. Attach Additional Sheet if Necessary.

1) **NAME OF CORPORATION:** Legacy Health

2) **NEW NAME OF THE CORPORATION:** (If changed) ______

3) **A COPY OF THE RESTATED ARTICLES MUST BE ATTACHED.**

4) **CHECK THE APPROPRIATE STATEMENT:**

☒ The restated articles contain amendments which do not require membership approval. The date of the adoption of the amendments and restated articles was September 24, 2023. These amendments were duly adopted by the board of directors.

☐ The restated articles contain amendments which require membership approval. The date of the adoption of the amendments and restated articles was______.

The vote of the members was as follows:

Class(es) entitled to vote	Number of members entitled to vote	Number of votes entitled to be cast	Number of votes cast FOR	Number of votes cast AGAINST

5) **EXECUTION:** (Must be signed by at least one officer or director.)
I declare as an authorized signer, under penalty of perjury, that this document does not fraudulently conceal, obscure, alter, or otherwise misrepresent the identity of any person including officers, directors, employees, members, managers or agents. This filing has been examined by me and is, to the best of my knowledge and belief, true, correct and complete. Making false statements in this document is against the law and may be penalized by fines, imprisonment, or both.

Signature: Craig Armstrong Printed Name: Craig Armstrong Title: Secretary, LH Board of Directors

CONTACT NAME: (To resolve questions with this filing.)
Marisa Meltebeke

PHONE NUMBER: (Include area code.)
503.778.5215

FEES

Required Processing Fee $50

Processing Fees are nonrefundable. Please make check payable to "Corporation Division."

Free copies are available at sos.oregon.gov/business, using the Business Name Search program.

AMENDED AND RESTATED
ARTICLES OF INCORPORATION
OF
LEGACY HEALTH

Legacy Health adopts the following Amended and Restated Articles of Incorporation, which supersede the heretofore existing Articles of Incorporation and all previous amendments and restatements thereto.

ARTICLE 1
Name

The name of the corporation is Legacy Health. Legacy Health is a public benefit corporation under the Oregon Nonprofit Corporation Act.

ARTICLE 2
Purposes and Powers

2.1 Legacy Health is organized and shall be operated exclusively (a) for charitable, religious, educational and scientific purposes within the meaning of Section 501(c)(3) of the Internal Revenue Code of 1986, as amended, or the corresponding provision of any future federal income tax law or laws or any future federal income tax code or codes (the "Code"), and (b) for the benefit of,, to perform the functions of, or to carry out the purposes of, and so as to be operated, supervised, or controlled by or in connection with, the following designated Oregon nonprofit corporations or their respective successors: Legacy Emanuel Hospital & Health Center, Legacy Good Samaritan Hospital and Medical Center, Legacy Mount Hood Medical Center, Legacy Meridian Park Hospital, Silverton Health and Legacy Visiting Nurse Association, and the following Washington nonprofit corporation or its successor: Legacy Salmon Creek Hospital, Clause (b) of the preceding sentence shall apply to a designated corporation or its successor only so long as the designated corporation or such successor is an organization which may be supported by a supporting organization described in Section 509(a)(3) of the Code.

2.2 Subject to the restrictions set forth in these Amended and Restated Articles of Incorporation, the purpose of Legacy Health is to engage in any lawful activity for which corporations may be organized and operated under the Oregon Nonprofit Corporation Act.

2.3 This corporation will (a) draw upon the established religious and humanitarian traditions and values of the designated corporations referred to in paragraph 2.1 above for guidance in the pursuit of the mission and the conduct of the affairs of this corporation and of such designated corporations, and (b) support and foster the continued service by each of such designated corporations according to the distinct religious and humanitarian traditions and values that each embraces.

2.4 Legacy Health (sometimes hereinafter referred to as "Legacy") is a unique health care system founded on the tradition and values of community health care organizations, the healing ministries of the Lutheran and Episcopal Churches and community physicians. This system of health care providers is dedicated to caring, compassion and excellence. The individual strengths and traditions that each provider brings enable Legacy, as a system, to be of greater benefit to the communities Legacy serves in its common mission.

2.5 Legacy's Mission is good health for our people, our patients, our communities and our world.

2.6 In fulfilling this mission, Legacy dedicates itself to the values of respect, service, quality, excellence, responsibility, innovation and leadership.

ARTICLE 3
Restrictions

3.1 No part of the net earnings of Legacy Health shall inure to the benefit of, or be distributable to, its Directors, Officers or other private persons, except that Legacy Health may pay reasonable compensation for services rendered and may make payments and distributions in furtherance of its purposes.

3.2 No substantial part of the activities of Legacy Health shall consist of carrying on propaganda or otherwise attempting to influence legislation. Legacy Health shall not participate in, or intervene in (including the publishing or distributing of statements), any political campaign on behalf of or in opposition to any candidate for public office.

3.3 Legacy Health shall not carry on any activity not permitted to be carried on by (a) a corporation exempt from federal income tax under Section 501(c)(3) of the Code, or (b) a corporation contributions to which are deductible under Section 170(c)(2) of the Code.

ARTICLE 4
No Members

Legacy Health shall have no members.

ARTICLE 5
Board of Directors

5.1 The affairs of Legacy Health shall be managed by a Board of Directors.

5.2 The Board of Directors shall consist of no more than eighteen (18) voting members who shall be elected or serve ex officio as follows:

(a) The Bishop of the Oregon Synod of the Evangelical Lutheran Church in America (the "Oregon Synod") or the Bishop's designee, who shall serve ex officio;

(b) The Bishop of the Episcopal Diocese of Oregon (the "Episcopal Diocese") or the Bishop's designee, who shall serve ex officio;

(c) One (1) person elected by the Legacy Health Board of Directors pursuant to the process set forth in the Bylaws; provided, however, that such person shall be an active member of a Lutheran congregation in the Oregon Synod known to his/her local pastor, or alternatively a member of the clergy in the Oregon Synod ("Lutheran Director");

(d) One (1) person elected by the Legacy Health Board of Directors pursuant to the process set forth in the Bylaws; provided, however, that such person shall be an active member of an Episcopal congregation in the Episcopal Diocese known to his/her parish priest, or alternatively a member of the clergy in the Episcopal Diocese ("Episcopal Director");

(e) Four (4) physicians elected at large from physicians recommended by any member of the active medical staffs of Legacy hospitals.

(f) Not more than nine (9) persons, elected at large by the Legacy Health Board of Directors pursuant to the process set forth in the Bylaws; and

(g) The President of Legacy Health, who shall serve ex officio; provided that when the office of President of Legacy Health is vacant, the Acting President or other Officer who is designated to exercise the authority of the President until the office of President is filled shall serve ex officio,

5.3 The election of the Episcopal Director is subject to approval by the Bishop of the Episcopal Diocese, who may object to the newly-elected director for any reason by delivering written notice to the Legacy President or Chair of the Board of Directors no later than one week • after the election. The election of the Episcopal Director is also subject to approval by the Standing Committee of the Episcopal Diocese, who may object to the newly-elected director only on the grounds that he/she is not an active member of an Episcopal congregation or a member of the Episcopal clergy in the Episcopal Diocese; such objection to be effected by delivering written notice to the Legacy President or Chair of the Board of Directors within five days after the next meeting of the Standing Committee or 45 days after the election, whichever is earlier. If the Bishop or Standing Committee timely object to the election of the new Episcopal Director, the election will be ineffective and that person will not be a director; otherwise, if no timely objection is received, that person shall be conclusively presumed to be the Episcopal Director for his/her full term or the remainder of an unexpired term to which elected.

5.4 The election of the Lutheran Director is subject to approval by the Bishop of the Oregon Synod, who may object to the newly-elected director for any reason by delivering written notice to the Legacy President or the Chair of the Board of Directors no later than one week after the election. If the Bishop timely objects to the election of the new Lutheran Director, the election will be ineffective and that person will not be a director; otherwise, if no timely objection is received, that person shall be conclusively presumed to be the Lutheran Director for his/her full term or the remainder of an unexpired term to which elected.

5.5 The term of office of each Director (other than ex officio Directors) shall be three years.

5.6 Directors (other than ex officio Directors) may be removed from office pursuant to vote of the Board of Directors.

5.7 The Legacy Health Board of Directors may, from time-to-time, adopt, amend, modify or repeal policies or bylaws regarding the qualifications of elected Directors. Other than ex officio Directors, no Director shall serve more than three (3) consecutive full terms as a Director. Notwithstanding the foregoing, a Director who has been elected to the office of Chair of the Board of Directors may remain a Director past the expiration of his or her three (3) full terms for such period of time as he or she is elected to the office of Chair.

ARTICLE 6
Dissolution

Upon dissolution or final liquidation, after payment or provision for payment of all liabilities and obligations of the corporation, the remaining assets of Legacy Health shall be distributed to such other exempt organization or organizations described in Section 501(c)(3) of the Code as the Board of Directors shall determine.

ARTICLE 7
Amendment

These Amended and Restated Articles of Incorporation may be amended or restated only in the following manner: at a meeting of the Board of Directors upon receiving the affirmative vote of a majority of the Directors in office; provided, however, that:

7.1 Any amendment of the provisions appearing in paragraphs 2.3, 2.4, 2.5 or 7.4 shall be effective only upon the written approval of such amendment by the Oregon Synod Council and by the Diocesan Council or the Convention of the Episcopal Diocese.

7.2 Any amendment of the provisions appearing in clause (a) or (c) of paragraph 5.2 or paragraph 5.4 shall be effective only upon the written approval of such amendment by the Oregon Synod Council.

7.3 Any amendment of the provisions appearing in clause (b) or (d) of paragraph 5.2 or paragraph 5.3 shall be effective only upon the written approval of such amendment by the Diocesan Council or the Convention of the Episcopal Diocese.

7.4 Notwithstanding the requirements of paragraphs 7.1, 7.2 and. 7.3:

(a) In any event where the written approval of the Oregon Synod Council is required under paragraph 7.1 or 7.2 and, in the judgment of the Bishop of the Oregon Synod, the amendment does not involve a significant substantive change with respect to the interests of the Oregon Synod, then such written approval of the amendment may be given by the Bishop of the Oregon Synod without action of the Oregon Synod Council.

(b) In any event where the written approval of the Episcopal Diocese is required under paragraph 7.1 or 7.3 and, in the judgment of the Bishop of the Episcopal Diocese, the amendment does not involve a significant substantive change with respect to the interests of the Episcopal Diocese, then such written approval of the amendment may be given by the Bishop of the Episcopal Diocese without action of the Diocesan Council or the Convention of the Episcopal Diocese.

ARTICLE 8
Indemnification, Insurance and Limitation of Liability

8.1 Indemnification

Legacy Health shall indemnify to the fullest extent not prohibited by law any Indemnified Person (as hereinafter defined) who was or is a party (other than a plaintiff) or is threatened to be made a party to any Proceeding (as hereinafter defined) against all expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by the Indemnified Person in connection with such Proceeding.

8.2 Advancement of Expenses

Expenses incurred by an Indemnified Person in defending a Proceeding shall in all cases be paid by Legacy Health in advance of the final disposition of such Proceeding at the written request of such Indemnified Person, if the Indemnified Person furnishes Legacy Health:

(a) A written affirmation of the Indemnified Person's good faith belief that such Indemnified Person is entitled to be indemnified by Legacy Health under this Article or under any other indemnification rights granted by Legacy Health to such Indemnified Person; and

(b) A written undertaking by or on behalf of such Indemnified Person to repay such advance to the extent it is ultimately determined by a court that such Indemnified Person is not entitled to be indemnified by Legacy Health under this Article or under any other indemnification rights granted by the corporation to such Indemnified Person. Such advances shall be made without regard to the Indemnified Person's ability to repay such advances and without regard to the Indemnified Person's ultimate entitlement to indemnification under this Article or otherwise.

8.3 Definitions

(a) The term "Indemnified Person" shall mean any person who is or was (1) a Director, Officer, member of a committee, employee or, to the extent authorized by the Board of Directors in the specific case, an agent of Legacy Health, (2) a fiduciary within the meaning of the Employee Retirement Income Security Act of 1974 with respect to any employee benefit plan of the corporation, (3) serving at the request of Legacy Health as a member of a hearing panel or other peer review body, or (4) serving at the request of Legacy Health as a Director, Officer or fiduciary of an employee benefit plan of another corporation, partnership, joint venture, trust or other enterprise, whether or not serving in such capacity at the time any liability or expense is incurred for which indemnification or advancement of expenses can be provided under this Article.

(b) The term "Proceeding" shall include any threatened, pending or completed action, suit or proceeding, but not in the right of Legacy Health (unless first authorized by the Board of Directors) or otherwise and whether of a civil, criminal, administrative or investigative nature, in which an Indemnified Person may be or may have been involved as a party (other than a plaintiff unless first authorized by the Board of Directors) or otherwise by reason of the fact that the person is an Indemnified Person.

8.4 Non Exclusivity and Continuity of Rights

The indemnification and entitlement to advancement of expenses provided by this Article shall not be deemed exclusive of any other rights to which those indemnified may be entitled under the Articles of Incorporation or any statute, agreement, general or specific action of the Board of Directors, or otherwise, .shall continue as to a person who has ceased to be a person described within the definition of Indemnified Person, shall inure to the benefit of the heirs, executors and administrators of such an Indemnified Person and shall extend to all claims for indemnification of advancement of expenses made after the adoption of this Article. Legacy Health may enter into agreements to indemnify any Indemnified Person.

8.5 Amendments

Any repeal of this Article shall only be prospective and no repeal, amendment or modification hereof shall adversely affect the rights under this Article in effect at the time of the alleged occurrence of any act or omission to act that is the cause of any Proceeding.

8.6 Limitation of Liability

The civil liability of Directors, Officers and committee members shall be limited to the fullest extent permitted under the Oregon Nonprofit Corporation Act. No Director and no Officer of Legacy Health shall be personally liable to Legacy Health for monetary damages for conduct as a Director or an Officer; provided that this Article shall not eliminate liability which may not be eliminated under the Oregon Nonprofit Corporation Act. No amendment to the Oregon Nonprofit Corporation Act that further limits the acts or omissions for which elimination of liability is permitted shall affect the liability of a Director or an Officer for any act or omission which occurs prior to the effective date of such amendment. The provisions of this Article are intended to be in addition to, and not in limitation of, any other provisions of the Articles or Bylaws of Legacy Health or any agreement of Legacy Health, or any law that eliminates or limits the liability of Directors, Officers, and others acting on behalf of Legacy Health.

8.7 Insurance

Legacy Health shall be authorized to purchase and maintain in effect a policy or policies of insurance, including self-insurance, covering any liability of Directors, Officers, committee members, employees and agents of Legacy Health, regardless of whether Legacy Health would have the power to indemnify such persons against the liability so insured.

ARTICLE 9
Mailing Address

The mailing address of the corporation is 1919 Northwest Lovejoy, Portland, Oregon 97209, Attn: President.

Supplemental Materials L:
Redaction Log

Supplemental Materials L

Oregon Health and Science University and Legacy Health

Redaction Log

Redaction #	Document Reference	Reasons for Redaction	Statutory Basis
1	Supplemental Materials G – System Combination Agreement *Bates:* OHSU_Notice_00568, 00579, 00583, 00585, 00586, 00665, 0075	Sensitive business information not customarily provided to competitors. Non-public confidential information that if disclosed could be used by others for a business advantage.	ORS 192.355(21); ORS 415.501(13)(c); ORS 192.355(9)(a) and ORS 646.461(4)
2	Supplemental Materials G – System Combination Agreement *Bates:* OHSU_Notice_00578, 00580-00582, 00635, 00642, 00643, 00644, 00657, 00658, 00664, 00693, 00694, 00697, 00707, 00709, 00713-00728, 00744, 00751, 00754, 00758	Sensitive business information not customarily provided to competitors. Non-public confidential information that if disclosed could be used by others for a business advantage. Confidential information submitted in confidence and not otherwise required by law to be submitted, where the recipient has agreed not to disclose the information.	ORS 192.355(21); ORS 415.501(13)(c); ORS 192.355(4); ORS 192.355(9)(a) and ORS 646.461(4)
3	Supplemental Materials G – Governance Agreement *Bates:* OHSU_Notice_00788	Sensitive business information not customarily provided to competitors. Non-public confidential information that if disclosed could be used by others for a business advantage.	ORS 192.355(21); ORS 415.501(13)(c); ORS 192.355(9)(a) and ORS 646.461(4)
4	Supplemental Materials G – Side Letter re PacificSource *Bates:* OHSU_Notice_00789-00794	Sensitive business information not customarily provided to competitors. Non-public confidential information that if disclosed could be used by others for a business advantage. Confidential information submitted in confidence and not otherwise required by law to be submitted, where the recipient has agreed not to disclose the information.	ORS 192.355(21); ORS 415.501(13)(c); ORS 192.355(4); ORS 192.355(9)(a) and ORS 646.461(4)
5	Supplemental Materials G – Side Letter re Obligations for Regulatory Filings and Grant	Sensitive business information not customarily provided to competitors. Non-public confidential information that if disclosed could be used by others for a business advantage.	ORS 192.355(21); ORS 415.501(13)(c); ORS 192.355(4); ORS 192.355(9)(a) and ORS 646.461(4)

	Bates: OHSU_Notice_00796, 00797, 00811		
6	HCMO Notice Question 6 – Exhibit 1 (Calculation that Determines Funds Transfer to Legacy Health Foundation), *Bates:* OHSU_Notice_00002-00003	Sensitive business information not customarily provided to competitors. Non-public confidential information that if disclosed could be used by others for a business advantage. Confidential information submitted in confidence and not otherwise required by law to be submitted, where the recipient has agreed not to disclose the information.	ORS 192.355(21); ORS 415.501(13)(c); ORS 192.355(9)(a) and ORS 646.461(4); ORS 192.355(4)
7	HCMO Notice Question 7 – Exhibit 1 (Legacy Health Transaction Goals) *Bates:* OHSU_Notice_00025-00030	Sensitive business information not customarily provided to competitors. Non-public confidential information that if disclosed could be used by others for a business advantage. Confidential information submitted in confidence and not otherwise required by law to be submitted, where the recipient has agreed not to disclose the information.	ORS 192.355(21); ORS 415.501(13)(c); ORS 192.355(9)(a) and ORS 646.461(4); ORS 192.355(4)
9	HCMO Notice Question 7, Exhibit 3 (OHSU and Legacy Pitch Deck) *Bates:* OHSU_Notice_00161-00236	Sensitive business information not customarily provided to competitors. Non-public confidential information that if disclosed could be used by others for a business advantage. Confidential information submitted in confidence and not otherwise required by law to be submitted, where the recipient has agreed not to disclose the information.	ORS 192.355(21); ORS 415.501(13)(c); ORS 192.355(9)(a) and ORS 646.461(4); ORS 192.355(4)
9	HCMO Notice Question 7, Exhibit 4 (Financial Projections for Project) *Bates:* OHSU_Notice_00238-00285	Sensitive business information not customarily provided to competitors. Non-public confidential information that if disclosed could be used by others for a business advantage. Confidential information submitted in confidence and not otherwise required by law to be submitted, where the recipient has agreed not to disclose the information.	ORS 192.355(21); ORS 415.501(13)(c); ORS 192.355(9)(a) and ORS 646.461(4); ORS 192.355(4)
10	HCMO Notice Question 7 – Exhibit 5 (Draft Financial Projections of the Integrated	Sensitive business information not customarily provided to competitors. Non-public confidential information that if disclosed could be used by others for a business advantage.	ORS 192.355(21); ORS 415.501(13)(c); ORS 192.355(9)(a) and ORS 646.461(4)

	Public University OHSU Health System) *Bates:* OHSU_Notice_00287-OHSU_Notice_00293		
11	HCMO Notice Question 7 – Exhibit 6 (Legacy Evaluation of Transaction Goals) *Bates:* OHSU_Notice_00295-00323	Sensitive business information not customarily provided to competitors. Non-public confidential information that if disclosed could be used by others for a business advantage. Confidential information submitted in confidence and not otherwise required by law to be submitted, where the recipient has agreed not to disclose the information.	ORS 192.355(21); ORS 415.501(13)(c); ORS 192.355(9)(a) and ORS 646.461(4); ORS 192.355(4)
12	HCMO Notice Question 7 – Exhibit 7 (Legacy Health Clinical Analysis) *Bates:* OHSU_Notice_00325-00337	Sensitive business information not customarily provided to competitors. Non-public confidential information that if disclosed could be used by others for a business advantage. Confidential information submitted in confidence and not otherwise required by law to be submitted, where the recipient has agreed not to disclose the information.	ORS 192.355(21); ORS 415.501(13)(c); ORS 192.355(9)(a) and ORS 646.461(4); ORS 192.355(4)
13	HCMO Notice Question 10 – Exhibit 3 (Maps of Geographic Areas served by OHSU) *Bates:* OHSU_Notice_00346-00353	Confidential patient related information.	ORS 415.501(13)(c); 192.355(9)(a) and ORS 192.553-192.567; ORS 192.398(a); ORS 192.355(8) and 45 CFR 164.500 *et. seq.*; ORS 192.355(2)
14	HCMO Notice Question 11 – Exhibit 3 (Maps of Geographic Areas served by Legacy) *Bates:* OHSU_Notice_00362-00365	Confidential patient related information.	ORS 415.501(13)(c); 192.355(9)(a) and ORS 192.553-192.567; ORS 192.398(a); ORS 192.355(8) and 45 CFR 164.500 *et. seq.*; ORS 192.355(2)
15	HCMO Notice Question 13 – Exhibit 2 (Tertiary Quaternary Complex Care (TQCC) Management OHSU Mission Control)	Sensitive business information not customarily provided to competitors. Non-public confidential information that if disclosed could be used by others for a business advantage.	ORS 192.355(21); ORS 415.501(13)(c); ORS 192.355(9)(a) and ORS 646.461(4)

	Bates: OHSU_Notice_00387-00390, 00392, 00394, 00395		
16	HCMO Notice Question 13 – Exhibit 2 (Tertiary Quaternary Complex Care (TQCC) Management OHSU Mission Control) *Bates:* OHSU_Notice_00391 and 00393	Confidential patient related information.	ORS 415.501(13)(c); 192.355(9)(a) and ORS 192.553-192.567; ORS 192.398(a); ORS 192.355(8) and 45 CFR 164.500 *et. seq.*; ORS 192.355(2)
17	HCMO Notice Question 15 – Exhibit 3 (Summary of Anticipated Costs and Inflationary Impacts in Current Financial Projections) OHSU_Notice_00412-00414	Sensitive business information not customarily provided to competitors. Non-public confidential information that if disclosed could be used by others for a business advantage.	ORS 192.355(21); ORS 415.501(13)(c); ORS 192.355(9)(a) and ORS 646.461(4)