SENATE COMMITTEE ON EDUCATION February 23, 1995 Hearing Room 343 Tapes 39-40 8:00 a.m. MEMBERS PRESENT: Sen. Tom Hartung, Chair Sen. Ken Baker Rep. Shirley Gold Sen. Marylin Shannon Sen. Cliff Trow STAFF PRESENT Fallie Calder, Administrator Carolynn Gillson, Assistant MEASURES DISCUSSED SB 271 - Higher Education Administrative Efficiency Act, WRK SB 2, regarding OHSU -PUB These minutes contain materials which paraphrase and/or summarize statements made during this session. Only text enclosed in quotation marks report a speaker's exact words. For complete contents of the proceedings, please refer to the tapes. TAPE 39A 005 SENATOR TOM HARTUNG, Chair: Calls the meeting to order at 8:00 a.m. WORK SESSION ON SB 271 CHAIR HARTUNG: Refers to the SB 271-10 amendment (EXH. A). 009 MOTION: SEN. TROW moves SB 271 with a do pass as amended recommendation to Ways and Means in accordance with a prior referral. MOTION PASSES: In a roll call vote, all members present voted AYE. Excused: Sen. Shannon. Public Hearing on SB 2 Witnesses: Dr. Peter Kohler, Oregon Health Sciences University (OHSU) Sen. Gene Timms Dr. Leslie Hallick, OHSU Jim B. Walker, OHSU Janet Billips, OHSU DR. PETER KOHLER, President, OHSU: Begins presentation on SB 2 and 020 testimony included with their handout (EXH. B). reviews written SEN. GENE TIMMS, Senate District #30: Testifies in support of SB 2. 077 > Opportunity to make government more efficient. > Rethink the way we deliver services - no better place to start than with OHSU. > Reviews services OHSU provides for better access to health care. > Reached the limit of what they can do as part of the current structure with state support. > Believes OHSU has potential to become one of the top bio-medical universities in the U.S. 144 CHAIR HARTUNG: Do you agree with saving money and keeping the quality of programs? > Public perception of what is being done is very good. SEN. TIMMS: Agrees. DR. KOHLER: Talks about the success of their schools. Don't want to endanger their programs. > Continues reviewing written testimony which is part of their handout (see EXH. B). 280 SEN. CLIFF TROW: Concerned severing OHSU from the rest of the institutions will interrupt research faculty cooperation that exists. Don't forget the research role while you concentrate on business activities. DR. KOHLER: Research collaboration is based on strength of the program as effort to bring programs together. Still have a much as any administrative close relationship with OSSHE academic programs and expect research programs to continue to grow. Want the change to be successful in the future.

> Faculty is there for academic purpose and mission continues to be education, research and service.

SEN. TROW: Also concerned that students continue to be involved.

DR. KOHLER: Thinks students support the proposal. > Appointment of Board members is left up to the Governor. > Student lobby active in soliciting position on our Board.

SEN. TIMMS: Met with independent hospital administrators in Portland 365 area. Positive reaction and hopes of more joint ventures.

DR. KOHLER: Talks about other successful medical research universities.

421 SEN. KEN BAKER: Public corporation not really defined in Sec 2 of SB 2.

creating and where is the difference between Exactly what are we semi-independent agency versus a public corporation? Where is the accountability if you are not subject to state statutes or constitutional provisions.

DR. KOHLER: Legal advisor will go through bill section by section and answer those questions.

TAPE 40A

029 DR. LESLEY HALLICK, Provost, OHSU: Continues presentation by talking about academic mission of the institution. Refers to summary of programs in Viewbook included with their handout (see EXH. B).

> Programs contain the training and continuing education elements for all health care providers in Oregon. > Three schools at OHSU - Dentistry, Medicine and Nursing.

> Lists other elements in the School of Medicine that will continue with the public corporation model.

> Made budget cuts in administration and not in academic programs.

> Describes new programs in allied health area.

> Talks about statewide outreach aspects of graduate and undergraduate programs at OHSU.

> Faculty Senate is governance body of the faculty and it voted unanimously

to approve the public corporation initiative.

177 JIM WALKER, VP, Finance & Administration, OHSU: Continues testimony on the business/financial perspective

> Reviews information on chart concerning economics of OHSU - past, present

and future.

> Refers to chart on the schools and education proponents, and sources of revenue including tuition and fees.

SEN. TROW: What percent of the services are bought by state or federal monev?

WALKER: About 20 percent of our patients are on Medicaid. Higher than other hospitals in the state.

> Mission of OHSU is to take patients who are not sponsored.

> Talks about other sources of revenue - grants and contracts.

> State can't keep up with the demand for state funds - affects academic quality, research and patient care.

> Refers to chart on revenue and state support for OHSU.
> Started changing the operation in 1987 - consolidating administration and

focusing resources on the institution as a whole. Get the business side healthy and invest in faculty.

> Doing more in education and research. 390

SEN. BAKER: How much has come out of the Vollum Institute?

WALKER: About one-fifth - important but not a major change.

> Explains how more focus and resources were put into the technology used at OHSU. Created efficiencies and helps with outreach.

TAPE 39B

020 WALKER: Talks about changes in the health care environment - places OHSU

at risk. Started looking at managed care - fee for service environment. > Refers to graph concerning Health Maintenance Organizations (HMOs).

> Need more freedom than being a state agency allows in the new environment.

> Uses the Oregon Health Plan as an example. OHSU tried to form a HMO and needed an exemption from state rules.

127 DR. KOHLER: Lead to submitting legislative proposal for public corporation status.

SEN. TROW: Will teaching faculty members be allowed to carry on private

practices using university facilities?

 $\ensuremath{\mathtt{WALKER:}}$ Patient services get billed by the physicians whether there is a student involved or not.

> Plan to continue that practice.

> Explains how the money pays for a lot of their program expenses.

DR. KOHLER: Important part of the revenue stream. Faculty members make only two-thirds of what they could earn in a full-time private practice.

177 SEN. BAKER: What do you mean by debt you will take with you and how will you pay for maintenance of the state-owned buildings?

WALKER: The debt is mostly from state revenue bonds issued through OSSHE for OHSU. Sixty percent is for the hospital and about 23 percent is for parking structures on the campus. Debt service has been paid for by OHSU. > Amount of the debt is about \$110 million. Have requested in SB 2 the ability to issue bonds through the state. Debt service paid for by OHSU. Also want ability to access private market bonds. OHSU would issue tax-exempt revenue bonds. State Treasurer concerned with OHSU having the ability to continue to issue state bonds. Told State Treasurer they would take out language giving OHSU ability to issue taxexempt bonds from the Advantage of issuing tax-exempt revenue bonds outside the state, state. they will not be backed by the state at all.

265 CHAIR HARTUNG: Committee will start at 7 am on Tuesday., Feb. 28. > Asks Grattan Kerans, OSSHE, to talk to other medical groups and report to

committee. Also report on Chancellor Cox's position on SB 2.

SEN. TROW: Like to know about another bill on same subject - what are the differences between SB 275 $\,$ and SB 2.

KERANS: Bills identical except for two items.

329 JANET BILLUPS, Legal Policy Advisor, OHSU: Explains she will go through

a section by section summary included in their handout and refer to table on statutes and to proposed amendments including one requested by Sen. Shannon for contracting with the disabled community (Sec. 16) (see EXH. B). > Legislative Counsel has all proposed amendments with exception of amendments from Sen.Timms on open meetings and public records.

439 SEN. TROW: May propose some amendments later after hearing the testimony.

TAPE 40B

019 BILLINGS: Reviews language in Sec. 1 and 2.

SEN. BAKER: Need definition of independent public corporation in bill.

BILLINGS: Continues with Sec. 3, 4, and 5.

063 CHAIR HARTUNG: Talks about students serving on Board of Directors. Suggests making it a two-year term with Senate confirmation - described separately in the bill.

BILLINGS: Reviews language in Sec. 6, 7, and 8. > Two changes - in Sec. 23 on page 5, include specific language that OHSU adopts faculty practice plans for faculty clinical income and Sec. 25 split

into two subsections.

> Sec. 9 concerning statutes OHSU would be exempt from. If statute only applies to state agencies, OHSU would be exempt. If it applies to all public bodies, OHSU would not be exempt.

> Explains how to use the tables of statutes included in their handout.> Talks about constitutional provisions that would not apply to OHSU.

156 $\,$ SEN. TROW: Does anything you are doing require a Constitutional amendment?

BILLINGS: No. University was created by statute and can be restructured by statute. OHSU is not mentioned in the Constitution.

SEN. TROW: What happens to assessments OHSU pays to other state agencies?

BILLINGS: Assessments are not a matter of statute and are not addressed in

the bill.

DR. KOHLER: Will pay assessments for services we use but hope not to pay assessments for services not used. Happy to use state-provided services when possible.

200 BILLINGS: Reviews technical amendments to Sec. 9. > Goes on to Sec. 10 concerning employees and benefits.

> All employees will have the option to continue in PERS. > Board has responsibility to adopt a personnel system. Will honor applicable collective bargaining agreements.

293 $\,$ DR. HALLICK: Talks about their campus-wide participatory process in developing a human resources $\,$ system.

314 CHAIR HARTUNG: Received letter supporting SB 2 from City of Portland (EXH. C). > Adjourns meeting at 9:55 a.m.

Reviewed and submitted by

Carolynn Gillson, Assistant

EXHIBIT	SUMMARY		
A	SB 271	Committee staff	74 pages
В	SB 2	OHSU	52 pages
С	SB 2	City of Portland	1 page