

Banking on Biotech

OHSU President Peter Kohler's Prescription for Oregon: Opportunity or Gamble?

By Jim Pasero

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"If you're looking for my poetry books," says the former college English major, Dr. Peter Kohler. "You won't find them, they're at home."

A favorite poet? "It's either Emily Dickinson or T.S. Eliot. Eliot wrote a poem about Charlottesville, Virginia—words about decay and rotting in the hot summer weather. When I was an undergraduate I stayed there one hot summer and all I could think about was that poem."

"Decay and rot" are anything but descriptive of the 14 years that Dr. Kohler has been the President of the Oregon Health & Sciences University (OHSU); rather it's been a tenure marked by progress and growth. Since Kohler took over the presidency of OHSU in 1988, he has doubled the number of employees on "Pill Hill" to more than 11,000, tripled the number of campus acres. The number of buildings has doubled to 33, and the dollar amount of NIH grants has increased by almost ten-fold.

During Peter Kohler's decade and a half tenure OHSU emerged in 1995 from a state-owned teaching hospital to a public corporation. Kohler also continued the work begun by his predecessor Dr. Leonard Laster and Tektronix founder Howard Vollum to make OHSU a world-class research institution. This world-class status was most dramatically underscored two years ago when OHSU's Dr. Brian Drucker invented the drug Gleevec, which treats leukemia and gastrointestinal tumors (Gleevec is being manufactured by the European drug company Novartis).

Portland City Commissioner Jim Franscesconi traveled to Bologna, Italy this fall as part of the sister city exchange program and noted the growing international stature of OHSU because of Drucker's invention. "I was in Bologna and I talked about Drucker and they knew all about it."

Under Dr. Kohler, OHSU has embarked on the largest capital campaign in the state's history, the half billion-dollar Oregon Opportunity campaign. The campaign includes \$200 million in public funds approved by a state ballot measure in May of 2002, and \$300 million in private philanthropy, spearheaded by Jim Rudd, the CEO of Ferguson Wellman, a Portland-based capital management firm. Despite a slow economy, OHSU is halfway to their goal in private funding. And two new buildings are currently under construction on Pill Hill, a 300,000-sq. ft. patient care building, and a 250,000-sq. ft. research building to house biotech wet labs.

Along with the new buildings on OHSU's Marquam Hill campus, the university is also planning to build a new river campus, located near Portland's Willamette River, in the North Macadam area. OHSU plans to connect the two campuses by an aerial tram. A design competition to create the OHSU tram is currently underway among more than a dozen worldwide architectural companies that specialize in aerial trams.

OHSU's aggressive plans for growth and the city's cooperation in streamlining and fast-forwarding the regulatory processes are not without controversy. Kohler and OHSU, which also owns a 300-acre campus in Hillsboro, home to the National Oregon Primate Research Center, have sold these growth plans to state and city leaders based on their projections for being a significant "player" in the emerging biotech industry.

What is biotech? It is, according to the Wall Street Journal, "a field where companies generally seek to produce drugs through genetic science." The gamble that Portland will be a future biotech center, with dozens of high-tech spin-off companies reacting in synergy with a world class research center, requires a significant financial commitment in both public and private dollars to OHSU and the North Macadam neighborhood. Again, the plans are not without controversy, especially now that OHSU is eliminating 200 jobs and is currently operating in the red.

One of the region's most important venture capitalists, Ralph Shaw, who is also chairman of the Governor's Council of Economic Advisors, has emerged as the leading critic/realist of OHSU's Oregon Opportunity campaign. Shaw's willingness to step out front in the critic's role has taken courage, especially in a predominantly one-newspaper town, where ideas can march in lockstep. Shaw is not alone in his efforts. He's been aided by the work of Portland State University economics professor, Joe Cortright. Last year, Cortright compiled a report for Washington DC's Brookings Institution, entitled, "Signs of Life: The Growth of Biotechnology Centers in the U.S." Cortright's report is skeptical of Portland's chances of being a significant "player" in the biotech industry. More about Shaw and Cortright later.

Adding to Shaw and Cortright's criticism of OHSU's big plans, have been the words of the school's newly hired biotechnology "czar," Dr. William New Jr., who late last month managed to step on the institution's own message when he told The Portland Tribune: "OHSU officials are suffering from 'delusions of national grandeur' in trying to establish Oregon as a major biotechnology center research center... Oregon is 20 to 25 years behind Boston, the San Francisco Bay Area and other leading biotechnology centers when it comes to developing 'all that great glamour stuff' in genetic research."

But for the Mayor of Portland, Vera Katz, who has seen her tenure badly damaged by the city's persistent economic decline, a thriving biotech center in North Macadam, no matter how long the odds, could be just the solution to the city's slow economic pace—somewhere between molasses and quicksand—which has business leaders anxious.

Says Commissioner Francesconi about the Mayor's willingness to green light the OHSU planning process, "It is true—the Mayor does want this as her legacy." And if there is anyone capable of selling a proposal of "big ambitions" during down economic times, it is OHSU's President Peter Kohler, whom former Sen. Mark O. Hatfield describes as a person with "an easy manner, who communicates well and is committed to this institution."

"Peter Kohler is a diplomat, a politician. He has tremendous skill in attracting talent, convincing people to come here," says Sen. Hatfield, who has worked closely with Kohler for more than a decade. Hatfield describes their past working relationship this way: "Dr. Kohler would come see me in Washington and we would get caught up and I

would see the contribution we were making on the Hill.” One of the things Kohler and Hatfield talked about according to the Senator: “What they were doing with the Research Triangle in North Carolina. And Dr. Kohler would ask, why can’t it work here?”

Maybe the Portland area can become America’s next Research Triangle, but regardless of OHSU’s selling job, several factors are starting to work against this promise.

For starters, the national and international growth climate for biotech companies is currently not strong: Writes Wall Street Journal Reporter David Hamilton in a recent front-page story about the counter-cyclical success of two biotech companies, Amgen and Genentech:

“A quarter-century after the industry’s birth, most companies are still unprofitable ventures that can take a decade or more to win regulatory approval for experimental drugs. Overall, stocks in the sector have fallen 41 percent this year as the 2000 biotech-stock bubble continued to deflate, forcing many cash-burning start-ups to search for fresh investment.”

“...They (Amgen and Genentech) are a stark contrast to the traditional pharmaceutical industry, whose giants are having increasing difficulty turning research into new medications and face tough competition from generic drugs as well.”

The second reality check for OHSU and those supporting a significant biotech industry in Portland is the Brookings report, in which Joe Cortright makes a couple of strong points against OHSU’s future success:

“During the past two decades the founding of biotech firms appears to have become more concentrated into relatively fewer metropolitan region areas. Five metropolitan areas accounted for about 56 percent of the firms founded in the 1990s...the nine leading biotechnology centers may account for a smaller share of NIH funding and patenting than they did two decades ago, but they now account for a larger share of new biotechnology businesses.”

To sum up Cortright’s report, if you’re not one of the nine largest cities in the country, you really can’t play this game. Dr. Kohler and OHSU disagree and don’t believe that Portland is either too small or too late in the biotech game. Yet, according to Joe Cortright, the nine largest centers of biotech average over \$800 million a year in NIH and other research grants. OHSU, in contrast, averages just over \$200 million. For Cortright, this makes Portland noncompetitive. In terms of grants, OHSU’s \$200 million plus in annual research grants puts the city right in the middle of the 51 cities analyzed by Cortright and his co-author Heike Mayer.

Lois Davis, OHSU’s Vice President for Public Affairs and Marketing and former Chief of Staff to U.S. Sen. Ron Wyden, says that “Joe Cortright is wrong, he’s just wrong. Oregon is a state known for doing what can’t be done, and Joe is no biotech expert. Talk to an expert and they will tell you that Oregon is not too late for this game.”

Cortright points at least tangentially to another weakness in the Portland economy’s ability to support biotech: “By far the most important source of start-up capital for the biotech industry is organized venture capital.” Kohler admits this is a weakness in the region’s economy and it is backed up by a December Oregonian headline, “State’s biotech firms trail others in growth.” Joe Rojas-Burke reports: “Oregon’s biological and

medical technology companies lag their national counterparts in revenue growth according to an industry survey...the results are the latest to suggest that the state's drive to promote biotechnology continues to face stiff challenges as biotech jobs and money increasingly concentrate in long-entrenched regional centers such as Boston, San Diego, and Seattle."

Cortright sounds another negative note for Portland's future chances when he says, "Biotechnology is highly concentrated within those metropolitan areas that combine a strong research capacity with the ability to convert research into substantial commercial activity."

At this point Dr. Kohler steps in to argue that the glass should be seen as half full rather than half empty. Oregon already possesses a fine research university, says Dr. Kohler, and through expansion and increased NIH grants will soon support an environment that will create a "critical mass" that encourages commercial activity—the model is the University of Washington.

"My goal for the institution, OHSU, is that I want it to be healthy," says Kohler. "Today we're 29th in the nation in NIH grants; we were 89th in the 1980s. What we're trying to accomplish is something where you have to make constant progress. We have done some calculations and we are going to move into the top 20. We need to get over \$300 million a year in research grants. Now it's \$220 million. In the early 80s we were at \$15 million. So we have some targets we can hit.

"Ralph Shaw and Joe Cortright are skeptical, which is fine, but we won't get there if we declare defeat. We need a research building, a chemical building, and we need to recruit aggressively, but the biggest thing we need is space to grow. The reason we want the North Macadam campus is that it is very important that the campus hold together. The science must be strong so that we can have a clustering effect, that critical mass. Shaw and Cortright are seeing the problems more than they are seeing the opportunities. Yes, there are big hurdles to overcome in creating a culture of biotech—access to capital is one. Venture capitalists have withdrawn from everything right now, even high-tech."

Commissioner Francesconi backs up Dr. Kohler on the city and the state helping OHSU build a North Macadam campus. "This is high risk stuff," says the Commissioner, "but it's worth doing."

OHSU's Dan Dorsa has some perspective on the possibility of creating Seattle-style biotech growth in Portland, because until recently Dorsa was Associate Dean of Research at University of Washington. "I came to OHSU from UW because the state of Oregon is going forward with "Oregon Opportunity" dollars. Washington state is not helping; they are not investing in the future. I was excited about the opportunity to come here and help grow a major institution in the heart of this city. UW gets \$600 million in NIH grants; \$300 million go to the school of medicine. They have spun out 100 companies. Last year OHSU spun out four companies that were directly related to the activities of the OHSU faculty. True, our research base needs to grow, but we have a strategic plan to grow it...and we need available lab space for those companies."

Don Mazziotti is the Executive Director of the Portland Development Commission. He's also the point person overseeing negotiations between the city, OHSU and the private

sector. At stake? Who pays what share of the estimated \$288 million in new services needed to develop the North Macadam campus and neighborhood. Mazziotti is bullish on Portland's chances for a thriving biotech community.

"Ralph Shaw and Joe Cortright believe in mixing apples and oranges," says Mazziotti.

Their economic critiques of Portland's chances for a biotech sector are accurate, but what we're looking at is a bioscience area in North Macadam. It's a broader term and includes medical information, medical appliances, and toxicology. Biotech is genetic engineering for pharmaceutical companies, and we probably won't get a big drug company here."

Commissioner Francesconi agrees, "It will be hard to land a drug company here."

"Joe Cortright's research," says Mazziotti, "is formed on biotech, not focused on biosciences. I saw the Brookings report and I discussed the contrast. In Oregon we only have 106 biotech companies and 3,000 employees. That is small compared to California or Massachusetts or Pennsylvania. But the reality is that OHSU will be one of the largest academic medical centers on the West Coast. We believe that alone is sufficient to cause tremendous growth, and with other research institutions located in our area, OGI, PSU, Providence, that will create a center of gravity that doesn't exist now, just as we did in electronics.

"I was Secretary of Commerce in Pennsylvania (in the mid-1980s) and we put a lot of state money into an area of the central part of the state," says Mazziotti. "When we started, people thought we were wasting money. Today, Merck along with Penn State University employs 25,000-30,000 people in the industry."

Lesley Halleck, OHSU's provost, has seen the growth firsthand. "People come here now and say, this is good for my career. Eleven years ago it felt more isolated...but now we have a rich environment of mid-career people. We now have the sciences that make it an exciting place to come." And again the model for growth is Seattle, says Halleck, "We are right at the point that UW was when they began to spawn a lot of companies. We're reaching a point now of critical mass." Critical mass meaning economic synergy.

Ralph Shaw isn't so certain about OHSU's big dreams. Shaw believes that OHSU has oversold/fabricated the number of biotech jobs their expansion will create in the next ten years. Shaw's outspokenness has occasioned at least one phone call from an OHSU foundation member telling him to limit his criticism because "This is beginning to really hurt us." Shaw's criticisms are sharp and he reasons that when you take on a hospital you're going to get some heat. After all, says Shaw, "Who can be against the cure for cancer?" Shaw is also out to prove that the Seattle model for biotech is not worth celebrating.

Here is the essence of Shaw's critique on OHSU's vision and what city and state officials have bought off on:

"Estimates for the number of people employed by OHSU and the biotech industry promised in the future range from 10,000 to as high as 20,000. It is interesting to note that Seattle, considered to be one of the six leading biotech centers in the United States, employs less than 6,000 people in the biotech industry. Perhaps if one wants to count pharmacists and pharmaceutical salesman in Oregon's future biotechnology workforce, we could get to that number, but I don't think that is what Oregon's taxpayers would

accept as a meaningful return on more than \$200 million in state and local borrowings and the estimated \$300 million in philanthropy that is being—for OHSU alone.”

Shaw continues:

“Keep in mind that OHSU already spends more than \$150 million annually on medical R & D. Where are the companies that have been created from that expenditure of wealth? After more than 16 years of futilely trying to find an attractive biotech company in Oregon to invest in, I cannot offer any encouragement that the future will be any more productive.”

Commissioner Francesconi responds: “There isn’t anyone in economics I respect more than Ralph, but I think he’s being too negative.” Like Mazziotti, Commissioner Francesconi believes that Ralph Shaw is looking too narrowly at the biotech field. “There’s medical devices, medical information, etc.,” says the commissioner.

OHSU’s new biotechnology czar William New partially reinforces Francesconi’s point. New told the Tribune: “The state would be better off by directing their efforts—at least for now—on the medical device business rather than drug development.”

Hold on, says Shaw: “Medical devices are not a big business, because they are very expensive and a lot of regulations and FDA approval and so on.”

Counters Commissioner Francesconi, “Ralph’s defining the problem, but I need some solutions.”

Shaw remains turned off at the estimates. “Originally I was told there would 20,000 jobs by government officials. I said that was off the wall, and then I was told the number was 10,000.

“I have nothing against biotech or OHSU—OHSU does a fine job—but we’re talking about putting our entire seed capital and bond rating, our ability to service debt, on economic numbers that don’t support it. The cost of being wrong could be high. In my opinion, in order to get the funding, promises were made that were so far from right in my interpretation of reality that I was shocked that people didn’t question these promises.

“I was told that OHSU expansion would create four drugs selling over a billion each in ten years. I said gee that’s terrific. The only problem is—there are only three drugs in the industry that are doing a billion apiece.”

Shaw then makes a critical point about our elected officials.

“I understand,” says Shaw, “that it’s Dr. Kohler’s responsibility to make his institution what it can be. But it is also the responsibility of those in government, those making investments in the billions that will benefit the broad population, to analyze whether what they’re (OHSU) saying is accurate. There needs to be some logic, some common sense to the decisions made by people who seek public office. Elected officials have to lead by asking...my sense is that our elected officials didn’t ask for a full analysis; instead they asked for an agreement that will support certain assumptions.”

Lois Davis counters and reiterates OHSU’s position that Shaw is being a skunk at the party. “The biotech industry is a \$47 billion industry. If we capture only one percent, it

would be a billion dollars. We wouldn't want to turn our back on that. You can't predict...they say the glass is half empty, but the glass is half full.”

Ken Novack, CEO of Schnitzer Steel and soon to be the chairman of the Portland Business Alliance, is another member of Portland's business community who sees the process as unrealistic, only this time not from the strategic side, but from the planning side. Novack, like Shaw, is pessimistic about the long-term future of the Portland economy, and doesn't expect Schnitzer to be making significant investments in the area for possibly as long as ten years.

Steve Stadum, OHSU's General Counsel, has been the point person working with the mayor's office in planning the North Macadam campus. Recently, Stadum and the city negotiated a compromise on who would pay for the tram, which appears to be mutually acceptable, which is a relief to OHSU, especially since Commissioners Saltzman, Leonard and Francesconi were lining up against having the city pay for construction of the aerial tram.

Stadum also negotiated a deal with the city that would allow OHSU to construct 250-300 ft. high buildings in the North Macadam neighborhood in return for a 150-foot greenway on the riverfront.

“We feel pretty comfortable where the city is ending up on these code issues,” says Stadum. “We agreed to a fairly wide greenway because we thought we could get enough in height capacity.” The reason they wanted the height? Says Stadum, “If you want research labs you have to have space to grow. A company might want to build a 300 ft. building—the floor-to-floor ratio might be 16 ft. rather than 12 ft. If the city wants to support the development of a bioscience corridor, they can't prescribe tight limits that prevent it.”

Novack, whose company owns property in North Macadam, and who has seen city planners bungle future developments firsthand, isn't sure that any of this conversation between OHSU and the city about exchanging greenway for higher buildings really matters. (Schnitzer is currently doing new business in Seattle.)

Novack recounts a conversation he had with head city planner Gil Kelly trying to explain the needs that a biotech company might have. “Biotech companies know what they want and they will go to an area where they can get it. We went to Gil Kelly and said these things are the things that you need to attract companies and his view is that Portland is so exciting that they'll just come here?well that's b.s.”

Adds Novack, “Homer Williams thinks he can build big buildings down in North Macadam, but he's basically just trading dollars. If you want to stimulate private capital you have to ask yourself, what's private capital looking for?”

Novack believes biotech companies are looking for these things in this order:

- 1) A major research institution
- 2) The amount of NIH grants for individual scientists and the ability for turning research into commercial viability
- 3) Work forces

- 4) Living environment
- 5) Schools
- 6) Physical availability of space

And Novack adds, “The piece I know something about is space. The space demands seem to be inconsistent. Because of the kinds of criteria by the city’s planning process, which makes that a negative, the space is a negative.”

How so a negative?

- 1) “Biotech companies have huge air handling needs; they want air pressure that is going out and not in.” In other words, eco-roofs don’t work (the city likes eco-roofs).
- 2) “Biotech companies are security conscious, therefore, they want to occupy 100 percent of the building, so they don’t want ground floor retail.
- 3) “The big debate with the city is over more setbacks for higher buildings, but biotech companies don’t want to share, they want lower squatty buildings.
- 4) “Because biotech companies are nervous about security, they want to be in the suburbs, not downtown.”

When asked about Novack’s concerns about the planning process, Commissioner Francesconi replied, “In San Diego biotech companies are located in higher buildings,” but he also noted Novack’s concerns and added again that the North Macadam plan is “high-risk stuff. We don’t need another PGE Park on our hands.”

Days after Randy Leonard’s election to the city council in November, OHSU leaders and consultants, including Dr. Kohler, Steve Janik, Steve Stadum and Lois West invited the new commissioner up to the Marquam Hill campus to probe his views on OHSU’s expansion. Says Leonard of that meeting, “The meeting changed my mind. I initially thought OHSU’s expansion to North Macadam was not the best use of the property, but when I asked if other developers were interested, what I heard was that they weren’t. After talking with OHSU, I was able to get myself interested.”

But there’s a price for his support. Leonard says, “If OHSU wants to be a real business, then I am going to treat them like a real business. They can’t jump back and forth and that’s why I think they should start paying a city payroll tax. That would be about \$2 million a year.” The commissioner also mentioned that he was one of only two state legislators to originally vote against OHSU transitioning from a state agency to a public corporation.

When asked about the almost \$300 million dollars the city through the Portland Development Commission and developers would have to spend to upgrade transportation infrastructure and basic services for the North Macadam area, Leonard responded, “That sounds like jobs, lots of jobs.”

But it’s the long-term permanence of those jobs that has Ralph Shaw concerned and has Ken Novack comment that it sounds “like trading dollars.”

Ann Thayer in a September issue of “Chemical and Engineering” magazine writes about the pressure cities face in producing thriving biotech corridors:

According to the Biotechnology Industry Organization more than 40 states have initiatives betting on biotech, with 16 using tobacco industry settlements to help fuel their development plans. At BIO's annual meetings in June, about 130 cities, states, regions, and counties were promoting their efforts and locales.

Beguiled by seeing US biotech industry revenues triple and employment more than double over the past decade, these would-be developers seem unfazed by the near-doubling in the industry's net loss. If the prospect of losing money weren't enough, Brookings and others conclude that the likelihood for spawning a prosperous tech center is slim. And, they add, even those that can claim success have seen only modest economic impact."

Which is why, according to Ralph Shaw, "I asked them to send me a business plan, but I never got one."

For Dr. Kohler and OHSU that's a lot of hurdles to overcome. Throw in a controversial tram that has the neighborhood pitted against the hospital on top of biotech promises and you've got what Commissioner Francesconi calls some pretty "high-risk stuff."

Even Sen. Hatfield, who adores OHSU, acknowledges the controversy over the tram and says, "Dr. Kohler just raised the question, how will we transport people? He said we could do it here at North Macadam if we had a transportation plan, and then came the tram suggestion and the city said you share the cost. It got dropped in our laps. I'm sorry we got on the tram thing. All of a sudden it looks like it was our proposal. We do have property on the west side, but the city made a partnership, and I'm sure it will work out fine. But I don't feel like the university should be juxtaposed against neighborhoods."

"Enough with the problems," says Francesconi. "I need some solutions. I support this, but I need to know how it's going to work."

Shaw explains a time when economic synergy actually happened in our area, and the size and scale it can take: "In the mid-90s, we started to see semiconductor companies from Japan and elsewhere move to Oregon. We had in one year more capital expenditures in Oregon by the electronics industry than the entire rest of the United States combined."

In an article published in a December edition of the Seattle Post-Intelligencer Puget Sound venture capitalist Chad Waite sounds a lot like Ralph Shaw in his critique of Seattle's biotech industry—and this in a city which already hosts the fourth largest biotech company in the country, Immunex, which did more than a half billion dollars in sales in '99. (Immunex was recently purchased by Amgen of Thousand Oaks, Calif.)

Says the Seattle PI of Waite: "OVP's Chad Waite, who has nearly a quarter-century of venture capital experience, said there are "slim pickings" in health care and biotechnology in the Pacific Northwest. That led OVP (Waite's company) to stop making investments in the sector earlier this year, a decision also motivated by lackluster returns. But the software industry-anchored by Microsoft-is a different story, he said. There are still plenty of opportunities to find interesting software companies.

Ironically—maybe even maddingly so to Dr. Kohler and his other bosses—OHSU's new biotechnology "czar" William New echoes Ralph Shaw with these thoughts in the Portland Tribune, "Oregon's focus ought to be electronics, computer hardware, and

software, wireless-the technology tool kit.” Newcomer William New is definitely not on message.

Maybe this is why Ralph Shaw is so critical of The Oregon Opportunity Campaign: “You’re taking dollars away from other opportunities. We have here in this state a couple of industries in which our companies are among the world leaders. Computer-aided electronic engineering is one such industry—Mentor Graphics is the third largest company in the world and both Synopsis and Cadence Systems have offices in Oregon. If we took even five percent of what we’re going to spend on The Oregon Opportunity Campaign and put it into educational programs we could bring in the highest quality professors and students. We could build a center of excellence in an area of electronics and grow jobs at a fairly rapid pace. We could also do this in Display Technology/Flat Panels,” says Shaw, “taking advantage of capabilities of companies like Clarity, Sharp Labs, and Planar Systems.”

Maybe that’s the solution Commissioner Francesconi wants.

Having so far weathered well the criticism of OHSU’s plans, Dr. Kohler is sticking to his script and his dreams for OHSU expansion, and so far he’s doing a remarkable job selling the state and the city on the University.

“The relationship between the thriving Seattle biotech industry and the University of Washington is a case in point...I think it is particularly interesting to note that the rate of company development has increased over time, as UW’s total research grew. In other words, it is important for a research institution to reach a certain size, sometimes referred to as critical mass, at which point returns on investment become even higher. For instance, the UW experience show that company development really began to take off after 1991, as UW crossed the \$300 million threshold in federal research dollars. At OHSU, we are beginning to approach critical mass.”

Approaching critical mass. Will OHSU reach critical mass? Will a thriving biotech industry happen in Portland, Oregon?

Maybe so, maybe no—but it’s a gamble that state government, city government, private philanthropists and OHSU’s Dr. Kohler are planning to take.

Sidebar 1:

Background—Dr. Peter Kohler

- Undergraduate degree from University of Virginia—1959
- Medical degree from Duke University—1963
- National Institute of Health in Bethesda, Maryland—1965–73
- Chief of the Endocrinology Division, Department of Medicine, Baylor College of Medicine, Houston, Texas—1973–77
- Edited: “Diagnosis and Treatment of Pituitary Tumors” a standard in the field of Endocrinology, 1973.
- Dean of Medicine, University of Arkansas—1977–86
- Dean of the Medical School, University of Texas Health Science Center, San Antonio, Texas—1986–88
- President, OHSU—1988–current

- Four children-(a son that's a nurse, and a wife that "hates going to doctors.")

SIDEBAR 2: Friends in High Places

Along the way as President of OHSU, Dr. Peter Kohler has been tested as a leader but he's been aided by some solid relationships with people in positions to be helpful, the most prominent being former U.S. Sen. Mark O. Hatfield.

The relationship between Dr. Kohler and Sen. Hatfield became an integral part of the growth of OHSU, as research awards, primarily NIH grants, grew from \$43 million in '90 to \$220 million today. Sen. Hatfield chaired the Senate Appropriations Committee from 1980-86 and again from 1994-96, and describes one of his best moments in the U.S. Senate coming when he stopped a 15 percent cut in NIH funding in '94 which had already past the US House of Representatives. Hatfield also remembers the art of working the Senate's Appropriations Committee process: "Sen. Warren Magnuson (D-WA) was chairman of the Appropriations Committee in the '60s when I got my slot on the committee. He was a delightful personality, and he told me what we do in the Northwest is diversify our interests, translated: three for him and one for me. After he gave his farewell address—when he'd been defeated in 1980 (by Slade Gordon) and I succeeded him and became chairman—I told him that I served at the feet of the master, what is good for Oregon is good for Washington, translated: five for me and one for you."

SIDEBAR 3: PETER KOHLER'S WORLD

Dan Dorsa, Vice President for Research at OHSU, talks about Dr. Kohler's strength as a leader. "He's a physician, he's a researcher, and he's competed for NIH grants. That's not usually true of university presidents." Here are some of the challenges that this unusually talented university president has faced and will continue to face in the future:

STRIKES—Dr. Kohler has been tested many times as President of OHSU. He's presided over the institution during a bitter 58-day nursing strike in the fall of '01. In the end, Dr. Kohler stepped in during two all-night sessions to settle the strike—a strike partially driven by the expenses OHSU incurred having to be the lone area hospital to offer its nurses Oregon's PERS retirement plan.

ANIMAL RIGHTS ACTIVISTS—Dr. Kohler also managed to navigate OHSU through the hassles of the animal rights movement and their protests against The Oregon National Primate Research Center. Part of the animal rights campaign against the primate center concerned an animal rights activist, Matt Rossell, who got a job caring for the monkeys only to tell a story of animal abuse in a four-part Willamette Week expose on OHSU's Primate Center. OHSU was later exonerated by the federal government for its treatment of monkeys. Dr. Susan Smith who runs the primate center says, "Once bad information is out there it never really goes away, no matter what the USDA says. That's the impact of the internet on our lives."

Dr. Kohler saw the bad information about OHSU continue when KATU's Eric Mason reported on animal abuse at the primate center, using footage from a different testing center not even located in Oregon. The footage showed a species that the primate center

doesn't even own, yet the news story implied that the abuse was going on at the Hillsboro campus. Mason's story prompted an unprecedented letter of rebuke from Dr. Kohler to the station manager of KATU.

NURSING SHORTAGES—Dr. Kohler is also preoccupied by a severe nursing shortage in Oregon and the nation. According to Kate Potempa, Dean of OHSU's Nursing School, "Enrollment needs to double by 2005 or people will die because of lack of nurses since hospitals will be forced to close their doors."

RISING HEALTH CARE COSTS—Another issue on Dr. Kohler's mind is the return to double-digit increases in health care costs because of the limitations of managed care to hold prices down. Dr. Kohler hired Dr. Chris Cassell as Dean of the Medical School. Dr. Cassell also sits on the board of the National Institute of Medicine (The National Institute of Medicine has been tasked by HHS Secretary Tommy Thompson to come up with better and cheaper ways to deliver health care).

Kohler is also being tested now that Kaiser has pulled out of former Gov. Kitzhaber's Oregon Health Plan, leaving OHSU as the sole provider for OHP patients. These issues consume Dr. Kohler's day.

CHANGING STATUS—In '95 Dr. Kohler's business leadership was tested when he led the conversion of OHSU from a state agency to a public corporation. It was tested again when he helped lead the merger of OHSU and the Oregon Graduate Institute, so that OHSU researchers could take better statistical advantage of the completion of the Human Genome Project. And it was tested again with the passage of The Oregon Opportunity campaign in the '01 Legislature.

BIOTECH—But perhaps at no time will Dr. Kohler's leadership be tested more than now as OHSU prepares to make the leap to a North Macadam Campus. The rationale for the expansion is based on OHSU projections/promises that public and private investment will make Oregon a commercial player in the nation's biotech field. Kohler has done a good job convincing state and local politicians of the biotech promise.