

UConn HEALTH

Appropriations Committee Testimony

Dr. Andy Agwunobi,
CEO of UConn Health

March 7, 2019

Good morning.

I am Dr. Andrew Agwunobi, the Chief Executive Officer of UConn Health.

Joining me today is Jeff Geoghegan, our Chief Financial Officer.

Like the President, I too have submitted a packet of documents to the Committee with information about UConn Health. The materials provide information about our budget, the work that we do, and the status of Bioscience Connecticut. In the interest of time, I will not go through that material, but will provide some brief comments and then will gladly take your questions.

I want to begin by thanking you for your support of UConn Health. As you know, UConn Health is Connecticut's only public academic medical center. Our mission is three-fold:

- We provide outstanding **medical and dental education** to the next generation of doctors, dentists and biomedical scientists;
- We provide cutting-edge **research** that improves health, fosters innovation, brings external funding into our state, and spurs economic growth; and
- We provide exceptional **patient care**.

The investments that the state has made in UConn Health over the past 10 years have truly been transformative.

I know that many of you have been out to UConn Health in recent years to see the campus. For those of you that have not yet had the chance to do so, I encourage you to come and see us. Our facilities – most of which had not been updated in 40-50 years – now include 21st Century research labs, technology and educational spaces that prepare our students to be exceptional doctors and dentists in today's hi-tech and rapidly changing healthcare environment, and state-of-the-art clinical care spaces.

These capital investments – together with the appropriations provided – have enabled both UConn and the State to make tremendous strides in each pillar of our mission.

In Education: Our Medical and Dental Schools have *exceptional* reputations nationally and – thanks to Bioscience Connecticut – are now **educating more students than ever** to ensure that Connecticut has a stable, high-quality healthcare workforce to care for our citizens now and in the future.

We provide this **exceptional education** to our students – the vast majority of whom come from Connecticut homes – at a **more affordable cost** than our private school counterparts, so that these outstanding Connecticut students do not carry as much debt when they begin their careers.

Our **graduates remain in Connecticut** to train, and later choose Connecticut to practice in their fields, at far higher rates than any other school in the state.

You will meet some these extraordinary students later tonight.

In addition to our Medical and Dental students, UConn Health sponsors Residency Programs that place nearly 800 medical and dental school graduates in residency programs throughout Central Connecticut hospitals, **addressing a critical workforce need and bringing in almost \$120 million annually in federal funds to CT** hospitals to support these jobs.

But these programs sponsored by UConn add much more to the state economy than even the value of those jobs. Residents are generally young professionals who come to or stay in Connecticut to train in their fields of specialty after they graduate medical or dental school – they buy homes, raise families, shop in our stores and eat in our restaurants, in addition to providing medical and dental care to our citizens.

In Research: UConn Health brings in nearly **\$100 million in external research grants** annually – these are primarily funds from the federal government, and private and non-profit organizations.

Again, the vast majority of these funds are used to support jobs in our state: PhDs, research assistants, lab technicians, and others, as well as scientists in training such as Master's and PhD students and fellows.

The exciting work of our researchers not only serves as a foundation for future medical breakthroughs, it is also a future economic driver for the state, spurring patents and spin-off start-up companies.

Some of those start-up companies are housed in UConn's Technology Incubation Program (or "TIP"). TIP is a program that we were able to expand as part of Bioscience

Connecticut, to help accelerate the growth and success of start-up bioscience and high-tech companies in our state.

UConn Health's TIP has been highly successful since its expansion in 2015 and, indeed, other entities are looking to model their technology incubation centers after it. At the close of Calendar Year 2018, our TIP had 30 start-ups on site, and a waiting list of companies seeking space. These companies garnered \$97 million in debt and equity, \$13 million in grants and revenues, employed over 140 full and part-time employees and paid nearly \$1 million in taxes to the State. These companies are creating an ecosystem of bioscience knowledge and commercialization in the State that is growing.

Our **partnership with The Jackson Laboratory** is also growing and deepening. It includes collaborative hiring of 5 Joint UConn-JAX faculty members, and 22 JAX scientists with faculty appointments at UConn. We have shared investments with JAX in high-tech research equipment that would be difficult for each of us separately to fund, and that makes us more competitive to win grant funding. So far, UConn and JAX have jointly applied for \$108m in grant funding, \$33m of which has already been awarded.

In Patient Care: Our patient care enterprise is steadily growing due to a combination of the hiring of extremely high quality physicians, and the opening of our new hospital tower and outpatient facility. We have over 1 million outpatient visits and over 10,000 inpatient visits annually and this is growing rapidly. Both our inpatient and outpatient **volumes have grown by approximately 4% over last year.** Our market share in the Farmington Valley is growing. Our hospital is frequently nearly full, and our Operating Room suites often run at maximum capacity.

Budget

This growth is good news because the majority of UConn Health's revenues come from our clinical operations. **Our overall budget at UConn Health is over \$1 billion, and 51% of that is paid for with patient clinical revenues.** So growing those revenues have been a big part of our strategy to cover rising costs.

In fact, the state appropriation covers **just 23% of UConn Health's** overall operating budget. And you might also be interested to know that - in actual dollars - UConn Health receives **less state operating dollars this year**, in 2019, than it received in FY 2010.

Like UConn, UConn Health uses every dollar it receives from the General Fund for employee salaries, so as UConn Health has grown by 73% as an institution over the past decade (from a total budget of \$685.8 in FY09 to \$1.2 billion in FY19), we really have been relying primarily on growth in clinical revenues, grant funds, and other contracts and programs to fuel our operating growth, rather than relying on increased state funding.

I am also proud to report that we have successfully undertaken focused, measured financial improvement plans each year, that have saved us significant dollars and have enabled us to control the growth of our expenses, even in very-high growth expense areas like pharmaceuticals. Our FY19 financial improvement plan aims to save \$22.3 million this year, and we are currently on target to meet that goal.

Unfortunately, rising fringe benefit costs are outstripping our efforts to grow revenues and control expenses. These rising fringe costs have reached the point of becoming unsustainable.

Please know that, although we have been running operational deficits in recent years, we have **not come back to the state to ask for deficiency funding** for the past 10 years, because we have been managing these deficits internally. We've done this primarily by using dollars budgeted for capital equipment, fixes and upgrades to close the gap.

This year -- Fiscal Year 2019 - UConn Health is **projecting to end the year with an \$18.2 million deficit**. We have set aside operational dollars that we use for capital needs to cover this loss at year's end.

However, with fringe benefit costs projected to balloon in FY20 and FY21, we will not be able to make ends meet in the next biennium. We will need additional help.

In FY20 alone, UConn Health's total fringe benefit costs are projected to be **\$40 million more than last year's costs**. Any business would find it very difficult to find additional revenues or cost savings totaling \$40 million in a given year, never mind a public academic medical center that operates in a highly competitive and regulated environment and receives fixed reimbursements for many of its services.

Our current projections for FY20 show that **we will need additional funding, approximately \$30 million** - on top of the Governor's proposed budget - to ensure a positive cash balance throughout the year.

State fringe benefit rates are set by the Office of the Comptroller and are charged to entities like UConn Health that are not fully funded by the General Fund. The General Fund currently reimburses UConn Health for the fringe benefit costs of those employees whose salaries are paid for using the state appropriation.

As I mentioned previously, all the operational dollars that UConn Health receives from the state is used on salaries, and those dollars currently cover 38% of our employees. Therefore, the Comptroller's Office reimburses UConn Health for the fringe costs of those employees. **The fringe costs associated with the remaining 62% of our employees must be paid using UConn Health's clinical funds, grant funds, tuition and other non-state revenues.**

Last Fiscal Year, in FY18, the fringe costs that UConn Health paid from its *non-state revenues* was approximately \$109 million. This Fiscal Year, we expect that to grow to

\$130 million, and next FY – in FY20 – we expect to have to fund *\$151 million from non-state revenues to cover fringe costs*. This is simply not feasible.

The Legislature has directed UConn Health to explore possible public-private partnerships to put us on a sustainable path. We have done so, putting out a Solicitation of Interest last fall, and we are currently evaluating options.

It has become clear, however, that **with or without a partnership**, the high fringe benefit costs are an impediment that must be addressed. Furthermore, any potential partnership would not yield financial benefit to UConn Health in the upcoming biennium. Therefore, we will need to work together to determine how best to address this critical issue. We have already engaged OPM and the Governor's Office, and will continue to work with them as well.

The State has invested so much in our public academic medical center. And because of that investment, we are thriving in so many ways – in educating our future medical professionals, growing Connecticut's Bioscience economy, and providing fantastic clinical care, often to our state's most needy. We need to find a solution to these rising state costs that are being imposed on UConn Health, so that we can continue to deliver on these investments.

Thank you all for your leadership; I am happy to answer any questions that the Committee may have.



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Connecticut's Public Academic Health Center

Education

School of Medicine
School of Dental Medicine
Graduate School

Patient Care

John Dempsey Hospital
UConn Medical Group
University Dentists

Biomedical Sciences and Research

Residency Training
(Graduate Medical Education)



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UConn Health – A Snapshot

- **Integrated 3-Part Mission:** Education, Research, Patient Care
- **UConn Health Includes:** The UConn School of Medicine; UConn School of Dental Medicine; the Graduate School (Biomedical Sciences, Public Health, Clinical & Translational Research, Dental Sciences); John Dempsey Hospital; UConn Medical Group (outpatient services); UConn Dental Clinics; Research Laboratories; and technology incubation facilities for start-up companies.
- **Budget:** Annual Operating Budget of > \$1 billion
- **Employees:** Employing nearly 4500 full- and part-time individuals working as doctors, dentists, mental health professionals, nurses, residents, research assistants, technicians, and many other positions.
- **Serving the Underserved:** **Single largest provider** in the State of dental services to Medicaid recipients and the under- and un-insured; and nearly ¼ of **inpatient hospital and outpatient visits** are from those enrolled in Medicaid.
- **Medical & Dental Residency:** In addition to our Medical and Dental students, UConn Health sponsors a Medical and Dental Residency Program that places nearly 800 medical and dental school graduates in residency programs throughout Central Connecticut hospitals, **addressing a critical workforce need** and bringing in **nearly \$120 million annually in federal funds to CT hospitals** to support these jobs.

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Education

School of Medicine

- 408 Students
- 675 Residents

School of Dental Medicine

- 189 Students
- 114 Residents

Highlights

- Shared Medical & Dental Curriculum in Years 1-2
- Early Clinical Exposure
- Curriculum Reform
- Team-Based Learning
- Outstanding National Boards Performance
- Outstanding Residency Placement
- Leadership in Undergraduate & Graduate Medical Education
- Continuing Medical Education – Accreditation with Commendation
- Statewide Community Partnerships & Community Outreach Programs

Education

The Graduate School

- 147 PhD Students
- 155 Masters Students
- 22 Graduate Certificate Students



Programs

Public Health (PhD, MPH)

- Social & Behavioral Health
- Occupational & Environmental Health

Clinical & Translational Research (MS-CTR)

- Masters Degree

Biomedical Science (PhD)

- Cell Analysis & Modeling
- Cell Biology
- Genetics & Developmental Biology
- Immunology
- Molecular Biology & Chemistry
- Neuroscience
- Skeletal Biology & Regeneration

Dental Science (MDS)

- Masters Degree

Combined Degree Programs

MD

- MD/PhD
- MD/MPH
- MD/MBA

DMD

- DMD/PhD
- DMD/MPH

PhD

- PhD/MBA

Residency Training/Graduate Medical Education

A Partner and Resource to Other Hospitals & the State

- UConn Health has 789 residents (675 medical and 114 dental) who train and provide patient care in local hospitals and dozens of community settings in more than 28 communities across the state
- UConn Residency Programs are critical to **ensuring the future medical and dental workforce in our State**, contribute to the **quality of healthcare service** in the participating hospitals, and bring in **additional Medicare reimbursement revenues** to Connecticut.

Hospitals FY 17	Graduate Medical Education & Indirect Medical Education Reimbursement
CT Children's	\$3.0 million
Hartford Hospital	\$47.5 million
Hospital of Central Connecticut	\$7.1 million
UConn John Dempsey Hospital	\$27.2 million
St. Francis Hospital	\$32.5 million
TOTAL	\$117.3 million

UConn residents provide care

in: Hartford, Bridgeport, New Britain, Middletown, East Hartford, Manchester, Waterbury, Norwich, New Haven, Derby, Willimantic, Putnam, Torrington, Farmington, West Hartford, Meriden, Suffield, Cheshire, Bloomfield, Danbury, Enfield, Glastonbury, Hamden, Newtown, Plainville, Storrs, Uncasville and Newington

Patient Care/Clinical Services

Key Service Statistics (FY18)

- 10,228 inpatient discharges
- 1,097,518 outpatient encounters
- 89,147 dental clinic visits at UConn Health sites

All UConn Health clinical care venues serve as sites for teaching and learning and are essential for attracting talented faculty who teach, do research and provide patient care.

- **John Dempsey Hospital (JDH):** an acute care university teaching hospital licensed for 234 beds
- **UConn Medical Group (UMG):** one of the region's largest multi-specialty faculty clinical group practices
- **University Dentists and UConn Dental Clinics:** faculty and resident dental care practices

Locations

- In addition to the main campus in Farmington, UConn Health provides outpatient services in Avon, Canton, E. Hartford, Simsbury, Southington, Storrs Center, and W. Hartford.
- UConn Dental Clinics are located in Farmington, West Hartford and Storrs; and our residents and faculty also provide services at 12 other sites across the state.

An Essential Healthcare Provider to Connecticut's Underserved Citizens

UConn John Dempsey Hospital

- Medicaid inpatient days as a percentage of total inpatient days = 23.1%

Service to Medicaid Patients FY18

UConn Medical Group

20.96% of visits were Medicaid patients

UConn Dental Clinics

- Single largest provider of dental services to Medicaid recipients and the under- and uninsured
- 55% of patient visits to the UConn Health Dental Clinics are Medicaid clients (locations in Farmington, West Hartford and Storrs)

A Resource to the Community and the State

Community Service

UConn physicians, dentists, residents, medical and dental students provide **thousands of hours** of free healthcare to Connecticut's most medically vulnerable citizens, for example:

- Migrant Farm Worker Clinic
- South Park Inn Medical Clinic (Hartford)
- South Marshall Street Homeless Clinic (Hartford)
- YMCA Adolescent Girls Medical Clinic (Hartford)
- Camp Courant Dental Screening Program
- Covenant House (Willimantic)
- Urban Service Track/AHEC Scholars (Provides 60+ community-based programs annually throughout CT)
- CT Mission of Mercy
- Special Olympics
- New London Homeless Hospitality Center (AHEC)
- St. Vincent DePaul Soup Kitchen (AHEC)

Building & Developing the Healthcare Provider Pipeline for Connecticut

Initiatives to grow the number of under-represented minorities enrolled in healthcare education and increase the number of healthcare professionals practicing in urban settings and other areas across the state:

- AETNA Health Professions Partnership Initiative Area Health Education Center program (AHEC), based in Farmington with 4 regional centers providing services throughout CT. Offices in Hartford, Norwich, Shelton & Waterbury
- CT AHEC Network Pipeline Programs: Youth Health Service Corps, Collegiate Health Service Corps, AmeriCorps & STEM programs for high school students
- Veterans' and Mental Health First Aid
- State Innovation Model Grant support – Community Health Worker Workforce Development
- Urban Service Track/AHEC Scholars – promoting primary care and public health for health professions students with a passion for vulnerable underserved communities (urban and rural)

UConn Health - One of Connecticut's Successes

Critical Source of the State's Health Care Professionals – Educating the Next Generation

- 37% of UConn School of Medicine (SOM) graduates practice in the State
- 44% of UConn School of Dental Medicine (SODM) graduates practice in the State
- 73% of the SOM and 48% of the SODM first year students this year are Connecticut residents
- 20% of the SOM and 29% of the SODM's 2018 first-year class are under-represented/minority students

Economic Driver for the Region and the State

- Catalyst for new biomedical and biotech jobs, e.g. Stem cell, genomics and personalized medicine
- Generates nearly **\$1.5 billion** in overall economic impact to the State
- State-of-the-art incubator space for small startup businesses
- Robust clinical enterprise

Major Employer in the State

- Nearly 4,500 employees from 155 different Connecticut towns

UConn Research & Innovation (Storrs/Regionals & UConn Health)

UConn Sponsored Program Activity*	FY18
Annual Grant Expenditures (\$M)	\$140
Proposals (\$M)	\$693
Grants Awarded (\$M)	\$164
Average Grant Award Size/Faculty	\$143,221
UConn Health Sponsored Program Activity*	FY18
Annual Grant Expenditures (\$M)	\$79
Proposals (\$M)	\$549
Grants Awarded (\$M)	\$94
Average Grant Award Size/Faculty	\$286,120

* Includes all Sponsored Program activity (both Research and Education & Service projects)

Importance of Grant-Funded Research Expenditures

- Creates Jobs – allows the hiring of residents, fellows, research assistants and others
- Supports and is an integral part of the education of undergraduate and graduate students
- Furthers discovery and improved health and well-being of our citizens
- Brings in revenues to the University
- Critical part of the pipeline that attracts and builds new start-up companies and business in the State

UConn Research & Innovation: Commercialization & Company Creation Technology Incubation Program (TIP)



**Moving technology from the lab
to the market at UConn Storrs
and UConn Health in Farmington**

FY2018

- **\$76 M** raised in debt & equity funding
- **\$21M** raised in revenue from sales and grants
- **40** companies located at the incubator – largest # in program history
- **118** full-time & **53** part-time jobs
- **96%** of incubator space occupied
- **\$786,000** in taxes paid

Farmington TIP

Debt and Equity	\$75M
Sales & Grants	\$19M
# of Companies	31
Full-Time	98
Part-Time	39
% Occupied	98%
Taxes Paid	\$734,000

UConn Collaborations with The Jackson Laboratories

UConn/JAX Collaborative Grants to Date

Joint Grant Submissions	Value
Awarded	\$33.4 million
Pending	\$74.6 million
Total	\$108 million

Joint Hires

- 5 Joint UConn/JAX hires

Exceptional Educational Opportunities

- 22 JAX faculty have UConn graduate faculty appointments
- 21 UConn Biomedical Science PhD students are doing their dissertation research with JAX faculty
- 43 lab rotations have been done with JAX faculty

Development of Single Cell Genomics Center

- \$7.7 million three-year joint investment in equipment-based research core with cutting edge, high tech research equipment
- Enables equipment too expensive to support separately to be economically viable on a shared basis.
- Grants awarded to date using the Center total nearly \$5m

Precision Medicine/Stem Cell Initiative

- Pursuing joint stem cell/precision medicine initiatives

Metabolic Research Alliance

- Established jointly by UConn, JAX, the Weizmann Institute of Science and Yale University
- Research teams from the institutions have developed collaborative proposals and are pursuing grant opportunities together.

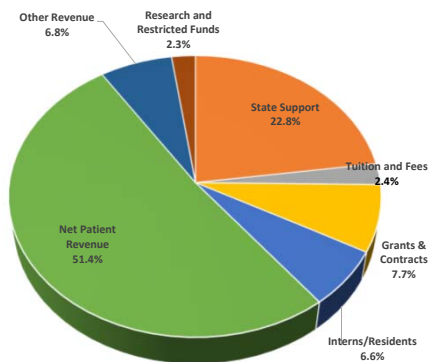
Joint UConn/JAX Workshops

- Numerous joint UConn/JAX workshops and symposiums have been held to share information and grow collaborations, including a recent event to share the latest brain cancer research and treatment.

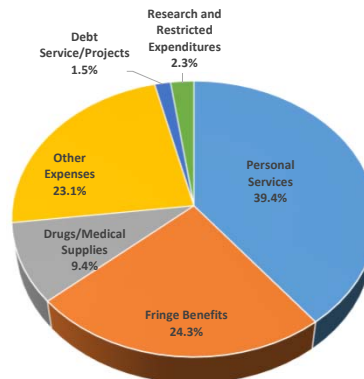
Budget

UConn Health FY19 Budget

Revenue Budget \$1,047.6M



Expenditure Budget \$1,047.6M



UConn Health's FY19 Operating Budget

UConn Health is projecting a \$18.2 million operating loss for FY19.

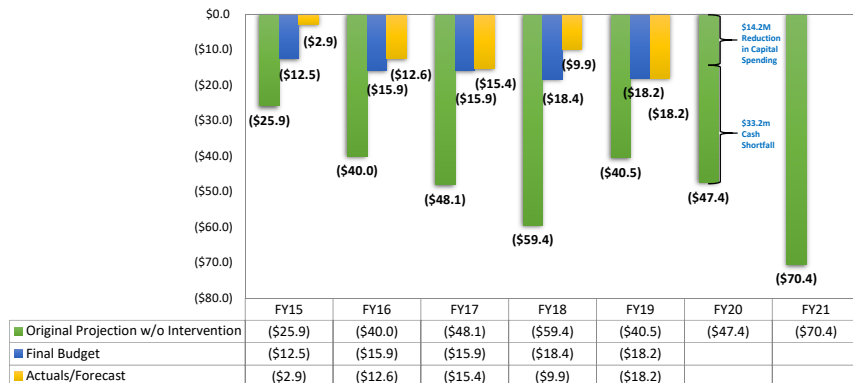
Notwithstanding this operating loss, UConn Health presented a balanced budget to the Board; capital spending will be reduced in FY19 to balance the budget.

Revenues (\$M)		Expenditures (\$M)	
Appropriation	123.3	Personal Services	412.5
Fringe Benefits & Adjustments	115.5	Fringe Benefits	254.1
Total State Support	\$ 238.8	Drugs/Medical Supplies	98.6
Tuition and Fees	25.5	Other Expenses**	242.5
Grants & Contracts	80.2	Depreciation	34.4
Interns/Residents	69.0		
Net Patient Revenue	538.3		
Other Revenue	72.1		
Total Operating Fund	\$ 1,023.9	Total Operating Fund	\$ 1,042.1
		Net Gain/(Loss)	\$ (18.2)

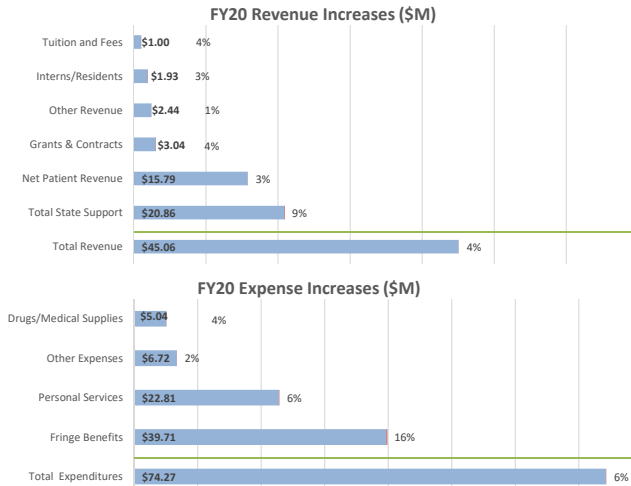
**Other Expenses includes items such as Medical/Dental House Staff, Medical Contractual Support, Utilities, Insurance and Repairs/Maintenance

Budget Projections

UConn Health is projected to face deficits in FY20 and FY21 that it cannot cover on its own. After reducing capital spending, UConn Health will still face a shortfall of > \$30 million.



FY20 Estimated Budget Increases Revenues and Expenses



In FY20
Revenues are
estimated to increase
by **\$45.06M** or **4.0%**

vs.

Expenses are
estimated to increase
by **\$74.27M** or **6%**

These increased
costs, when added to
the FY19 shortfall of
\$18.2M result in a
projected loss of
\$47.4M for FY20.

FY20 Estimated Budget Increases

Increased Revenue Estimates are Based on the Following:

- State appropriation per Governor's proposed budget
 - Includes Reserve for Salary Adjustment (for SEBAC increases) and Bioscience CT at original plan
- Increased fringe reimbursement from the Comptroller for block grant supported employees, due to increased fringe costs
- 3.5% increase in tuition and fees per BOT approval
- 3.0% volume increase in net patient revenue

Increased Expense Estimates are Based on the Following:

- 5.5% increase in salaries based on SEBAC agreement (~\$22M)
- Fringe benefit cost increases due to:
 - Increase in salaries per SEBAC agreement (~\$9M)
 - Higher fringe costs for employees transferring to SERS under the SAG award (~\$20M)
 - Estimated annual Comptroller increase in fringe rates (~\$11M)

Extensive Cost Savings and Strategic Growth Initiatives

Extensive Cost Savings Efforts:

FY 14-16 Total Savings \$13.7m: Financial Improvement Project 1.0 (Berkley Research Group)
FY 17 Total Savings \$11.1m: Financial Improvement Project 2.0
FY 18 Total Savings \$12.3m: Financial Improvement Project 3.0

Current Cost Savings Efforts:

FY 19 Total Estimated Savings \$22.3m: Financial Improvement Project 4.0

- ✓ **Clinical Initiatives** – Contract pharmacy revenue, provider productivity, contracts review, Scribe implementation
- ✓ **Workforce Initiatives** - Restricted hiring to only vital positions
- ✓ **Non-Labor** – Extensive contract improvements yielding savings on medical devices, pharmaceuticals, lab supplies, Surgery, Radiology
- ✓ **Workers' Compensation** – Incident Review

Strategic Growth Initiatives:

- Increase clinical volume through strategic faculty-clinician hiring
- Identified new patient revenue streams (Enhanced payments for physician services)
- Other new revenue generating initiatives (340B retail pharmacy contracts)

State Support

Reductions Taken after State Appropriation Established

UConn Health - Reductions, Fringe (lost) and Fund Sweeps (\$M)						
	Appropriation	Reduction	Actual Allotment	Lost Fringe due to Reduction	Fund Sweeps	Total Cut
FY10	119.0	(1.2)	117.8	(0.5)	(10.0)	(11.7)
FY11	119.3	(0.2)	119.1	(0.1)	(10.0)	(10.3)
FY12	109.7	(1.2)	108.5	(0.6)	-	(1.8)
FY13	112.7	(4.1)	108.6	(2.0)	-	(6.1)
FY14	125.5	(0.5)	125.0	(0.3)	-	(0.8)
FY15	135.4	(4.2)	131.2	(2.4)	-	(6.6)
FY16	144.3	(0.4)	143.9	(0.9)	(4.0)	(5.3)
FY17	134.5	(5.3)	129.2	(3.5)	-	(8.8)
FY18	122.4	(4.7)	117.7	(3.3)	-	(8.0)
FY19	123.0	(3.8)	119.2	(3.0)	-	(6.8)
TOTAL		\$ (25.6)		\$ (16.6)	\$ (24.0)	\$ (66.2)

Public-Private Partnership Exploration

Key Reasons for Seeking a Public Private Partnership

1. Provide long term financial sustainability
2. Address challenges of surrounding hospital consolidation
3. Enhance funding for the academic and research missions
4. Comply with the directive by the Legislature

Our Direction

- **Leverage our strengths (academics, new facilities, campus, population) to explore public-private partnership(s)** that will address the challenges of our clinical enterprise so that we can strengthen our academic differentiation.
- **As we explore partnerships, grow and strengthen our clinical enterprise.**
- **Always focus on supporting the pre-eminence of our Academic mission.**

Directive by Legislature

Public Act 17-2 (June Special Session):

Sec. 60. *(Effective from passage)* The University of Connecticut Health Center Board of Directors, established pursuant to subsection (c) of section 10a-104 of the general statutes, ***shall seek to establish public-private partnerships with hospitals or other private entities selected by the board.*** Not later than April 1, 2018, the board shall submit a report concerning the status of such partnerships and any recommended legislation to the joint standing committees of the General Assembly having cognizance of matters relating to higher education, public health and appropriations, in accordance with the provisions of section 11-4a of the general statutes.

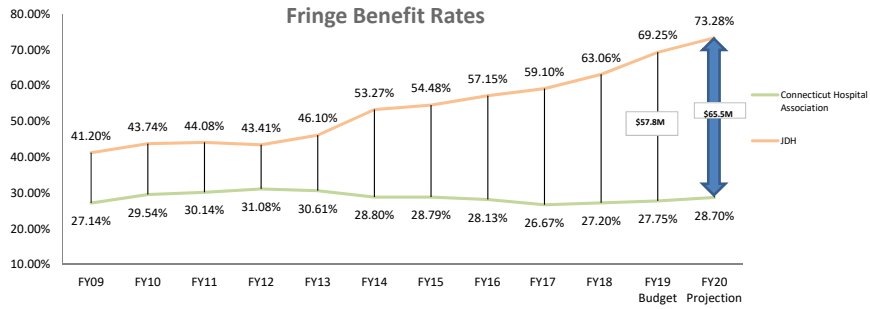
Long-Term Financial Sustainability

Rising State Fringe Benefit Costs & Fringe Differential

John Dempsey Hospital Only

The State's fringe benefit rates have risen steeply in recent years, while rates at other CT hospitals have remained relatively stable.

Much of the increase in the state's fringe benefit rate in recent years is due to the State's unfunded pension liability.

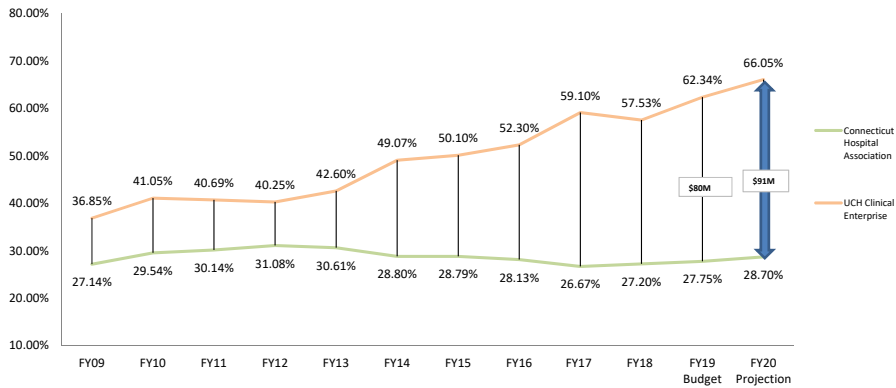


For FY20, the difference in rates is expected to result in over \$65.5M of additional costs to run JDH compared to other area hospitals.

UConn Health receives some Fringe Benefit support from the state in the amount of \$13.5M, resulting in a gap of nearly \$52.0M.

Fringe Benefit Differential

UCH's Whole Clinical Enterprise – UMG and JDH



For FY20, the difference in rates is expected to result in over \$91M of additional costs to run the clinical enterprise compared to other area hospitals.

UConn Health receives some Fringe Benefit support from the state in the amount of \$13.5M, resulting in a gap of nearly \$77.5M.

Fringe Benefit Rate Components

The State Employees Retirement System (SERS) fringe rate has several components, the largest is attributed to the unfunded pension liability.

The following example reflects an employee with a salary of approximately \$80,000, on SERS and with a family insurance plan (health/dental/pharmacy).

Salary	\$ 79,828		
State Retirement (SERS)*	51,329	64.30%	
FICA SS & Medicare	6,107	7.65%	
Unemployment Compensation	184	0.23%	
Health and Group Life Insurance **	25,000	31.32%	
Total Fringe Benefits	\$ 82,620	103.50%	

Unfunded Pension Liability	33.61%
Retiree Health	20.94%
Normal/Current Retire. Costs	5.30%
Other Post Employ. Benefit Costs (OPEB)	2.86%
Administrative Costs & Adjustments	1.59%
Total	64.30%

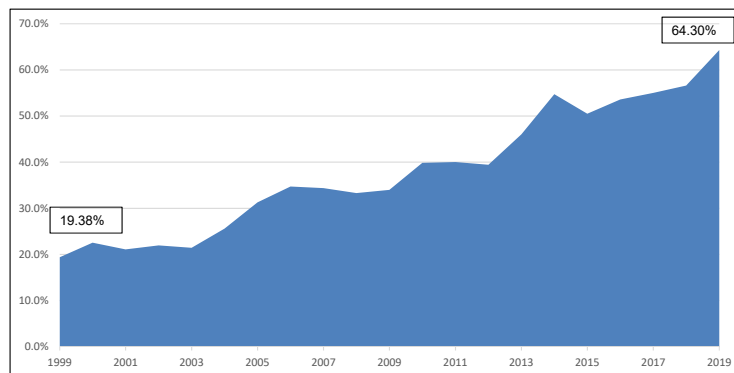
* Other retirement options are available for some higher education employees (through the Alternate Retirement Plan (ARP) - which is similar to a traditional 401K retirement plan). The ARP rate is 14.50%, a much lower rate than SERS, mainly because it does not include any unfunded liability. About 37% of UConn Health employees have chosen ARP; while 63% have chosen SERS.

** Health Insurance costs vary based on coverage selected. UCH pays the actual cost of the health insurance. It is not based on a rate.

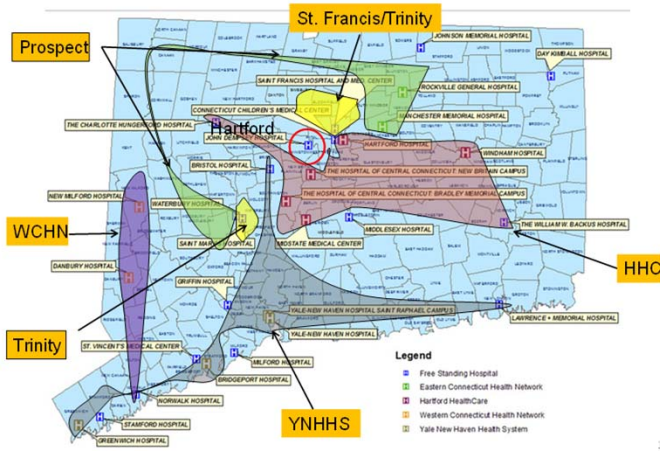
The state covers fringe costs for 38% of UCH employees; UConn Health non-state operating revenues cover the remainder.

Fringe Benefit Rate Components - SERS

The SERS fringe rate has risen dramatically over the last 20 years, with large increases in FY14 and FY19.



Market Consolidation - A Key Affiliation Imperative



Public-Private Partnership Exploration

Scope – Process - Status

Public-Private Partnership Scope

UConn Health is exploring a public-private partnership(s) for all or a portion of the *clinical enterprise*, comprised of John Dempsey Hospital and UConn Medical Group.

The Research and Academic enterprises (i.e. UConn Medical, Dental and Graduate Schools) are *not* part of the partnership exploration.

UConn Health - An Attractive Partner

- Premier public Academic Medical Center – many entities desire university partners
- One of the best campuses in the state
- Phenomenal healthcare providers
- Patient and market share is growing
- Finances have been steadily improving
- Medical and Dental Schools with excellent reputations
- Scientists engaging in groundbreaking research
- Growing role in commercialization and entrepreneurship and growing the state's economy

Public-Private Partnership

Process



Public-Private Partnership

Status

- The proposals that UConn Health received pursuant to the Solicitation of Interest did not meet our stated goals.
- Although we did not accept the specific proposals submitted, we are determining whether some of the respondents may be interested in developing new proposals that would meet our goals.
- Any such discussions will take some time and input from internal and external stakeholders, including legislators and unions.
- What has become clear, however, is that ballooning fringe benefit costs charged to UConn Health are a significant barrier to potential partnership(s), and that financial stability for UConn Health will not be achieved over the next biennium through a partnership.

Bioscience Connecticut UConn Health's Capital Program

Bioscience Connecticut (P.A. 11-75)

Making Connecticut a Leader in Bioscience Goals:

- Stimulate short and long term economic activity/job creation
- Spur bioscience innovation
- Meet healthcare needs of Connecticut's future
- Provide access to state-of-the-art care

Through March 1, 2019, Bioscience Connecticut facilities and infrastructure projects are 98% complete.

All projects are expected to be completed in Spring 2019.

Facilities and Infrastructure

Construction Jobs

- Over 6,200 jobs created through March 1, 2019
- Over 3,142,000 hours worked on the project
- 85% of construction contracts awarded to CT companies - valued at \$435 million
- Hospital Project Veteran worker participation – 3% (41,855 hours worked)

Small/Minority-Owned Business Participation

CONTRACTOR TYPE (ALL PROJECTS)	REQUIREMENT	PROJECTED
Small Businesses	25%	36%
Minority/Women/ Disadvantaged – Owned Businesses	6.25%	23%

New Hospital Tower



- 169 private rooms
- New and expanded Emergency Department
- New Operating Rooms
- Opened: May 2016

Research Space Renovation



- Renovated 205,000 SF of 238,000 SF of existing UCH laboratories/research facilities
- Two projects, all work completed May 2017
- 28,000 sq. ft. incubator lab addition to Cell & Genome Sciences Building to foster new bioscience and biotech business start-ups (i.e. TIP): Completed January 2016

Education Construction



- Addition and Renovations to Academic Building
- Allowed for 30% enrollment growth in Medical and Dental Schools
- Supports new, modern curriculum, including Team Based Learning (MDelta)
- Construction completion: Addition - Summer 2016; Renovations – May 2017

Outpatient Pavilion



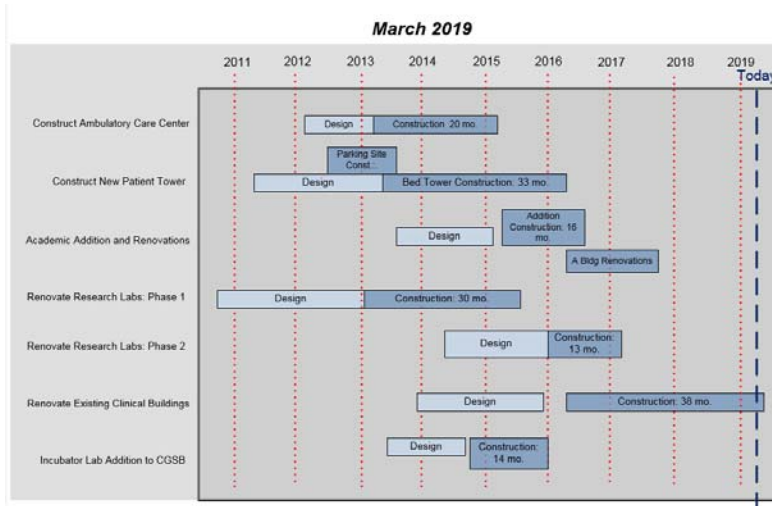
- 306,000 sq. ft., state-of-the-art, multispecialty outpatient clinical building on lower campus (opened in January 2015)
- 1400 car parking garage (opened in November 2013)
- Private financing through TIAA-CREF \$203M

Jackson Laboratory for Genomic Medicine

- Internationally renowned research leader
- New building on lower Health Center campus dedicated to personalized medicine
- Collaborating with universities and hospitals in the region
- Opened October 2014



Bioscience Connecticut – Facilities Construction Timeline



UConn HEALTH

Connecticut's Only Public Academic Medical Center

Teaching the Doctors, Dentists and Scientists of Tomorrow

- Affordable tuition for Connecticut residents combined with top-rated education provides Connecticut's future doctors, dentists and scientists – ensuring access to top-quality healthcare services for our citizens
- 600 students in UConn's Medical and Dental Schools
- 300 students in Graduate degree and certificate programs
- UConn's Dental School is among the top in nation, and is the only dental school in Connecticut
- 91% of UConn Medical School and 87% of UConn Dental School students are Connecticut residents
- 50% of all practicing dentists in Connecticut have connections to UConn Dental (as students, residents and/or educators)
- Home to the UConn Medical and Dental Residency Programs, with over 800 residents annually providing critical healthcare resources to Metro Hartford area hospitals and community facilities throughout the State

An Economic Driver for Connecticut

- Bringing in nearly \$100 million in research grants and contracts from outside the State
- UConn Health's Residency Programs drive >\$110 million in federal funds annually to hospitals throughout Central Connecticut, used to provide medical resident jobs
- UConn's Technology Incubation Program (TIP) enables start-up biotech companies to commercialize their discoveries and medical device products, helping to fuel Connecticut's bioscience industry and revenue base
- UConn's Medical, Dental, Graduate and Residency programs provide a skilled workforce for healthcare, bioscience and biotech companies located in or looking to locate in Connecticut
- Forming a hub for bioscience & biotech research and education – and company and product development – along with industry partners such as The Jackson Laboratory
- Nearly \$1.5 billion in economic impact for the region and the State

Serving Patients & the Community, Including Thousands of Underserved Citizens

- UConn Health's John Dempsey Hospital is Connecticut's only public hospital, providing cutting-edge patient care supported by academic research, outstanding faculty and award-winning safety ratings
- Over 1 million patient visits annually, nearly 1 in 4 of which provided to Medicaid recipients
- Over 132,000 dental visits per year by UConn providers; single largest provider of dental services to Medicaid recipients and the under- and uninsured (nearly 60% of all patient dental visits)
- UConn physicians, dentists, residents, and medical and dental students provide thousands of hours of free healthcare to Connecticut's most medically vulnerable citizens, e.g., Migrant Farm Worker Clinics (throughout the State), South Park Inn Medical Clinic (Hartford), Camp Courant Dental Screening Program, Covenant Soup Kitchen Clinic (Willimantic), Homeless Hospitality Center Clinic (New London), St. Vincent de Paul Place Clinic (Norwich)
- UConn's Urban Service Track/AHEC Scholars Program instills in its health profession students the commitment to serve Connecticut's medically underserved, and provides ~65 community-based programs annually throughout the State

THE UNIVERSITY

- Founded 1881
- Main Campus: Storrs
- 4 Regional Campuses: Avery Point, Hartford, Stamford, Waterbury
- School of Law and Graduate Business Learning Center: Hartford
- School of Social Work: Hartford
- UConn Health: Farmington (Schools of Medicine & Dental Medicine, graduate programs, medical & dental clinics, UConn John Dempsey Hospital), and UConn Health at Downtown Storrs
- Land Grant & Sea Grant college, Space Grant Consortium institution
- Storrs & Regionals ≈4,100 acres; UConn Health ≈200 acres

INITIATIVES

UConn 2000 – As of FY18:

- \$3.3 billion in State GO bonds have been authorized
- \$3.7 billion in construction-related contracts issued from all fund sources
 - 64% of funds to Connecticut contractors
 - 20% to set-aside contractors
- Bond Credit Ratings by Fitch, Moody's, and Standard & Poor's remain consistently strong

Next Generation Connecticut

- Next Generation Connecticut: \$1.5 billion capital investment over 13 years includes construction, renovations, infrastructure, and equipment

Bioscience Connecticut

- Bioscience Connecticut: \$864 million investment in genomics and personalized medicine



STUDENTS | FALL 2018

Academic Programs & Degrees

14 Schools & Colleges

Agriculture, Health & Natural Resources; Business; Dental Medicine; Neag Education; Engineering; Fine Arts; Graduate; Law; Liberal Arts & Sciences; Medicine; Nursing; Pharmacy; Ratcliffe Hicks; Social Work

8 undergraduate degrees: 116 majors

17 graduate degrees: 88 research and professional practice fields of study

6 professional degree programs (J.D., LL.M., M.D., D.M.D., Pharm.D., S.J.D.)

Degrees 2017-18		8,779	
Bachelor's	5,618	Dental Medicine	43
Master's	2,048	Graduate/Professional	
Doctorates	384	Certificates	299
Law (J.D., LL.M.)	131	6 Yr. Education	51
Pharm.D.	98	2 Yr. Agriculture	21
Medicine	86		
Degrees by: Female	54%	Minority	24%

Total Student Enrollment – 32,257

19,133	Undergraduate at Main Campus
4,845	Undergraduate at Regional Campuses
23,978	Subtotal Undergraduate
7,004	Graduate (M.A./Ph.D., including 311 at UConn Health)
496	Law
168	Pharm.D.
425	Medicine
186	Dental Medicine
8,279	Subtotal Graduate/Professional

Entering Freshmen at Main Campus, Fall 2018 – 3,748

- 50.2% were in top 10% of high school class
- 84.1% were in top 25% of high school class
- 70 valedictorians and 78 salutatorians
- 345% more minority freshmen than in Fall 1995
- Since 1995: 2,557 valedictorians and salutatorians enrolled at all campuses

Student Characteristics

	Undergraduate - 23,978	Grad/Professional - 8,279
Female	51%	53%
Minority	35%	20%
International ¹	8%	24%
Connecticut Residents ²	76%	65%

¹ 106 countries were represented in the Fall 2018 international student population.

² 72% of undergraduates on Main Campus are Connecticut residents.

All 169 Connecticut towns and 42 of 50 states are represented in the Fall 2018 total undergraduate student population.

SAT Scores and Retention & Graduation Rates

2018 SAT Scores (Critical Reading and Math)	National High School	Connecticut High School	Main Campus Entering Freshmen
	1068	1053	1306
Main Campus	All	Minority	
Freshmen Retention:	1-Year Rate	93%	92%
Graduation:	4-Year Rate	72%	65%
	6-Year Rate	85%	79%

UConn (Main Campus) ranks 19 out of 58 public research universities in graduation rate for all freshmen and 23 out of 58 public research universities for minority freshmen. (Sources: *U.S. News 2019 America's Best Colleges & 2017 IPEDS Graduation Rate Survey*) UConn (Main Campus) average time to graduate is 4.2 years among those who graduate within 6 years, and ranks 4 out of 58 public research universities.

Total Undergraduate Student Cost – 2018-2019

	In-State	Out-of-State
Tuition, Fees, Room ¹ & Board ²	\$28,604	\$50,972
Tuition & Mandatory Fees	15,730	38,098
Tuition Only	12,848	35,216

¹ 65% of Main Campus undergraduates live in campus housing (101 residential halls).

² Board rate shown reflects the Value Plan, which is the most popular plan available.

Student Financial Aid – Fiscal Year 2018

Financial Aid Support: \$505 Million

	Main Campus/ Regional ¹	UConn Health
Scholarships & Grants	\$192 million	\$6 million
Loans	195 million	18 million
Student Employment	23 million	
Tuition Waivers	71 million	

¹ 38% of all tuition dollars are dedicated to financial aid. Approximately 21,700 students received financial aid packages in FY 2018.



UConn ranks among the Top 25 public universities in the nation

— U.S. News & World Report America's Best Colleges (2018)

BUDGET | FISCAL YEAR 2019

Total Current Funds Budget: \$2.4 billion

MAIN & REGIONAL CAMPUSES

Revenues	In Millions
State Appropriation	\$190.6
Fringe Benefits	156.2
Student Tuition & Fees	739.5
Gifts, Grants & Contracts	212.4
Sales/Services - Auxiliary Enterprises	29.0
Sales/Services - Educational	21.5
All Other Revenues	18.3
Total	\$1,367.5

Expenditures

Academic Services	\$617.5
Research Services	94.6
Student Services	452.9
Operating, Support & Physical Plant Services	202.5
Total	\$1,367.5

UConn Health

Revenues	In Millions
State Appropriation	\$123.3
Fringe Benefits	115.5
Student Tuition & Fees	25.5
Gifts, Grants & Contracts	80.2
Interns & Residents	69.0
Net Patient Care	538.3
Correctional Managed Care	23.7
All Other Revenues	72.1
Total	\$1,047.6

Expenditures

Hospital & Health Services	\$566.9
Correctional Managed Care	203.8
Academic Services	120.2
Research Services	23.7
Operating, Support & Physical Plant Services	133.0
Total	\$1,047.6

STAFF | FALL 2018

Number of Full-time & Part-time Faculty & Staff: 9,469

	Main Campus/Regional	UConn Health
Full-time & Part-time Faculty & Staff	4,969	4,500
Full-time Faculty & Staff	4,768 (96%)	3,466 (77%)
Part-time Faculty & Staff ¹	201 (4%)	1,034 (23%)
Full-time Faculty	1,540	534
Tenured & Tenure Track	1,128 (73%)	181 (34%)
Non-Tenure Track	412 (27%)	353 (66%)
Full-time Staff	3,228	2,954
Full-time & Part-time Faculty		
Female	42%	43%
Minority	20%	36%
Full-time & Part-time Staff		
Female	57%	78%
Minority	14%	27%

¹732 adjunct lecturers teach at least one course at Storrs and regional campuses.

Staff Covered by Collective Bargaining Agreements:

Main Campus & Regional Campuses	90%
UConn Health	94%

ALUMNI AND GIVING

UConn Alumni

- Nearly 258,000 total alumni worldwide.
- More than 138,000 alumni live in Connecticut.

Private Giving Fiscal Year 2018

- In FY 2018 private donations to the University totaled \$82.4 million. Of that amount, \$22.3 million was donated for scholarships and student support, \$45.9 million for program support, \$7.6 million for research, \$2.8 million for faculty support and \$3.8 million for capital improvements.
- Alumni contributed \$51.2 million in FY 2018. Parents and other individuals contributed \$15.2 million. Corporations and organizations added an additional \$16 million.
- Funds made available to support the University in FY 2018 totaled \$25 million.
- The University endowment portfolio was valued at \$447.7 million at the fiscal year-end, including more than \$194 million for scholarships.

RESEARCH, TRAINING AND PUBLIC SERVICE

Fiscal Year 2018 external funding, sponsored awards:

\$258.0 million (excluding financial aid):

Main & Regional Campuses:	\$164.4 million (64%)
UConn Health:	\$ 93.6 million (36%)

Total by Funding Source

Federal: 82.1% State: 6.7% Private/Other: 11.2%

Sponsored Awards at Main & Regional Campuses

Research	78%
Education and Training Programs	22%

Sponsored Awards at UConn Health

Research	75%
Public Service	25%



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