



University of Connecticut
Financial Planning and Management

Lorraine M. Aronson
Vice President

June 24, 2008

To: Members, Board of Trustees

From: Lorraine M. Aronson *LMA*
Vice President and Chief Financial Officer

Daniel L. Upton *DLU*
Chief Financial Officer

Subject: **Spending Plan for the University of Connecticut Health Center for
Fiscal Year 2009**

RECOMMENDATION:

That the Board of Trustees approves the University of Connecticut Health Center Spending Plan for the Fiscal Year 2009.

BACKGROUND:

The Fiscal Year 2009 Spending Plan for the Health Center includes \$747.5 million of revenue, including a state appropriation of \$102.0 million, and \$759.0 million in expenses, yielding a deficit of \$11.5 million. This budget includes planned revenue enhancements and expenditure reductions.

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University of Connecticut
Health Center

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**Fiscal Year 2009
Proposed Operating Budget
Board of Trustees Meeting
June 24, 2008**



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Introduction

- UCHC is in a time of transition
 - We welcome new leadership
 - We are exploring regional partnership in keeping with the CASE recommendations and subsequent legislation
 - We are pursuing cost reduction and revenue enhancement
 - After \$78 million in cost reduction and revenue enhancement since 2000, low-hanging fruit is gone.
 - PWC recommendations fuel new efforts
 - Near-term revenue cycle activity is underway and reflected in '09 budget
 - Productivity enhancement and performance improvement is longer-term
 - Revenue enhancement and cost savings initiatives in the FY 2009 budget total \$9.5 million



- Structural problems persist
 - JDH is undersized and outdated
 - 116 of 224 beds are low-reimbursement specialty (NICU, newborn, high-risk maternity, psychiatry, Correction) unavailable for med/surg activity. For FY08, NICU average loss per case is estimated at \$33,700.
 - JDH carries a unique hospital fringe benefit obligation. The estimated fringe benefit differential for FY 2008 is \$12.5 million.

- UMG must rebalance the physician clinical service mix to enhance revenue while still meeting the needs of a comprehensive medical education program.



– The academic/research enterprise faces challenges

- A tight federal fiscal environment threatens medical education and intensifies competition for the research dollar
- Changing federal direction in research requires restructuring and investment (CTSA)
- Current regional arrangement prevents full cost recovery for the UCHC intern/residency program
- Current SOM and SODM class size may not produce the number of doctors and dentists the region will need



FY 2009 Overview

The proposed budget is \$759 million, which supports “current services” increases and limited new activity:

- essential clinical investment to stimulate growth in patient volume
- strategic positioning in research
- cost efficiencies in management and operations (PWC, IT) require upfront financial support (\$586,000)
- The proposed \$759 million budget shows a deficit of \$11.5 million. It reflects an increase in expenses of \$44.7 million. Revenues are increasing over FY 2008 by \$41.6 million.
- Every effort will be made to reduce the projected FY 2009 deficit through faculty productivity, other performance improvements, and cost reductions.



- Approximately 75% of the \$44.7 million increase in expenses is for current services:
 - \$16.9 million is associated with existing employees (contractual increases, fringe benefit increases, etc.)
 - \$2.2 million is for medical house staff increases
 - \$2.3 million is associated with utilities, repairs and maintenance
 - \$4.2 million is for drugs and medical supplies
 - Approximately \$9.0 million is for purchased services, depreciation and other expenses.
- \$10.1 million is associated with new positions and related fringe

School of Medicine - New Positions (7.6 new Faculty, including 5.5 of Dean/VP and research team)	2,077,000
School of Medicine - New Positions (CICATS)	161,000
School of Dental Medicine - New Positions (Oral Surgeon and U24 researcher)	239,000
Dental Implant Center - New Positions	693,000
John Dempsey Hospital - Net Staffing Impact (Cardiology Space Expansion)	401,000
UConn Medical Group - New Faculty and support staff	2,440,000
Correctional Managed Health Care - Offset by Revenue	754,000
Institutional Support - PWC Recommendations (Decision Support, Project Mgr, Director of Contracts, Cap Purchasing Specialist)	388,000
Institutional Support - New Positions (.5 Dean, Construction Proj Mgr, AVP for IT Res, IT Tech Analyst, Application Developers, HR Director)	790,000
Fringe Benefit increase - New Positions	2,202,000



Key Financial and Statistical Indicators

Proposed Operating Budget
Fiscal Year Ending June 30, 2009

<u>Line #</u>	<u>Category</u>	<u>Projection FY08</u>	<u>Proposed Budget FY09</u>	<u>Variance</u>	<u>Percent</u>
1	Total UCHC Excess/Deficiency	(\$21,900,000)	(\$11,511,831)	\$10,388,169	47.4%
2	Education, Research & Institutional Support-Excess/(Deficiency)	(\$124,570,457)	(\$135,004,306)	(\$10,433,849)	-8.4%
3	Clinical Operations - Excess/(Deficiency)	(\$27,729,272)	(\$19,397,998)	\$8,331,274	-30.0%
4	CMHC - Excess/(Deficiency)	(\$23,142)	(\$10,997)	\$12,145	-52.5%
5	State Appropriation-Block Grant	\$94,174,095	\$101,963,598	\$7,789,503	8.3%
6	Fringe Benefits & Other Adjustments	\$36,248,776	\$37,337,872	\$1,089,096	3.0%
7	JDH Fringe Benefit Support	\$0	\$3,600,000	\$3,600,000	100.0%
8	Total State Support	\$130,422,871	\$142,901,470	\$12,478,599	9.6%
9	State Support as a Percent of Total Revenues	19.12%	19.52%	0.39%	2.1%
10	Total Revenues (000's)	\$559,981	\$601,593	\$41,613	7.4%
11	Total Expenses (000's)	\$714,299	\$759,006	\$44,706	6.3%
12	Research Awards	\$96,000,000	\$92,000,000	(\$4,000,000)	-4.2%
13	Research Revenue Recognition in Financial Statements	\$85,879,587	\$88,768,586	\$2,888,999	3.4%
	John Dempsey Hospital				
14	Inpatient Admissions	9,850	10,028	178	1.8%
15	Outpatient Visits (excluding Dental)	290,000	308,000	18,000	6.2%
16	Dental Visits	93,480	94,000	520	0.6%
17	Total Revenue per Adjusted Discharge	\$11,336	\$11,725	\$389	3.4%
18	Cost per Adjusted Discharge	\$12,362	\$12,498	\$136	1.1%
19	Days Revenue in Accounts Receivable	55	50	(5)	-9.1%
20	Case Mix Index	1.4318	1.4318	0.0000	0.0%
21	FTE's per Adjusted Occupied Bed	4.37	4.41	0.04	0.9%
22	Excess of Revenues over Expenses/(Deficiency)	(\$20,020,865)	(\$15,587,244)	\$4,433,621	-22.1%
	UConn Medical Group				
23	Unique Patient Visits	545,540	574,364	28,824	5.3%
24	Net Revenue Per Unique Patient Visit	\$152.78	\$158.37	\$5.59	3.7%
25	Cost per Unique Patient Visit	\$165.50	\$164.51	(\$0.99)	-0.6%
26	Days Revenue in Accounts Receivable	65	60	(5)	-7.7%
27	Excess of Revenues over Expenses/(Deficiency)	(\$6,932,005)	(\$3,525,840)	\$3,406,165	49.1%



**University of Connecticut Health Center
Consolidated Statement of Revenues and Expenses (with Eliminations)
Operating Budget - Fiscal Year 2009**

	Fiscal Year 2008 Projection	Fiscal Year 2009	FY 08 Actual vs FY09 Proposed Budget	Percent Variance
	Actual	Proposed Budget	Variance	
Revenues:				
Tuitions	\$ 9,463,158	\$ 10,229,501	\$ 766,343	8.1%
Fees	5,421,154	5,555,610	134,456	2.5%
Federal Research Grants and Contracts	68,803,382	71,785,570	2,982,188	4.3%
Non-Federal Research Grants and Contracts	17,076,205	16,983,016	(93,189)	-0.5%
Auxiliary Enterprises	12,062,114	12,975,668	913,554	7.6%
Interns and Residents	34,431,027	41,994,863	7,563,836	22.0%
Net Patient Care	300,256,906	326,603,012	26,346,106	8.8%
Correctional Managed Health Care	100,152,580	104,194,273	4,041,693	4.0%
Endowment/Foundation Income	4,813,515	4,655,907	(157,608)	-3.3%
Investment Income	2,998,227	2,044,841	(953,386)	-31.8%
Other Income	4,502,264	4,570,902	68,638	1.5%
Total Revenues	\$ 559,980,532	\$ 601,593,163	\$ 41,612,631	7.4%
Expenses:				
Personal Services	\$ 352,010,828	\$ 374,968,886	\$ 22,958,058	6.5%
State Supported Fringe Benefits	36,049,175	37,337,872	1,288,697	3.6%
Fringe Benefits	63,889,130	66,723,684	2,834,554	4.4%
Medical Contractual Support	15,554,104	15,044,350	(509,754)	-3.3%
Medical/Dental House Staff	34,746,307	36,985,536	2,239,229	6.4%
Outside Agency Per Diems	1,897,867	1,748,421	(149,446)	-7.9%
Drugs	34,110,071	35,098,346	988,275	2.9%
Medical Supplies	41,527,205	44,695,938	3,168,733	7.6%
Utilities	16,484,219	17,228,633	744,414	4.5%
Outside & Other Purchased Services	53,418,894	57,845,697	4,426,803	8.3%
Insurance	5,694,745	6,004,993	310,248	5.4%
Repairs & Maintenance	11,107,345	12,687,661	1,580,316	14.2%
Other Expenses	20,546,963	22,286,513	1,739,550	8.5%
Depreciation	27,262,546	30,349,336	3,086,790	11.3%
Total Expenses	\$ 714,299,399	\$ 759,005,866	\$ 44,706,467	6.3%
Excess/(Deficiency) of Revenues over Expenses Prior to State Appropriations	\$ (154,318,867)	\$ (157,412,703)	(3,093,836)	-2.0%
State Appropriation-Block Grant/Academic Gap	94,174,095	101,963,598	7,789,503	8.3%
Reserve for Salary Adjustment	1,995,996	2,999,402	1,003,406	50.3%
State Supported Fringe Benefits & Other Adjustments	36,248,776	37,337,872	1,089,096	3.0%
JDH Fringe Benefit Support	-	3,600,000	3,600,000	100.0%
Excess/(Deficiency)	\$ (21,900,000)	\$ (11,511,831)	\$ 10,388,169	47.4%
State Support	132,418,867	145,900,872	13,482,005	10.2%
Percent of Total Revenues	19.12%	19.52%	0.39%	2.1%
State Deficiency Appropriation		\$21,900,000		
Adjusted Excess/(Deficiency)		\$0		
Total State Support		\$154,318,867		
Percent of Total Revenues		21.60%		

**University of Connecticut Health Center
Summary of Revenues Variances
Operating Budget - Fiscal Year 2009**

	<u>Amount</u>
Tuition & Fees (5% rate increase)	901,000
Research Grants and Contracts	
Research Revenues	2,889,000
Auxiliary Enterprises	
School of Medicine - CHIN (Connecticut Health Information Network) Tobacco Fund Transfer	423,000
School of Dental Medicine - New contracts (Hill Health Corp, Community Health Center, Dept of Dev. Services)	50,000
Research CLAC (Center for Laboratory Animal Care)	117,000
Institutional Support - Creative Child Care increase in rates	315,000
Other	<u>9,000</u>
Total Auxiliary Revenue	914,000
Interns & Residents	
Adding a 15% indirect charge, increase in contractual expenses and an increase in the number of residents	7,564,000
Net Patient Care	
John Dempsey Hospital	
Volume variance (178 admissions, 1.8% increase)	2,136,000
Volume variance (18,000 Outpatient Visits, 6.2% increase)	4,817,000
PWC Revenue Cycle Improvements	8,000,000
JDH expanded Laboratory services	705,000
Dental Clinics	
Medicaid Rate Increase	610,000
UConn Medical Group	
Volume variance (28,800 visits, 5.3% increase)	4,961,000
Price Variance - Rate Increases	1,889,000
Annualized Impact from Medicaid Rate Increase January 2008	500,000
Dental Faculty Practice Plan	
Implant Center	2,916,000
Transfer of volume from regular practice to Dental Implant Center	(297,000)
Institutional Support	
NICU Transport	<u>109,000</u>
Total Net Patient Revenue	26,346,000
Correctional Managed Health Care	
Increase in funds from Department of Corrections	4,042,000
Endowment/Foundation Income	
Decreased draw downs from available funds at the Foundation (FY 2008 included Neag gifts)	(608,000)
Dental Faculty Practice - Philanthropic funds for the Implant Center	<u>450,000</u>
	(158,000)
Investment Income	
Impact due to lower interest rate	(954,000)
Other Income	
JDH - NICU Hardship Grant Carry forward and SOM decrease in other income	<u>69,000</u>
	<u>176,000</u>
Total Revenue Variance	41,613,000

**University of Connecticut Health Center
Summary of Expense Variance
Operating Budget - Fiscal Year 2009
Total Expenses**

	<u>Amount</u>
<u>Personal Services</u>	
Current Employees:	
Contractual Salary Increases - July 2008	7,439,000
Contractual Salary Increases - Annualized from January 2008	2,461,000
School of Medicine - Annualized Impact of Positions Hired in FY 2008	305,000
School of Dental Medicine - Annualized Impact of Positions Hired in FY 2008	234,000
JDH - Annualized Impact of Positions Hired in FY 2008	657,000
UMG - Annualized Impact of Positions Hired in FY 2008	615,000
Institutional Support - Annualized Impact for positions hired in FY 2008:	
Information Technology (Desktop Technicians, Technical Analysts, Application Developers and Video Comm. Assistant)	230,000
Compliance, Internal Audit and Human Resources (Internal Auditor, Compliance Officer, HR Asst and Personnel Specialist)	111,000
Public Safety (Building/Grounds Patrol Officer, Police Officers and Dispatchers)	106,000
Campus Planning, Facilities Mgmt and other dept (Project Mgr, Director, Assistants and Electrician)	166,000
Information Technology Positions Capitalized in FY08, coming off Capitalization in FY09	176,000
Increase in Compensated Balance Liability	652,000
Fringe Benefit increase - current employees	1,572,000
Sub-Total Current Employees	14,724,000
New Positions:	
School of Medicine - New Positions (7.6 new Faculty, including 5.5 of Dean/VP and research team)	2,077,000
School of Medicine - New Positions (CICATS)	161,000
School of Dental Medicine - New Positions (Oral Surgeon and U24 researcher)	239,000
Dental Implant Center - New Positions	693,000
John Dempsey Hospital - Net Staffing Impact (Cardiology Space Expansion)	401,000
UConn Medical Group - New Faculty and support staff	2,440,000
Correctional Managed Health Care - Offset by Revenue	754,000
Institutional Support - PWC Recommendations (Decision Support, Project Mgr, Director of Contracts, Cap Purchasing Specialist)	388,000
Institutional Support - New Positions (.5 Dean, Construction Proj Mgr, AVP for IT Res, IT Tech Analyst, Application Developers, HR Director)	790,000
Fringe Benefit increase - New Positions	2,202,000
Sub-Total New Positions	10,145,000
Non Bargaining Unit Salary Increases:	
Other Salary and Fringe Benefit increases (Effective January 2009)	
Managerial & Confidential	78,000
School of Medicine, School of Dental Medicine, UMG Academic Merit and Promotional & Equity Increases	1,514,000
Dental Implant Center - Salary Supplements	270,000
Fringe Benefit increase - Non Bargaining Unit	350,000
Sub-Total Non Bargaining Salary Increases	2,212,000
Total Personal Services	27,081,000

**University of Connecticut Health Center
Summary of Expense Variance
Operating Budget - Fiscal Year 2009
Total Expenses**

	<u>Amount</u>
Medical Contractual Support	
Need for outside physician coverage reduced due to new cardiology hires;change in Student Health Plan.	(510,000)
Medical House/Dental Staff	
Increase in overall cost, an increase of 4 to 9 residents and the 15% indirect charge applied to JDH	2,239,000
Outside Agency Per Diems	
JDH - Reduction in Staff from Agencies	(149,000)
Drugs	988,000
CMHC - Increase due to inflation and inmate utilization	
JDH - Increase due to volume increase and inflation	
Medical Supplies	
School of Medicine - Start up costs	685,000
JDH - Increase due to volume increase and inflation	248,000
UMG - Increase due to volume increase and inflation	162,000
Dental Implant Center	1,124,000
Research - Expenses supported by Grants	<u>950,000</u>
Total Medical Supplies	<u>3,169,000</u>
Utilities - Rate increases	744,000
Outside & Other Purchased Services	
Dental Implant Center	283,000
Correctional Managed Health Care - Offset by Revenue	344,000
Institutional support - IT Software and Hardware Maintenance Agreements	572,000
JDH - Siemen's, Pixilinks, Stentor Philips and Powerscribe Software Maintenance agreements	913,000
Research - Expenses supported by Grants	1,867,000
School of Medicine - Expenses supported by revenue, CHIN and start up costs	<u>448,000</u>
Total Outside & Other Purchased Services	<u>4,427,000</u>
Insurance	
Increase due to new student health plan	310,000
Repairs & Maintenance	
JDH - New Service Contracts for Equipment coming off warranty	936,000
School of Medicine - Start up costs	123,000
Research - Expenses supported by Grants	209,000
Institutional support - General repairs and maintenance	<u>312,000</u>
Total Repairs & Maintenance	<u>1,580,000</u>
Other Expenses	
School of Medicine - Start up costs, Medical Scholarship aid, Health Professions Partnership and interns & residents	931,000
Correctional Managed Health Care - Offset by Revenue	100,000
Research - Expenses supported by Grants	680,000
Other	<u>29,000</u>
Total Other Expenses	<u>1,740,000</u>
Depreciation	3,087,000
Total Expense Variance	<u><u>44,706,000</u></u>



Budgeted Strategic Priorities FY2009

Signature Programs

- Musculoskeletal Institute
 - Dental Implant Center to start June 2008
 - Three clinical faculty (1 Joint, 2 Sports Medicine)
 - Four basic scientists (tissue engineering)
- Cancer
 - Tomotherapy Center enhancement (high dose density)
- Cardiology
 - Electrophysiology Lab Operations
 - 5 clinical faculty (3 Cardiologists and 2 EPs)
 - Cardiology space expansion
- Center for Public Health at current services level



Research Strategic Investments

- Connecticut Institute for Clinical and Translational Science Institute (CICATS)
- Transition funding for General Clinical Research Center (GCRC)
- Stem Cell Core (signal pathways for embryonic stem cells)
- Musculoskeletal (new research team)
- Immunology



Clinical Stabilization

- UMG
 - Faculty recruitment and hiring plan – rebalancing the clinical mix to grow revenue
 - GI
 - Cardiology
 - Orthopedics
 - Dermatology
- John Dempsey Hospital
 - Revenue cycle improvement (PWC)
 - Performance improvement (PWC)
 - Supply chain
 - Labor expense management through training, consolidation and reorganization
- This budget reflects conservative volume estimates, including a decrease in patient visits for existing physicians and a decrease in patient visits due to loss of physician time (turnover, medical and family leave).



FY 2009 Budget Highlights

- State Support for the “Academic Gap”, Current Services, partial JDH Fringe Benefits, and Correctional Managed Health Care
 - The FY 09 budget includes the increases above the FY 08 amounts as enacted in the second year of the state’s FY 08 - 09 biennial budget.

• Academic Gap	\$	6,500,000
• JDH Fringe Benefits		3,600,000
• Current Services		1,093,000
• Correctional Managed Health Care		4,693,000
- Full cost recovery in the intern/residency program
 - Full accounting of direct costs
 - 15% indirect cost charge
- Full transition of student health insurance to University-wide program
- Financial aid increases to reflect tuition increase



FY 2009 Budget Highlights, cont.

- Research

- The overall research budget deficit is estimated at \$9 million as compared to the FY 2008 projected loss of \$8 million.
 - The FY 09 budget assumes a flat revenue projection for spending, which reflects retention of most existing grants, but a lower level of new grants. The non – federal revenue is expected to increase due the additional awards for the Stem Cell program
 - The F&A recovery is budgeted to increase due to the 25% F&A recovery on the Stem Cell grants. Federal grants are expected to receive the current F & A rate. However, total federal dollars will decrease with the NMR purchase, as there is no F & A recovery on capital expenditures.
 - The net loss grows due to salary and fringe benefit increases, which are higher than the total F & A recovery.



FY 2009 Budget Highlights, cont.

- **Salary Support on Grants**

- The FY 09 budget assumes that the loss of grant funding will make it necessary to move \$1.1 million of salary expense from grant dollars to the General Fund.

- **CICATS**

- The creation of this research support infrastructure is undertaken jointly with the Storrs research program.
- 4th quarter GCRC activity moves from grant funds to general fund (\$569,000)
- \$222,000 in new and \$345,000 in reallocated dollars for salary/fringe costs will support pursuit of the CTSA



FY 2009 Budget Highlights, cont.

- Endowment / Foundation Income

This revenue is anticipated to decrease by \$158,000 :

- The Dental Implant Center budget includes the expenditure of \$450,000 in donations.
- The drawdown of restricted and unrestricted funds for FY 09 will decrease by \$608,000 from FY 08, as FY 08 included a one-time gift for operating costs.



FY 2009 Budget Highlights, cont.

- **Utilities**

- Based on current consumption, costs, and rate structures, we are estimating an increase of 4.5% over the FY 08 utility budget. Gas, fuel oil and water costs are projected to increase significantly; electric expenses will decrease as the result of the state-negotiated purchase agreement.

- **Repairs and Maintenance**

- JDH costs will increase due to new service agreements on equipment coming off warranty.
- Based on the FY 08 experience, we are estimating an increase of 14.2% for FY 09.

- **Depreciation**

- The FY 09 budget is based on up-to-date data and also takes into consideration the anticipated capital expenditures and assets that will be fully depreciated by FY 09.



FY 2009 Budget Highlights, cont.

- **Information Technology**

- Increased staffing supports clinical systems as well as the central infrastructure and academic/research IT investments of UCONN 2000.
- FY 09 increase is \$2.5m which includes:
 - Enhanced security and data storage hardware and software
 - Support for audit compliance, server support and student administration system upgrade

- **Investment Income**

- The overall investment revenue is anticipated to decrease by \$954,000 based on current interest rates.



FY 2009 Budget Highlights, cont.

- Salary and Fringe Benefit Costs

- The salary and fringe benefit costs of annualization, collective bargaining increases, managerial and faculty pools, fringe rate changes, and new hires, total \$27.1 million

- Total salary costs:

- Total fringe benefit costs:



- John Dempsey Hospital has a loss of \$15.5 million in this budget, of which \$3.6 million is offset by the new fringe benefit support by the State, leaving a budgeted \$11.9 million shortfall. This compares to a FY 2008 projected loss of \$20.0 million. As in FY 2008, much of the loss is associated with the NICU, Psychiatry and high risk maternity OB/GYN programs.
 - Total net patient revenue is anticipated to increase by \$15.7 million:
 - The FY 09 budget includes an increase in net revenue of \$8 million from the results of the PWC revenue cycle engagement.
 - Net Revenue per Adjusted Discharge is increasing by 3.4%, or \$418 per discharge, of which \$397 is due to the PWC Revenue Cycle initiatives. (Net Expense per Adjusted Discharge is up only 1.1% over FY 2008)
 - Budgeted increases for inpatient admissions and outpatient visits increase budgeted net revenue by \$6.7 million. A more detailed explanation follows.



- John Dempsey Hospital – Net Patient Revenues (cont.)

- Inpatient volume increase: 178 cases, or 1.8%

- The strategic priorities continue to be the Signature Programs. The UMG recruitment plan includes recruitment for Cardiology (2 EP replacements and 3 cardiologists), and the New England Musculoskeletal Institute (1 joint surgeon, 2 sports medicine). The Gastroenterology program has added two new physicians.
- Based on the above plan, admissions are estimated as follows:
 - Cardiology – an anticipated increase of 80 cases (6.8%) from the new cardiologists with a scheduled start date.
 - Orthopedics – the joint replacement surgeon did not arrive until April 2008. The estimated increase is 75 cases (9.5%) for FY09.
 - Gastroenterology – the new physicians are expected to increase inpatient surgery volume by 35 cases (6%).
 - Targeted growth relates to the Signature Programs. Changes in other service lines relate to market change. There is an estimated increase in the Correction Unit of 32 cases (1.8%) due to the increased inmate population. Other service lines are budgeted to stay stable from FY 08 levels, except for Obstetrics and Newborn which are expected to decline.

- Payor Mix

- The budget for FY 09 has the payor mix assumptions at March 2008 year-to-date levels.

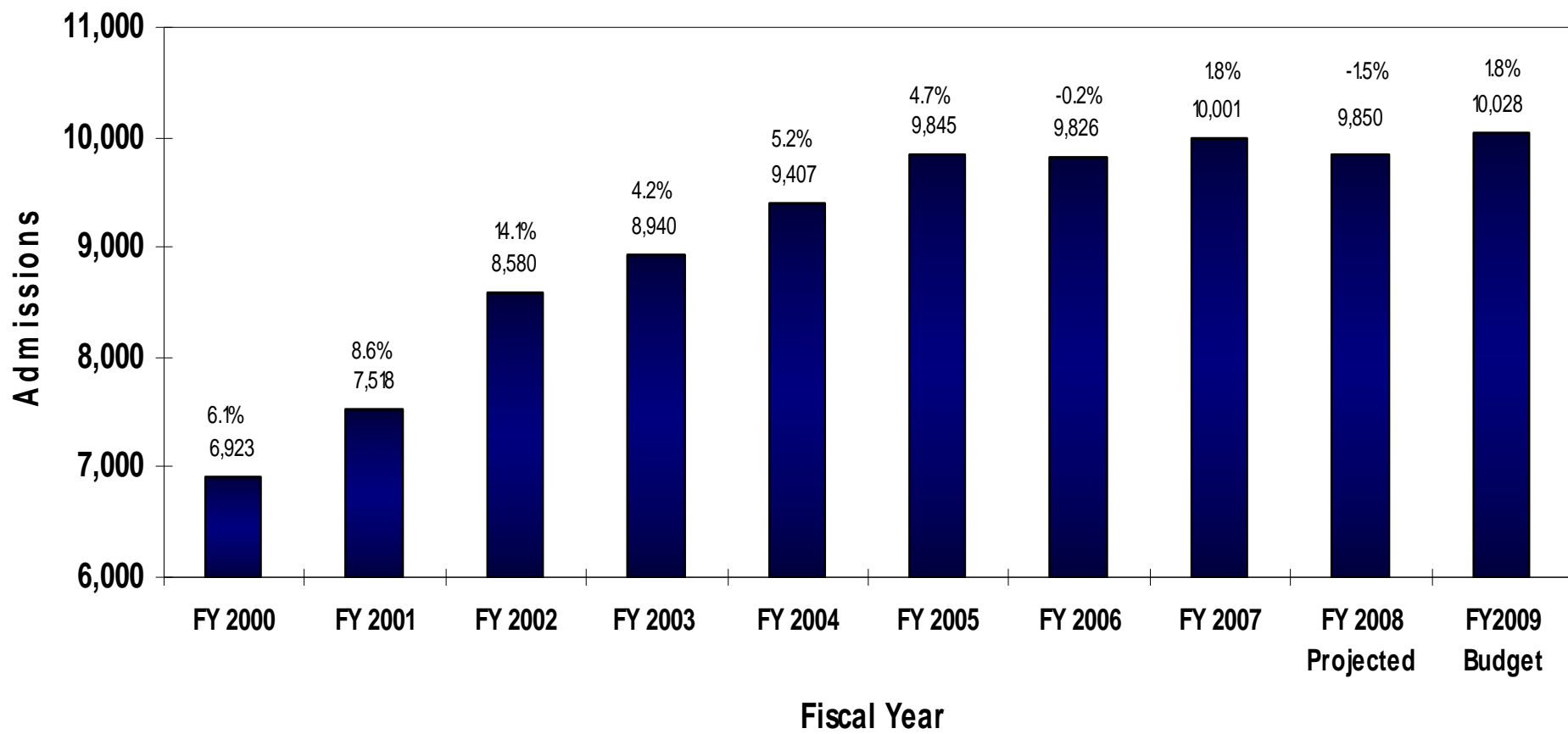
John Dempsey Hospital

Inpatient Discharges by Service

FY 2009 Budget

Service	Actual		Variance	Percent	March		Variance	Percent	Forecast		Variance	Percent	Budget		Explanation
	Fiscal Year	Fiscal Year			Fiscal Year	Fiscal Year			Fiscal Year	Fiscal Year			Fiscal Year	Fiscal Year	
	2006	2007	FY 07 vs. FY 06		2007	2008	FY 07 vs. FY 06		2008	FY 08 vs. FY 07		2009	FY 09 vs. FY 08		
Cardiology	1,113	962	(151)	-13.6%	744	772	28	3.8%	1,036	74	7.7%	1,116	80	7.7%	
Cardiothoracic Surgery	184	132	(52)	-28.3%	94	98	4	4.3%	131	(1)	-0.4%	131	-	0.0%	
Sub -Total Cardiology	1,297	1,094	(203)	-15.7%	838	870	32	3.8%	1,167	73	6.7%	1,247	80	6.9%	Five new Cardiologists have been hired to start in FY 2009
Medical Oncology	234	257	23	9.8%	195	184	(11)	-5.6%	247	(10)	-3.9%	247	0	0.0%	Recruitments are underway for Medical Oncologist and Breast Surgeon
Surgical Oncology	88	58	(30)	-34.1%	45	43	(2)	-4.4%	58	(0)	-0.5%	58	0	0.5%	and Dr. Nash has rejoined the staff. However, the budget will reflect that
Sub -Total Cancer	322	315	(7)	-2.2%	240	227	(13)	-5.4%	305	(10)	-3.3%	305	0	0.1%	the inpatient discharges are expected to remain stable.
Neurosurgery	480	508	28	5.8%	392	363	(29)	-7.4%	487	(21)	-4.1%	487	0	0.0%	Neurosurgeon hired during FY 2008 - discharges expected to remain stable
Orthopedics	930	905	(25)	-2.7%	673	586	(87)	-12.9%	786	(119)	-13.1%	861	75	9.5%	Joint Replacement Surgeon Hired to start late FY 2008
Rheumatology	31	44	13	41.9%	34	26	(8)	-23.5%	35	(9)	-20.7%	35	0	0.0%	
Sub -Total MSI	1,441	1,457	16	1.1%	1,099	975	(124)	-11.3%	1,308	(149)	-10.2%	1,383	75	5.7%	Foot & Ankle and Hand Surgeons are being recruited.
Gynecology	241	219	(22)	-9.1%	167	205	38	22.8%	275	56	25.6%	275	0	0.0%	
Neonatology	580	626	46	7.9%	462	474	12	2.6%	636	10	1.6%	636	0	0.0%	
Newborns	364	429	65	17.9%	314	265	(49)	-15.6%	356	(73)	-17.1%	333	(23)	-6.3%	
Obstetrics	833	947	114	13.7%	695	652	(43)	-6.2%	875	(72)	-7.6%	853	(22)	-2.5%	
Sub -Total OB/GYN	2,018	2,221	203	10.1%	1,638	1,596	(42)	-2.6%	2,141	(80)	-3.6%	2,097	(44)	-2.1%	Budget assumes that the trend in reduced cases continues into FY 2009
Psychiatry	951	983	32	3.4%	723	702	(21)	-2.9%	942	(41)	-4.2%	942	0	0.0%	
Substance Abuse	52	54	2	3.8%	39	39	0	0.0%	52	(2)	-3.1%	52	0	0.0%	Three Psychiatrists Hired
Sub -Total Psychiatry	1,003	1,037	34	3.4%	762	741	(21)	-2.8%	994	(43)	-4.1%	994	0	0.0%	Budget assumes that volumes will remain stable for FY 2009
Dental/Oral Surgery	15	21	6	40.0%	17	11	(6)	-35.3%	15	(6)	-29.7%	15	0	0.0%	Budget assumes that volumes will remain stable for FY 2009
Dermatology	11	8	(3)	-27.3%	3	13	10	333.3%	17	9	118.0%	17	0	0.0%	Budget assumes that volumes will remain stable for FY 2009
Gastroenterology	596	528	(68)	-11.4%	410	432	22	5.4%	580	52	9.8%	615	35	6.0%	Expected increase in Surgery due to two new Gastroenterologist hires
HIV	28	48	20	71.4%	37	31	(6)	-16.2%	42	(6)	-13.3%	42	0	0.0%	Budget assumes that volumes will remain stable for FY 2009
Medicine General	1,627	1,688	61	3.7%	1,287	1,319	32	2.5%	1,770	82	4.8%	1,802	32	1.8%	Expected increase in discharges due to increased inmate population
Neurology	285	298	13	4.6%	231	181	(50)	-21.6%	243	(55)	-18.5%	243	0	0.0%	Two new Physicians -Budget assumes that volumes will remain stable for FY 2009
Ophthalmology	10	10	0	0.0%	7	2	(5)	-71.4%	3	(7)	-73.2%	3	0	0.0%	Budget assumes that volumes will remain stable for FY 2009
Otolaryngology	120	112	(8)	-6.7%	81	101	20	24.7%	136	24	21.0%	136	0	0.0%	Budget assumes that volumes will remain stable for FY 2009
Pediatrics	18	10	(8)	-44.4%	8	7	(1)	-12.5%	9	(1)	-6.1%	9	0	0.0%	Budget assumes that volumes will remain stable for FY 2009
Plastic Surgery	53	40	(13)	-24.5%	30	38	8	26.7%	51	11	27.5%	51	0	0.0%	Budget assumes that volumes will remain stable for FY 2009
Surgery General	607	696	89	14.7%	510	487	(23)	-4.5%	653	(43)	-6.1%	653	0	0.0%	Improved volumes in recent months - Budget assumes that volumes will remain stable for FY 2009
Trauma	44	34	(10)	-22.7%	28	22	(6)	-21.4%	30	(4)	-13.2%	30	0	0.0%	Budget assumes that volumes will remain stable for FY 2009
Urology	154	145	(9)	-5.8%	116	112	(4)	-3.4%	150	5	3.6%	150	0	0.0%	Budget assumes that volumes will remain stable for FY 2009
Vascular Surgery	136	158	22	16.2%	111	132	21	18.9%	177	19	12.1%	177	0	0.0%	Budget assumes that volumes will remain stable for FY 2009
Ventilator Support	68	63	(5)	-7.4%	56	44	(12)	-21.4%	59	(4)	-6.3%	59	0	0.0%	Budget assumes that volumes will remain stable for FY 2009
Totals	9,853	9,983	130	1.3%	7,509	7,341	(168)	-2.2%	9,850	(133)	-1.3%	10,028	178	1.8%	

JOHN DEMPSEY HOSPITAL ADMISSIONS BY FISCAL YEAR





- John Dempsey Hospital – Net Patient Revenues (cont.)

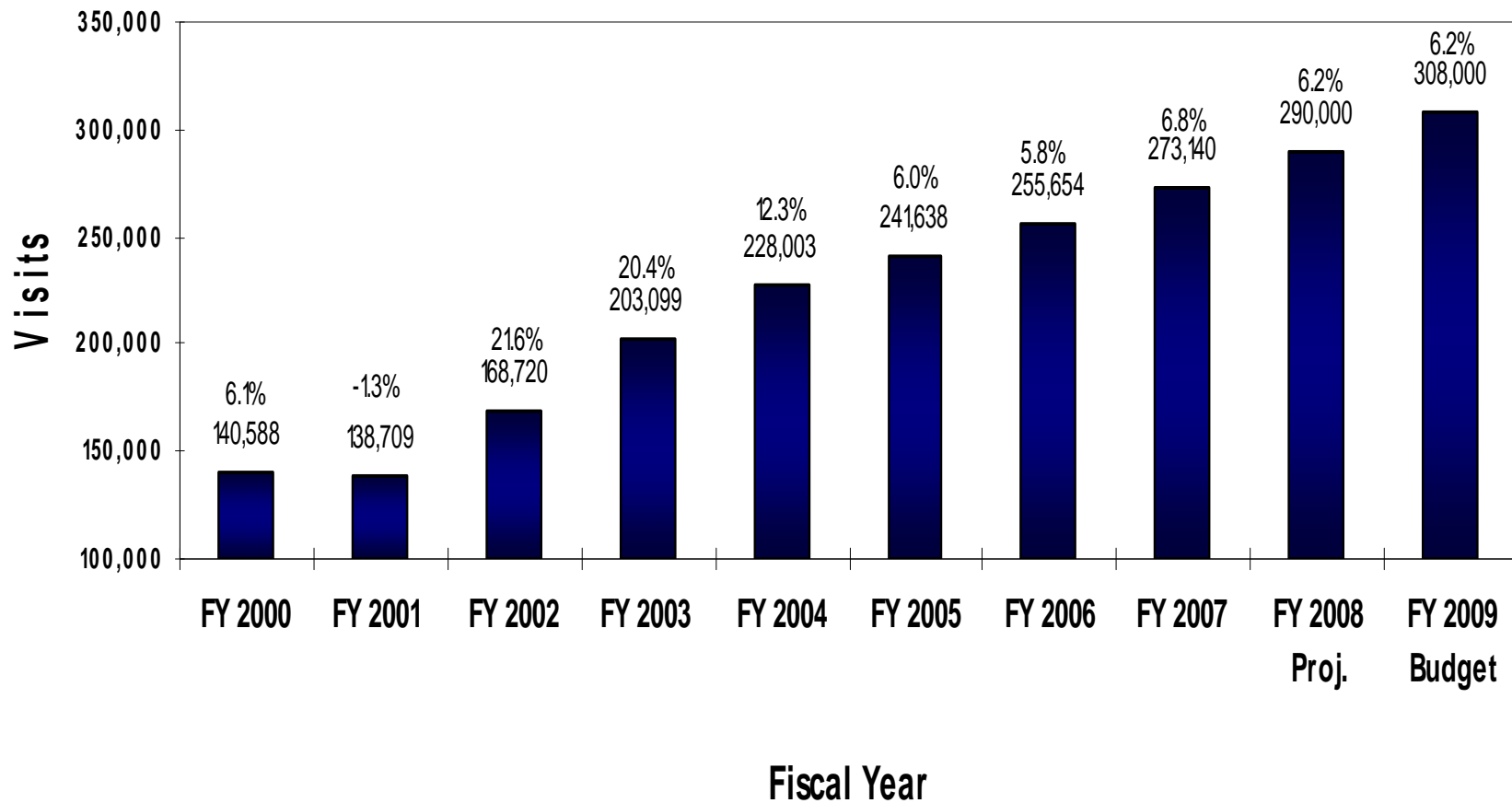
- Outpatient volume increase: 18,000 visits, or 6.2%

- This assumption is based on a review of key outpatient service data.

- Volume increases are based on the following assumptions:

▪ Emergency Department – Renovate adjacent space to expand capacity	500
▪ Cardiology Testing – New Faculty recruitments	1,700
▪ Diagnostic Radiology – New recruitments	1,200
▪ Radiation Oncology – TomoTherapy Unit operational November, 2007	600
▪ MRI – New faculty recruitments	350
▪ Pet Scans – Historical Trend; FY 08 increase is 13%; FY 09 10%	50
▪ Laboratory – Historical trend plus increase from UMG recruits	8,000
▪ Outpatient Surgery – Farmington Surgery Center	300
▪ Physical Therapy – Anticipated volume from new Orthopedic recruits	1,000

JOHN DEMPSEY HOSPITAL OUTPATIENT VISITS BY FISCAL YEAR





- UConn Medical Group has a loss of \$3.5 million in this budget. This compares to a FY 2008 projected loss of \$6.9 million.
 - Total net patient revenue is anticipated to increase by \$7.6 million:
 - The FY 09 budget includes the annualized impact (\$ 500,000) of the increase in Medicaid rates implemented in January 2008.
 - The FY 09 budget includes the annualized impact of the renegotiated managed care contracts, an increase of \$1.8 million.
 - Estimates of ambulatory visits, as outlined on the next page, increase the budgeted net revenue by \$5.7 million.

UConn Medical Group

Schedule of Physician Recruitment and Activity

Fiscal Year 2009 Budget - Encounters- Unique visits

Department	Budget FY 2009	Forecasted FY 2008	Variance	Percent
Physician Currently on Staff	485,089	489,306	(4,217)	-0.9%
Physician that have terminated or reducing clinical time - FY08	0	21,723	(21,723)	-100.0%
Physician that have terminated or reducing clinical time - FY09	(12,000)	0	(12,000)	-100.0%
Physicians that have been hired during FY 2008	43,773	27,216	16,557	60.8%
Replacement Physicians that have been during FY 2008	19,802	7,295	12,507	171.4%
New Faculty that have been hired for FY 2009	21,190	0	21,190	100.0%
Replacement Physicians that have been hired for FY 2009	16,510	0	16,510	100.0%
Total of all Current Faculty & Identified Recruitments	<u>574,364</u>	<u>545,540</u>	<u>28,824</u>	<u>5.3%</u>

John Dempsey Hospital (JDH)

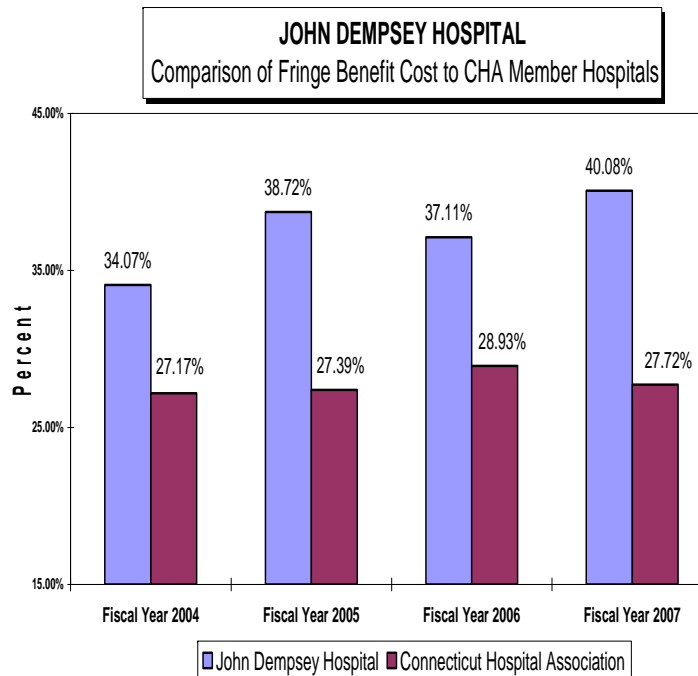
Comparative Analysis of Fringe Benefit Cost

JDH versus Connecticut Hospitals

Source: Connecticut Hospital Association (CHA)

	Fiscal Year 2004			Fiscal Year 2005			Fiscal Year 2006			Fiscal Year 2007		
	CHA	JDH	Difference	CHA	JDH	Difference	CHA	JDH	Difference	CHA	JDH	Difference
Fringe Benefit Percent as a total of Salary & Wage	27.17%	34.07%	6.90%	27.39%	38.72%	11.33%	28.93%	37.11%	8.18%	27.72%	40.08%	12.36%
JDH Salary & Wages	\$65,261,010			\$71,395,656			\$77,547,455			\$86,379,271		
Fringe Benefit Percent Difference	6.90%			11.33%			8.18%			12.36%		
Additional Fringe Benefit Cost	\$4,503,010			\$8,090,875			\$6,341,935			\$10,676,478		

Per FTE Comparison	CHA		JDH		Difference		Percent		CHA		JDH		Difference		Percent	
	CHA	JDH	Difference	Percent	CHA	JDH	Difference	Percent	CHA	JDH	Difference	Percent	CHA	JDH	Difference	Percent
Salary & Wages	\$56,278	\$61,045	\$4,767	8.47%	\$59,011	\$63,674	\$4,663	7.90%	\$61,220	\$62,557	\$1,337	2.18%	\$63,368	\$67,226	\$3,858	6.09%
Fringe Benefits	\$15,293	\$20,797	\$5,504	35.99%	\$16,164	\$24,657	\$8,493	52.54%	\$17,710	\$23,214	\$5,504	31.08%	\$17,563	\$26,941	\$9,378	53.40%
Total	\$71,571	\$81,842	\$10,271	14.35%	\$75,175	\$88,331	\$13,156	17.50%	\$78,930	\$85,770	\$6,840	8.67%	\$80,931	\$94,167	\$13,236	16.35%



The Impact in FY 2005 of this fringe benefit differential is an additional expense of \$8.1 million; \$6.3 million in FY 2006; \$10.7 million in FY 2007 and is estimated to be \$12.5 million in FY 2008. The fringe benefit rate is budgeted at 40.34% in FY 2009.