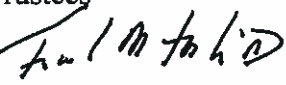



UConn HEALTH

June 25, 2014

TO: Members of the Board of Trustees

FROM: Frank M. Torti, MD, MPH 
Executive Vice President for Health Affairs
Dean, School of Medicine

Jeffrey P. Geoghegan 
Interim Chief Financial Officer

RE: Spending Plan for Fiscal Year 2015 for UConn Health

RECOMMENDATION:

That the Board of Trustees approve the Spending Plan for Fiscal Year 2015 of \$947.1 million for UConn Health.

BACKGROUND:

The Fiscal Year 2015 Spending Plan includes \$938.9 million of revenue, including State funding of \$227.0 million (including fringe benefits) and \$8.2 million of restricted capital balances to cover \$947.1 million in operating and capital spending for Fiscal Year 2015.

This request was reviewed and endorsed by the UConn Health Finance Subcommittee and UConn Health Board of Directors on June 18, 2014.

**Proposed Spending Plan
Fiscal Year 2015**

and

Review of Fiscal Year 2014

Board of Directors Meeting

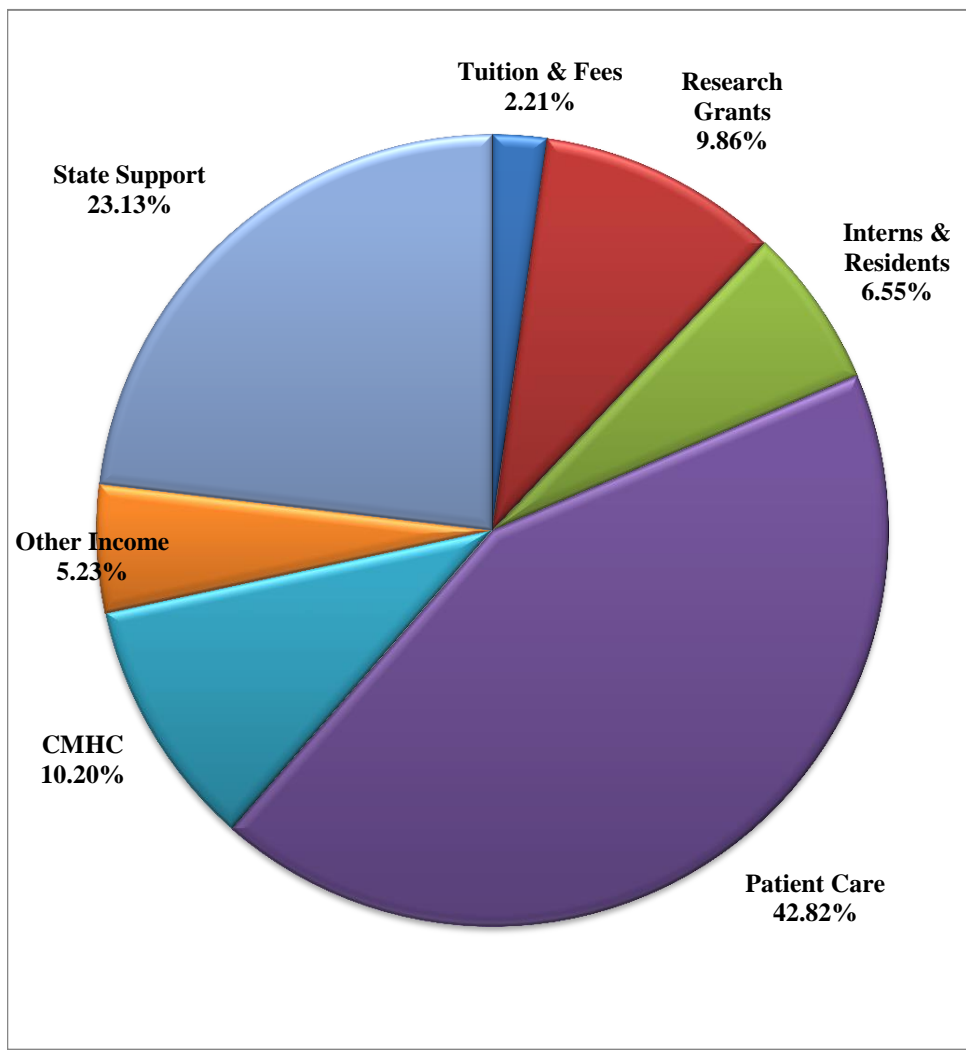
June 18, 2014

Board of Trustees Meeting

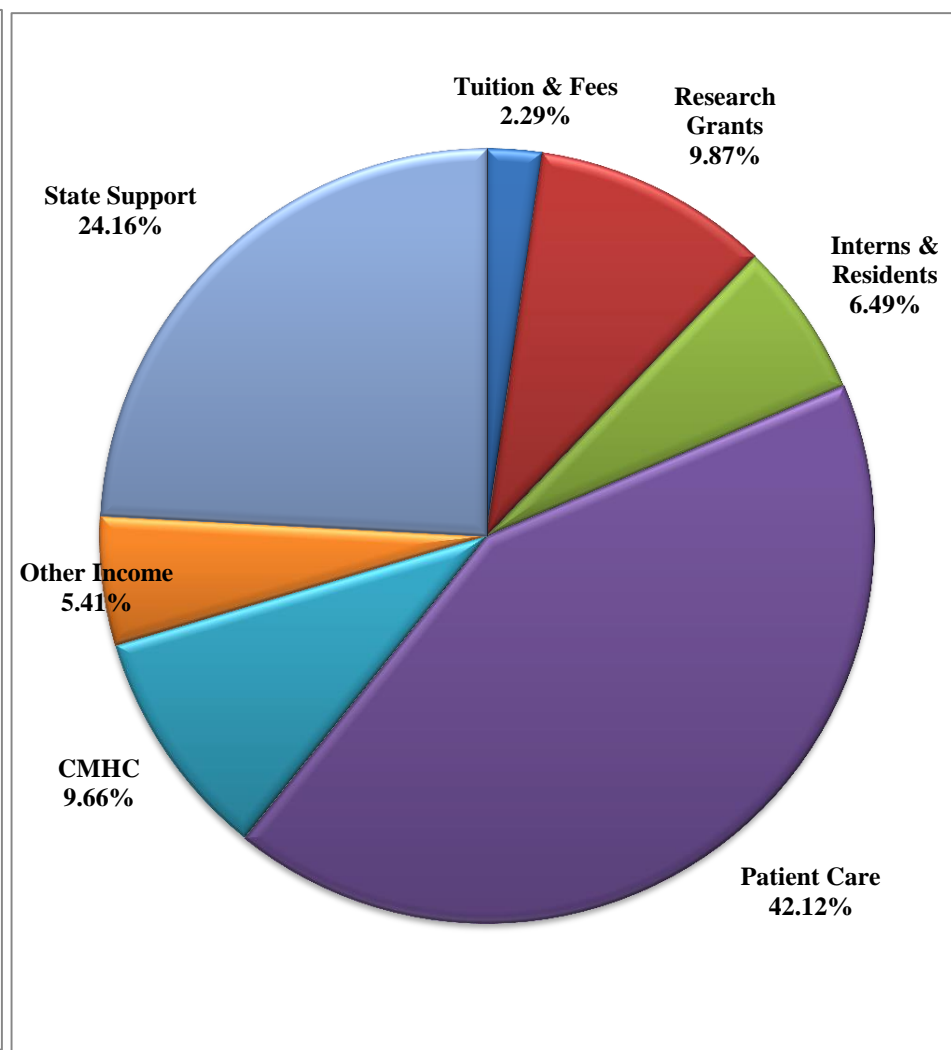
June 25, 2014

Revenues by Source

FY2014 Budget



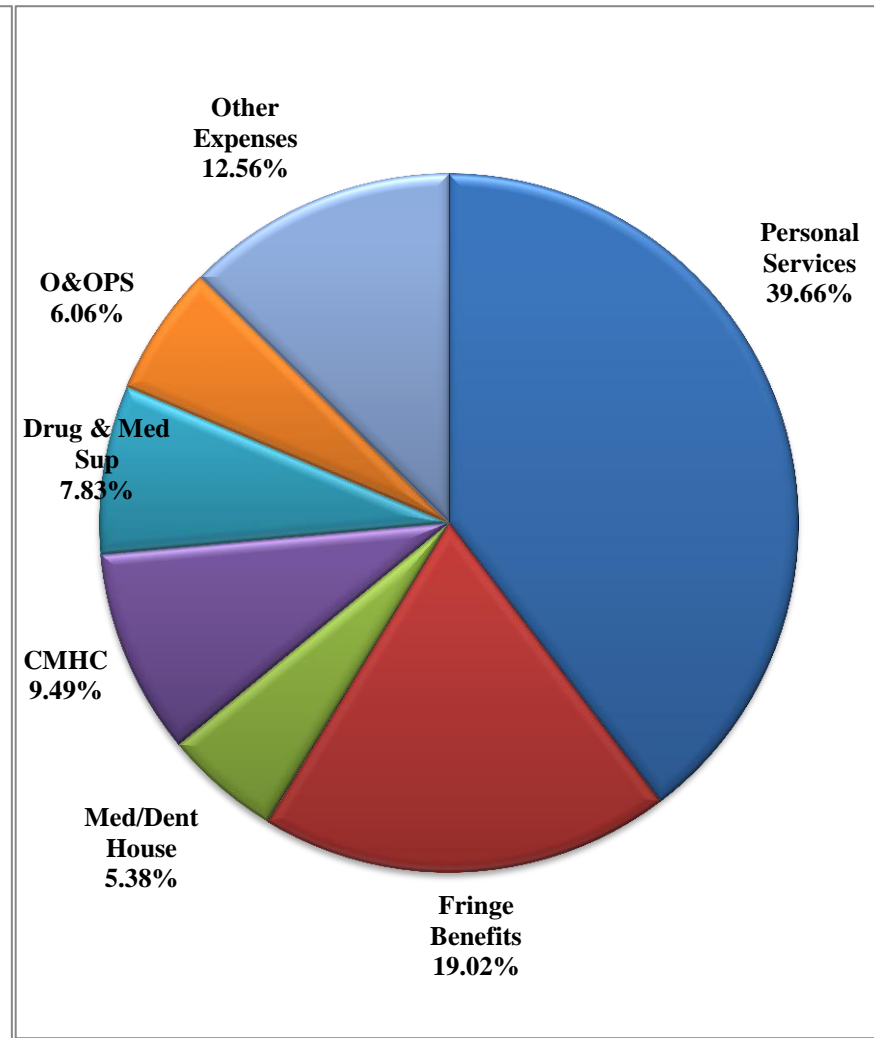
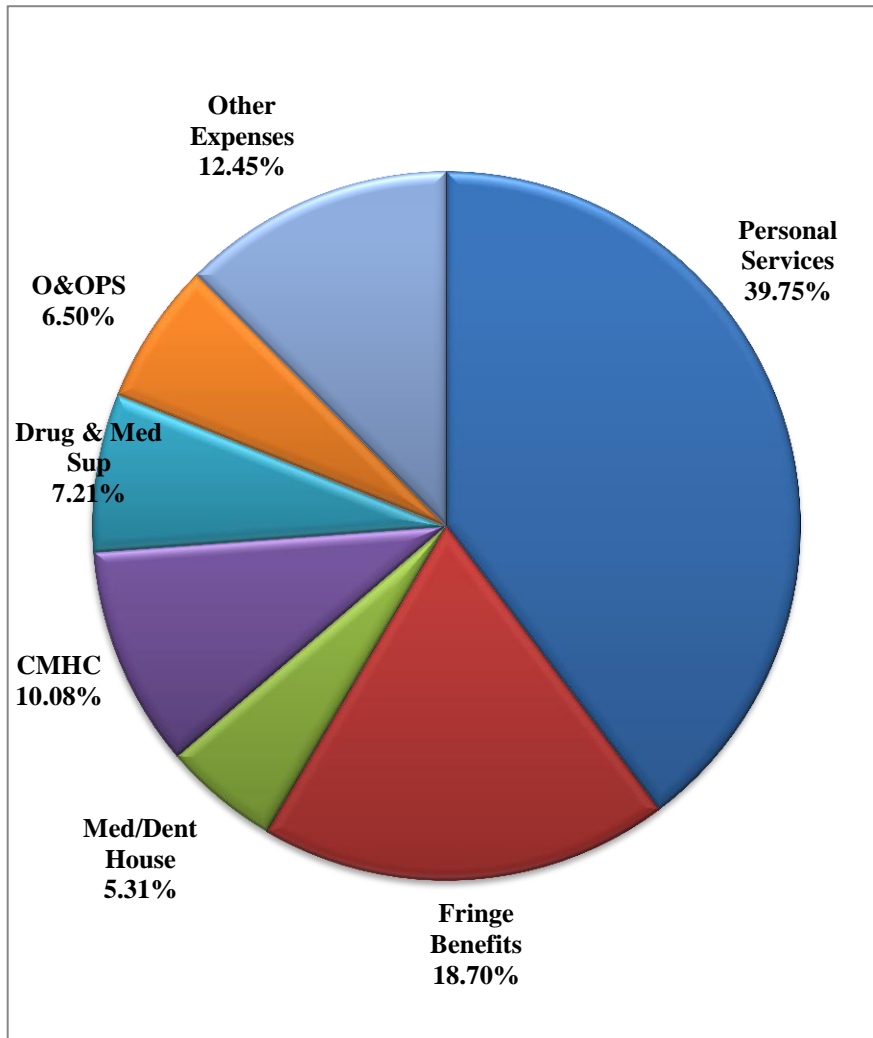
FY2014 Annualized (YTD April)



Expenses by Source

FY2014 Budget

FY2014 Annualized (YTD April)



Current Fiscal Year Highlights

Fiscal Year 2014 Budget vs. Fiscal Year 2014 Annualized (YTD April)

Revenue:

- Research grants and contract decreased by \$1.2M (offset by expense decrease)
- Auxiliary Enterprises \$1.9M increase due to Royalties and Patent payments and SOM external contracts (offset by expense increase)
- Interns and Residents revenue \$1.4M decrease (offset by expense decrease)
- Net Patient Care revenue decreased by \$12M resulting from lower than expected volumes and rate differentials
 - UConn Medical Group \$6M decrease
 - John Dempsey Hospital \$3M decrease
 - Dental Clinics and Ambulance Service \$3M decrease
- Correctional Managed Health Care \$6M decrease (offset by expense decrease)
- Increase in State Supported Fringe Benefits due to the increased employee retirement cost

Expense:

- Personal services are under budget \$4.2M due to management's review of new positions and refilling of vacancies
- Fringe benefit \$1.2M increase is related to a higher actual retirement rate charged by the Comptroller and the options for retirement selected by both new hires and employees who can convert to the new hybrid plan
- Correctional Managed Health Care \$6M expense decrease (offset by revenue decrease)
- Outside and other purchased services \$4.5M decrease is attributable to UMG and John Dempsey Hospital decrease in contracts for marketing, legal services and a decrease in travel, dues and subscriptions.
- Repairs and Maintenance \$1.7M decrease due to construction on campus and only urgent maintenance is occurring
- Drugs increased by \$3.5M due to new outpatient services in Dermatology and inpatient Anticoag purchases
- Medical supplies increased by \$1.4M due to purchases for JDH inpatient and outpatient surgical cases and changes in Laboratory inventory
- Other expenses \$4.4M increase related to research subcontracts (offset by Research Grants and Contract revenue)

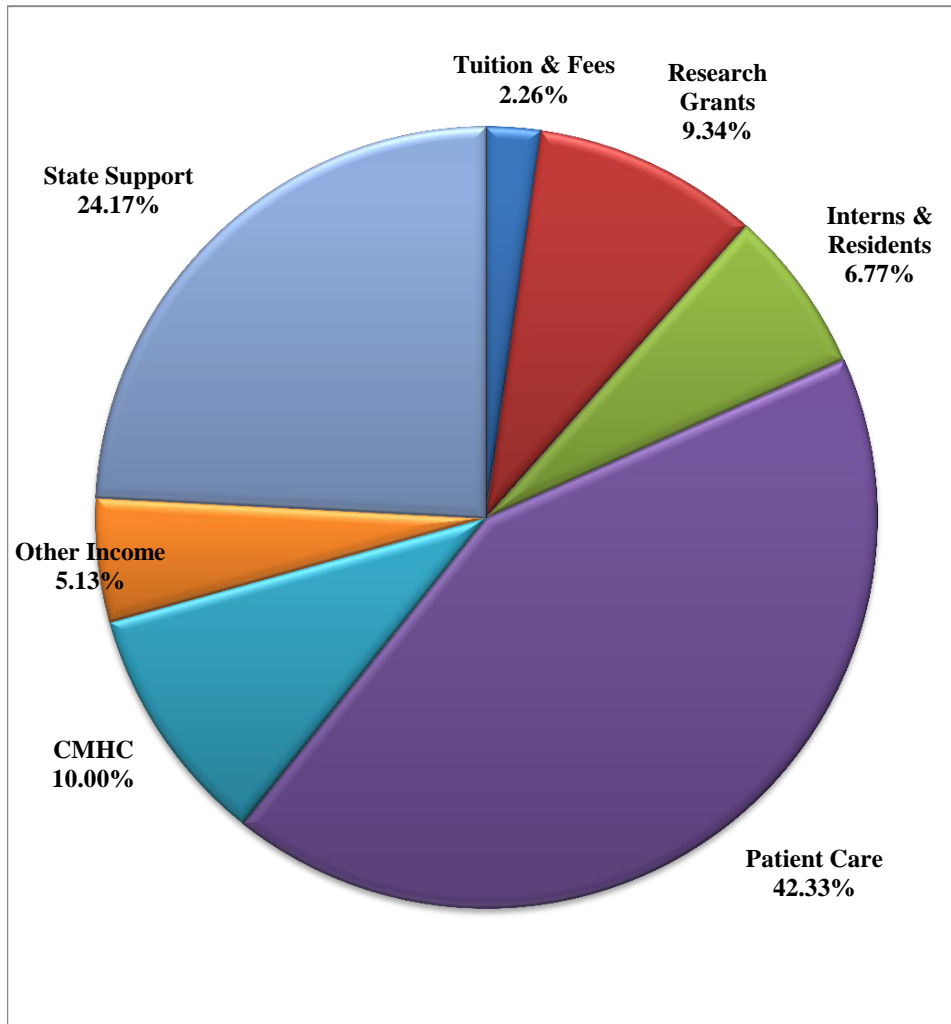
**Consolidated Statement of Revenues and Expenses (with Eliminations)
Fiscal Year 2014 Budget vs. Fiscal Year 2014 Annualized (YTD April)**

	Fiscal Year 2014	Fiscal Year 2014		
	Approved Budget	Annualized (YTD April)	Variance	Percent Variance
<u>Revenues:</u>				
Tuition & Fees	\$ 19,514,503	\$ 19,995,316	\$ 480,813	2.5%
Research Grants and Contracts	87,290,845	86,061,991	(1,228,854)	-1.4%
Auxiliary Enterprises	15,525,152	17,417,223	1,892,071	12.2%
Interns and Residents	57,964,256	56,572,384	(1,391,872)	-2.4%
Net Patient Care	378,954,167	366,990,052	(11,964,115)	-3.2%
Correctional Managed Health Care	90,286,771	84,222,719	(6,064,052)	-6.7%
Gift & Endowment Income	7,236,692	6,872,880	(363,812)	-5.0%
Other Income	23,513,337	22,827,880	(685,457)	-2.9%
Total Revenue	\$ 680,285,723	\$ 660,960,445	\$ (19,325,278)	-2.8%
<u>Expenses:</u>				
Salary Expense	\$ 356,107,171	\$ 351,865,963	\$ (4,241,208)	-1.2%
Fringe Benefits	167,544,610	168,774,244	1,229,634	0.7%
Medical/Dental House Staff	47,582,132	47,721,157	139,025	0.3%
Medical Contractual Support	18,738,922	18,799,850	60,928	0.3%
Correctional Managed Health Care	90,286,771	84,222,719	(6,064,052)	-6.7%
Temporary/Per Diem Staff	1,822,434	1,500,092	(322,342)	-17.7%
Utilities	11,827,394	11,339,276	(488,118)	-4.1%
Outside & Other Purchased Services	58,209,140	53,728,446	(4,480,694)	-7.7%
Insurance	5,205,526	4,871,953	(333,573)	-6.4%
Repair and Maintenance	12,363,050	10,692,776	(1,670,274)	-13.5%
Drugs	18,996,474	22,465,250	3,468,776	18.3%
Medical Supplies	45,610,965	47,008,055	1,397,090	3.1%
Other Expenses	27,341,282	31,736,943	4,395,661	16.1%
Depreciation	34,283,496	32,520,764	(1,762,732)	-5.1%
Total Expenses	\$ 895,919,367	\$ 887,247,488	\$ (8,671,879)	-1.0%
<u>Excess/(Deficiency) of Revenues over Expenses</u>				
	\$ (215,633,644)	\$ (226,287,043)	\$ (10,653,399)	4.9%
State Appropriation-Block Grant	125,018,941	125,018,941	-	0.0%
GF RIP Appropriation	289,439	289,439	-	0.0%
State Supported Fringe Benefits	79,351,311	85,282,488	5,931,177	7.5%
<u>Excess/(Deficiency)</u>	\$ (10,973,953)	\$ (15,696,175)	\$ (4,722,222)	-43.0%
Total State Support	204,659,691	210,590,868	5,931,177	2.9%
Percent of Total Revenues	23.13%	24.16%		

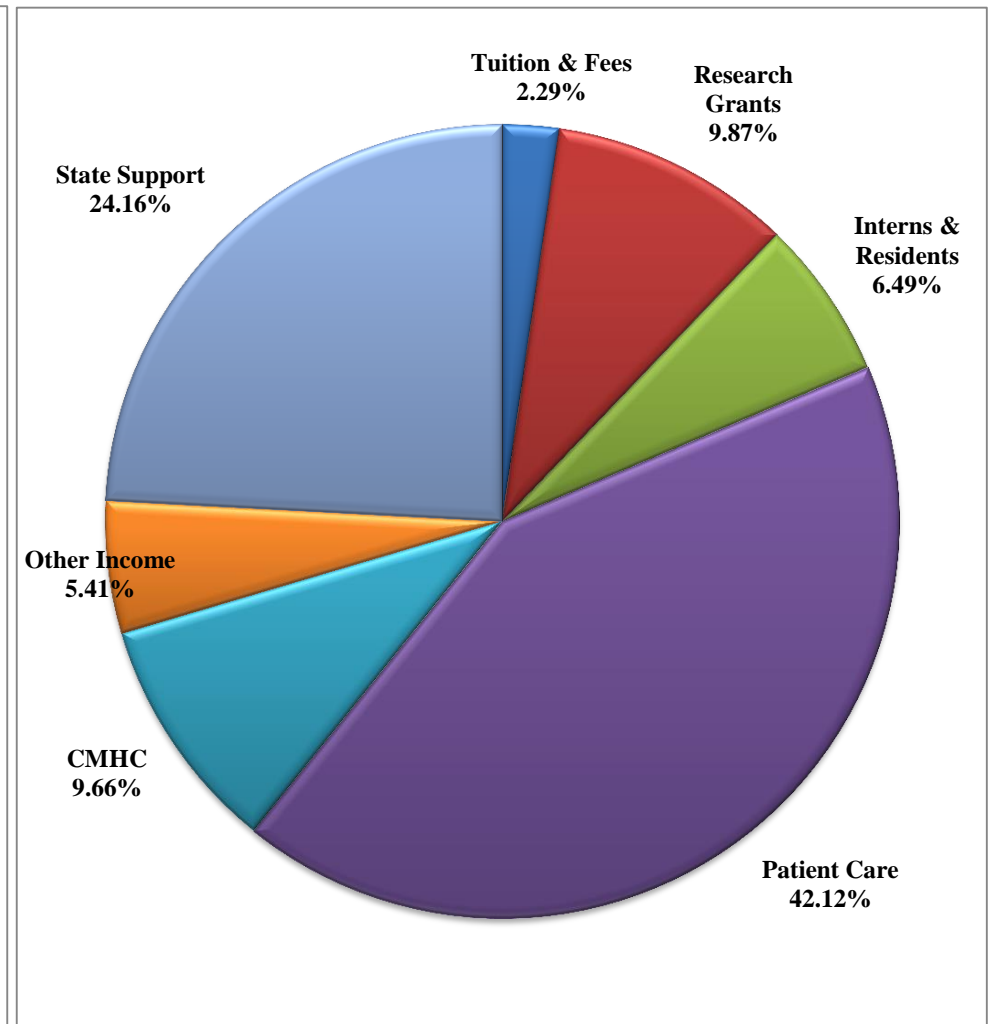
Proposed Spending Plan
Fiscal Year 2015

Revenues by Source

FY2015 Proposed Budget

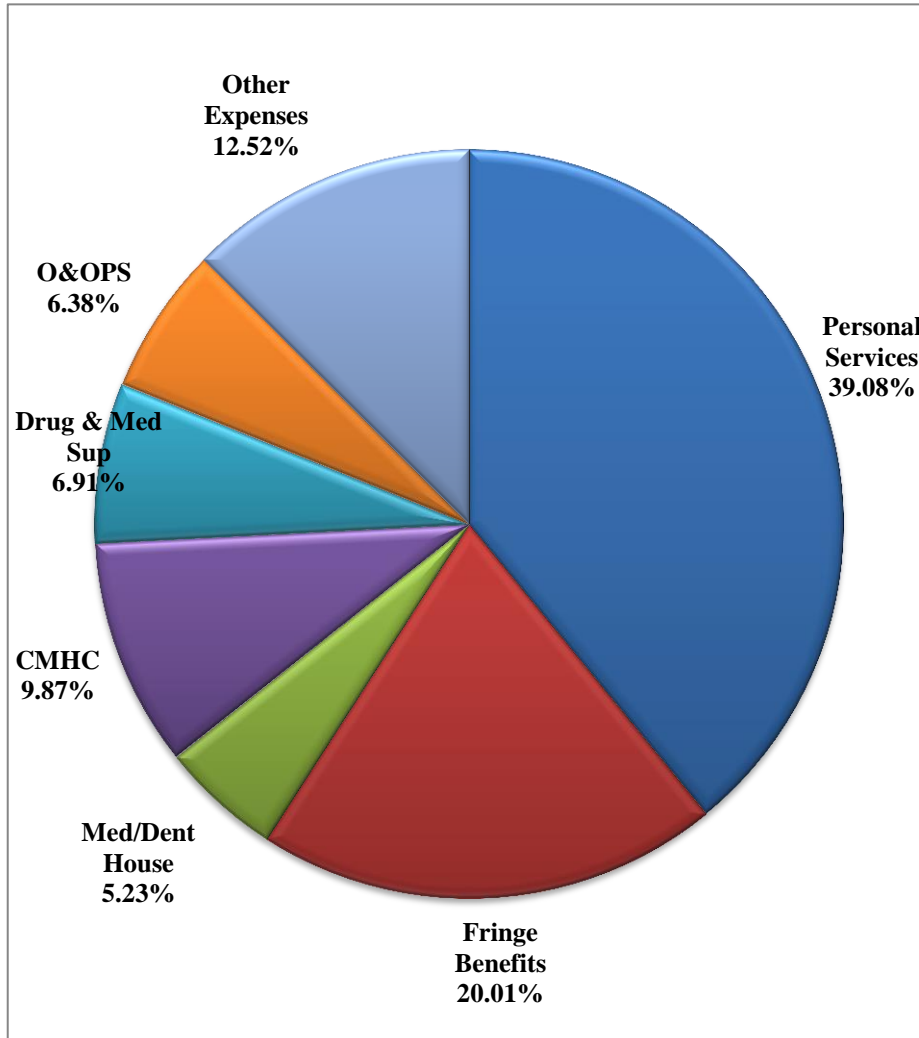


FY2014 Annualized (YTD April)

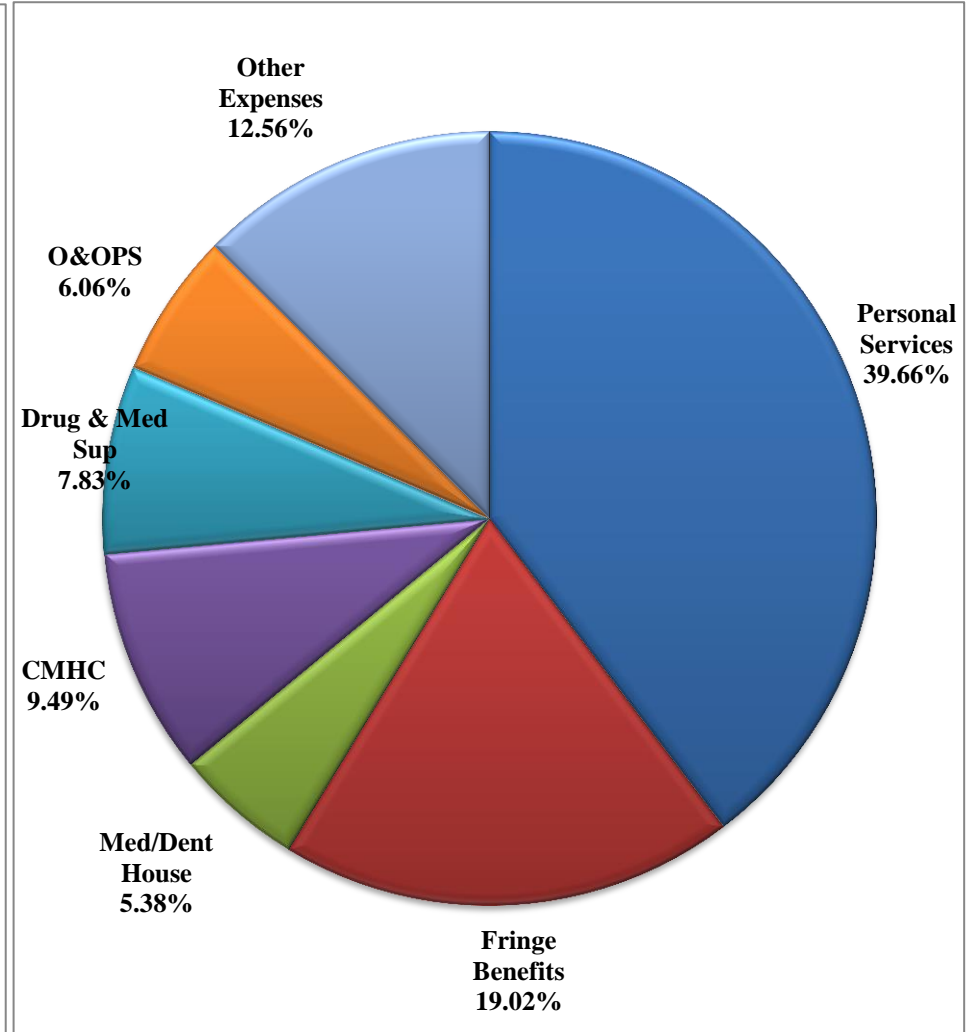


Expenses by Source

FY2015 Proposed Budget



FY2014 Annualized (YTD April)



Proposed Spending Plan

Fiscal Year 2015

Assumptions

Revenue

- Tuition and Fees \$1.2M increase for the School of Medicine (SOM) and School of Dental Medicine (SODM) assumes a 5% rate increase
- Federal and Non Federal Grants revenue 1.9% increase (Offset by expense increase)
- Auxiliary Revenue increased by 6.1% related to Parking fees to patients (starting Jan) and employees
- Interns and Residents revenue increased by 12.4% due to higher fees and expenses (Offset by expense increase)
- Net Patient Revenue - UMG 12.4% (2% rate, 10.4% volume and BRG savings) and JDH 6.5% (2% rate increase, 4.5% volume and BRG savings)
- Correctional Managed Health Care is the approved State budget amount
- Other income increase related to meaningful use for JDH
- State appropriation increase due to Bioscience Connecticut recruitment and SEBAC increases for general funded employees

Expenses

- Salaries increases as follows:
 - based on SEBAC agreement (4.5% bargaining unit increases for non-faculty and 5% for AAUP faculty)
 - Increase for non-union employees is 3%
 - SEBAC agreement includes a provision that there will be no layoffs for permanent non-faculty bargaining unit employees from July 1, 2011 through June 30, 2015
- Fringe benefit increase (14% health insurance increase and potential hybrid plan transfers)
- Medical Contractual Support increase mainly due to Interns and Residents (offset by Revenue)
- Temporary/Per Diem Staff decrease is due to the hospital adjusting staffing levels
- Utilities increase is mainly related to the newly constructed Outpatient Pavilion to be occupied in January 2015
- Outside & Other Purchased services increase includes fees for Berkeley Research Group, Software/hardware Maintenance fees, Marketing and external rent for new offsite facilities (Canton, Avon and Storrs)
- Repairs and Maintenance increase due to maintenance fees on Clinical equipment, new parking operations service contracts and new contracts for the Outpatient Pavilion
- Drugs and Medical Supplies decrease due to BRG and Hospital Administration initiatives

Berkeley Research Group (BRG) Realization - FY2015

	<u>John Dempsey Hospital</u>	<u>UConn Medical Group</u>	<u>Total</u>
Net Patient Care Revenue	5,201,875	503,008	5,704,883
Total Revenue	<u>5,201,875</u>	<u>503,008</u>	<u>5,704,883</u>
Salary Expense	(3,869,553)	(1,684,245)	(5,553,798)
Fringe Benefits	(967,388)	(421,061)	(1,388,449)
Outside & Other Purchased Services	2,985,712	942,856	3,928,568
Drugs	(213,567)	-	(213,567)
Medical Supplies	(1,392,483)	-	(1,392,483)
Other Expense - Equipment	(34,758)	(34,758)	(69,516)
Total Expenses	<u>(3,492,037)</u>	<u>(1,197,208)</u>	<u>(4,689,245)</u>
Net Income	<u><u>8,693,912</u></u>	<u><u>1,700,216</u></u>	<u><u>10,394,128</u></u>

**Consolidated Statement of Revenues and Expenses (with Eliminations)
Fiscal Year 2014 Annualized (YTD April) vs. Fiscal Year 2015 Proposed Budget**

	Fiscal Year 2014	Fiscal Year 2015		
	Annualized (YTD April)	Proposed Budget	Variance	Percent Variance
<u>Revenues:</u>				
Tuition & Fees	\$ 19,995,316	\$ 21,182,731	\$ 1,187,415	5.9%
Research Grants and Contracts	86,061,991	87,737,940	1,675,949	1.9%
Auxiliary Enterprises	17,417,223	18,485,946	1,068,723	6.1%
Interns and Residents	56,572,384	63,587,938	7,015,554	12.4%
Net Patient Care	366,990,052	397,453,915	30,463,863	8.3%
Correctional Managed Health Care	84,222,719	93,861,152	9,638,433	11.4%
Gift & Endowment Income	6,872,880	6,058,355	(814,525)	-11.9%
Other Income	22,827,880	23,622,374	794,494	3.5%
Total Revenue	\$ 660,960,445	\$ 711,990,351	\$ 51,029,906	7.7%
<u>Expenses:</u>				
Salary Expense	\$ 351,865,963	\$ 371,884,256	\$ 20,018,293	5.7%
Fringe Benefits	168,774,244	190,358,818	21,584,574	12.8%
Medical/Dental House Staff	47,721,157	49,733,252	2,012,095	4.2%
Medical Contractual Support	18,799,850	21,937,049	3,137,199	16.7%
Correctional Managed Health Care	84,222,719	93,861,152	9,638,433	11.4%
Temporary/Per Diem Staff	1,500,092	917,115	(582,977)	-38.9%
Utilities	11,339,276	13,313,962	1,974,686	17.4%
Outside & Other Purchased Services	53,728,446	60,687,461	6,959,015	13.0%
Insurance	4,871,953	4,708,601	(163,352)	-3.4%
Repair and Maintenance	10,692,776	13,126,081	2,433,305	22.8%
Drugs	22,465,250	21,709,974	(755,276)	-3.4%
Medical Supplies	47,008,055	44,049,177	(2,958,878)	-6.3%
Other Expenses	31,736,943	32,042,418	305,475	1.0%
Depreciation	32,520,764	33,112,235	591,471	1.8%
Total Expenses	\$ 887,247,488	\$ 951,441,551	\$ 64,194,063	7.2%
<u>Excess/(Deficiency) of Revenues over Expenses</u>	\$ (226,287,043)	\$ (239,451,200)	\$ (13,164,157)	5.8%
State Appropriation-Block Grant	125,018,941	134,880,719	9,861,778	7.9%
GF RIP Appropriation	289,439	289,439	-	0.0%
State Supported Fringe Benefits	85,282,488	91,787,656	6,505,168	7.6%
<u>Excess/(Deficiency)</u>	\$ (15,696,175)	\$ (12,493,386)	\$ 3,202,789	20.4%
Total State Support	210,590,868	226,957,814	16,366,946	7.8%
Percent of Total Revenues	24.16%	24.17%		

Budget Assumptions - Clinical JDH Fiscal Year 2015

- Net Patient Revenue assumes a 6.5% increase (2% rate increase, 2.7% volume and 1.8% BRG savings)

Summary of Net Patient Revenue Change:

	Fiscal Year 2014 Annualized (YTD April)	Fiscal Year 2015 Proposed Budget	Variance	% Variance
Average Daily Census	106.8	111.9	5.1	4.8%
Patient Days	38,992	40,835	1,843	4.7%
Discharges	8,484	8,915	431	5.1%
Outpatient Equivalents	12,735	13,911	1,176	9.2%

John Dempsey Hospital

Statement of Revenues and Expenses

Fiscal Year 2014 Annualized (YTD April) vs. Fiscal Year 2015 Proposed Budget

	Fiscal Year 2014	Fiscal Year 2015		
	Annualized (YTD April)	Budget Proposed	Variance	Percent Variance
<u>Revenues:</u>				
Net Patient Care Revenue	\$ 284,922,651	\$ 303,507,030	\$ 18,584,379	6.5%
Other Income	22,087,679	24,676,312	2,588,633	11.7%
Total Revenue	\$ 307,010,330	\$ 328,183,342	\$ 21,173,012	6.9%
<u>Expenses:</u>				
Salary Expense	\$ 105,211,776	\$ 108,602,540	\$ 3,390,764	3.2%
Fringe Benefits	55,671,476	59,826,561	4,155,085	7.5%
Internal Contractual Support	30,831,282	34,491,906	3,660,624	11.9%
Medical/Dental House Staff	19,646,100	22,076,205	2,430,105	12.4%
Medical Contractual Support	5,349,544	5,006,329	(343,215)	-6.4%
Temporary/Per Diem Staff	1,254,095	617,464	(636,631)	-50.8%
Utilities	2,125,972	1,610,450	(515,522)	-24.2%
Outside & Other Purchased Serv	27,021,055	31,165,399	4,144,344	15.3%
Insurance	3,455,894	3,412,448	(43,446)	-1.3%
Repair and Maintenance	7,029,123	7,290,772	261,649	3.7%
Drugs	19,804,323	19,115,683	(688,640)	-3.5%
Medical Supplies	34,355,458	31,279,127	(3,076,331)	-9.0%
Other Expenses	3,322,924	2,633,927	(688,997)	-20.7%
Depreciation	8,913,498	9,549,852	636,354	7.1%
Total Expenses	\$ 323,992,520	\$ 336,678,663	\$ 12,686,143	3.9%
<u>Excess/(Deficiency)</u>				
<u>of Revenues over Expenses</u>	\$ (16,982,190)	\$ (8,495,321)	\$ 8,486,869	50.0%

Budget Assumptions - Clinical UMG Fiscal Year 2015

- Net Patient Revenue assumes a 2% rate increase and 10.4% volume increase

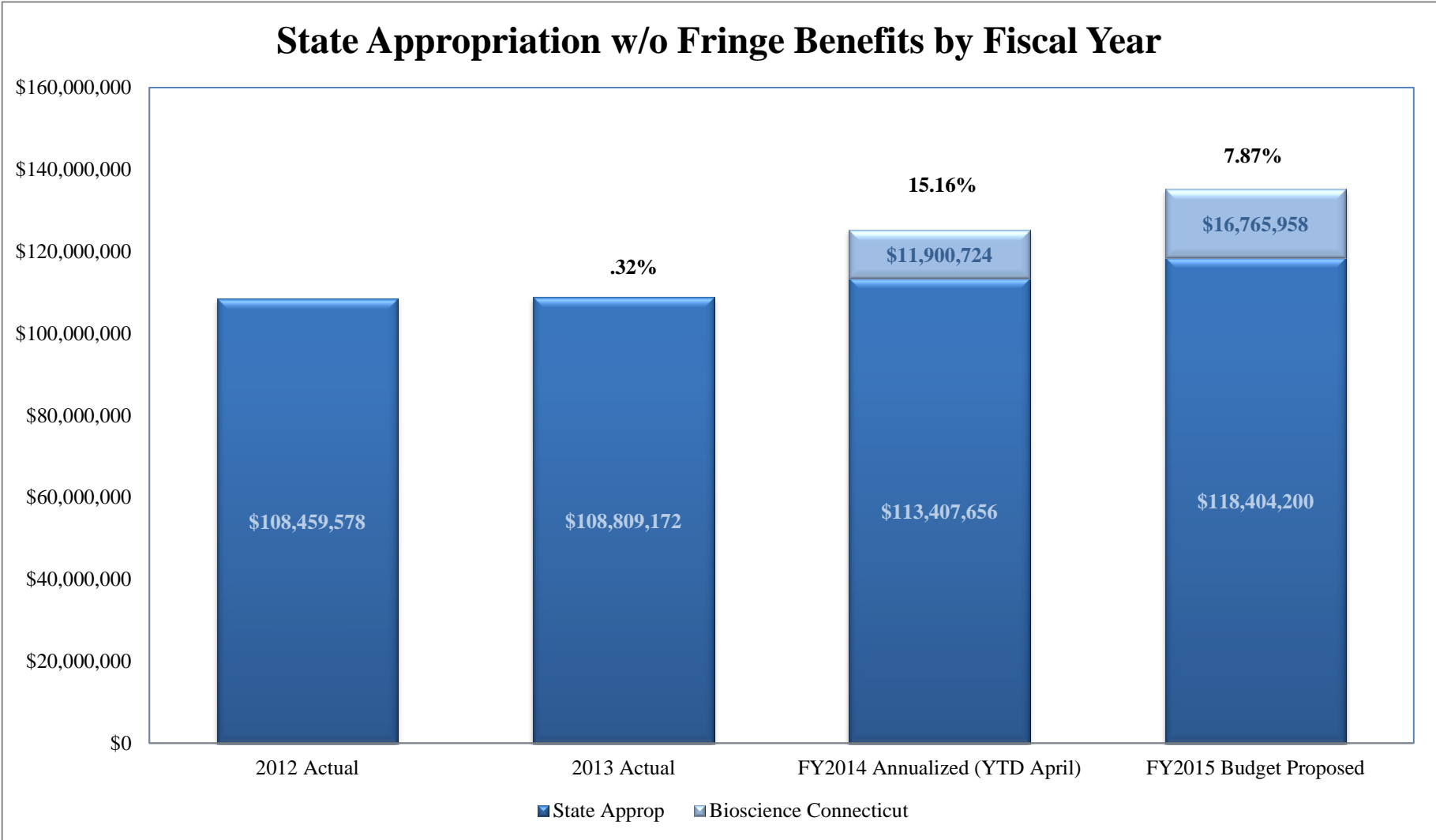
Summary of Net Patient Revenue Change:

	<u>Net Rev Var</u>	<u>Encounters Var</u>	<u>RVU Var</u>
Summary of Net Patient Revenue Change			
FY14 Departing Providers	(1,389,238)	(11,977)	(15,009)
Provider Changes and Ramp ups	6,135,202	44,409	55,627
FY15 New Providers	2,679,804	15,934	35,124
Rate Increase/BRG savings	2,107,313	-	-
Total increase in Net Revenue	<u>9,533,081</u>	<u>48,366</u>	<u>75,742</u>

	FY2014	FY2015 Proposed	Variance	%
	<u>Annualized (YTD</u>	<u>Budget</u>		<u>Variance</u>
	<u>April)</u>			
Physician RVU's	893,521	969,263	75,742	8.5%
Net Revenue Per RVU	88.68	92.43	3.75	4.2%
Expense Per RVU	142.65	149.25	6.60	4.6%

UConn Medical Group Statement of Revenues and Expenses Fiscal Year 2014 Annualized (YTD April) vs. Fiscal Year 2015 Proposed Budget

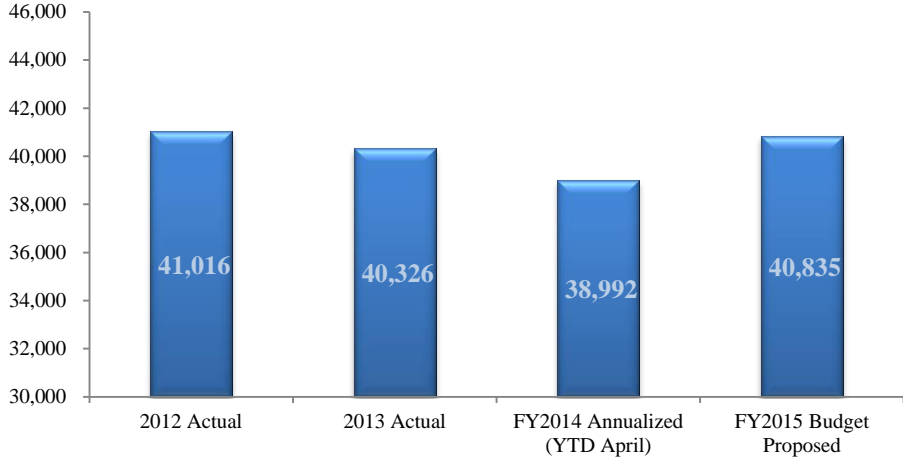
	Fiscal Year 2014	Fiscal Year 2015		
	Annualized (YTD April)	Budget Proposed	Variance	Percent Variance
<u>Revenues:</u>				
Net Patient Care Revenue	\$ 76,884,796	\$ 86,417,877	\$ 9,533,081	12.4%
Other Income	13,452,582	13,644,745	192,163	1.4%
Total Revenue	\$ 90,337,378	\$ 100,062,622	\$ 9,725,244	10.8%
<u>Expenses:</u>				
Salary Expense	\$ 69,097,823	\$ 74,610,407	\$ 5,512,584	8.0%
Fringe Benefits	29,542,756	35,056,596	5,513,840	18.7%
Internal Contractual Support	4,467,597	7,567,614	3,100,017	69.4%
Medical Contractual Support	7,221,972	7,716,221	494,249	6.8%
Temporary/Per Diem Staff	224,218	240,651	16,433	7.3%
Utilities	222,260	226,213	3,953	1.8%
Outside & Other Purchased Serv	8,633,669	10,953,489	2,319,820	26.9%
Insurance	382,783	376,791	(5,992)	-1.6%
Repair and Maintenance	612,442	524,372	(88,070)	-14.4%
Drugs	2,511,258	2,447,595	(63,663)	-2.5%
Medical Supplies	1,340,709	1,615,423	274,714	20.5%
Other Expenses	1,490,528	1,613,571	123,043	8.3%
Depreciation	1,714,973	1,708,881	(6,092)	-0.4%
Total Expenses	\$ 127,462,988	\$ 144,657,824	\$ 17,194,836	13.5%
<u>Excess/(Deficiency) of Revenues over Expenses</u>				
	\$ (37,125,610)	\$ (44,595,202)	\$ (7,469,592)	-20.1%



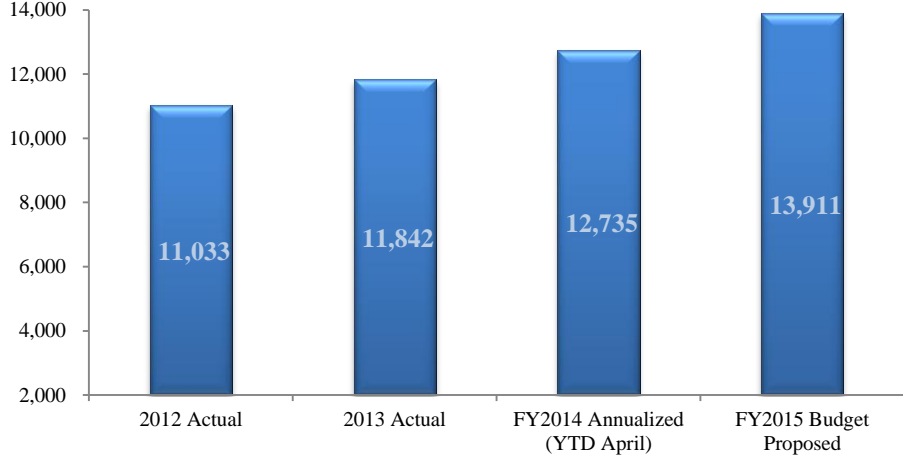
John Dempsey Hospital

Statistical Graphs (Excludes NICU)

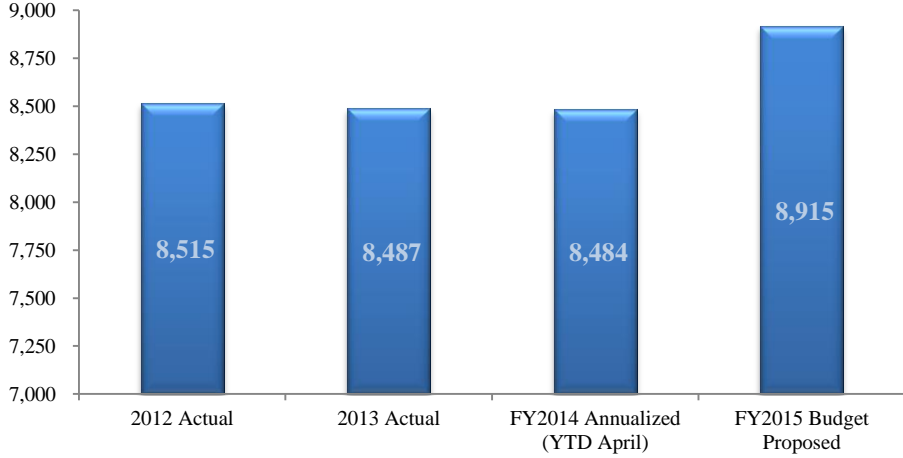
Patient Days



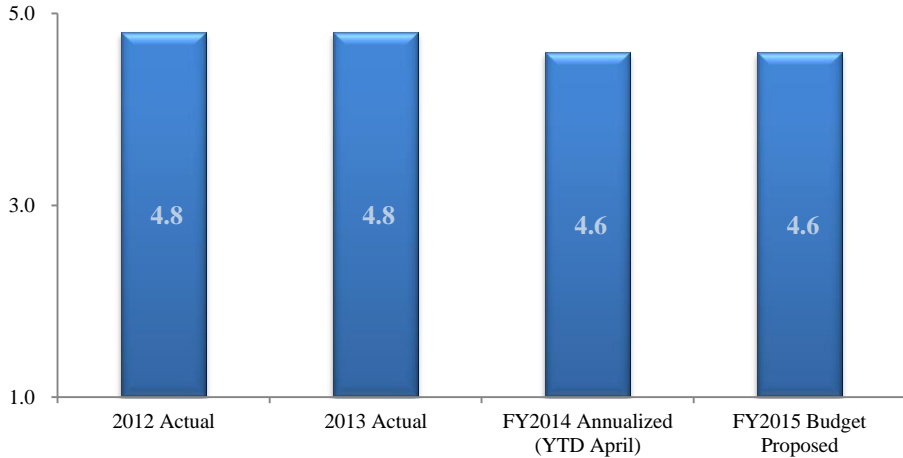
Outpatient Equivalents



Discharges

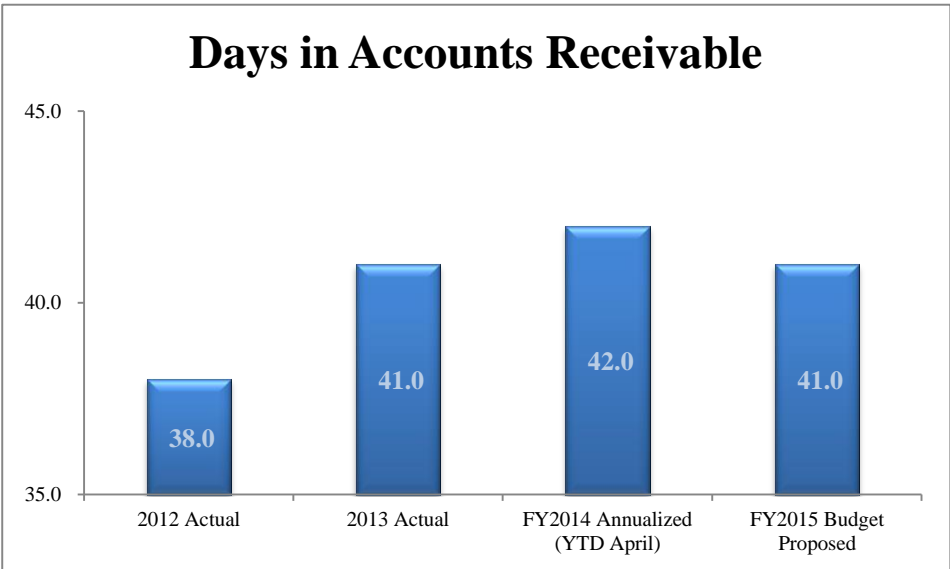
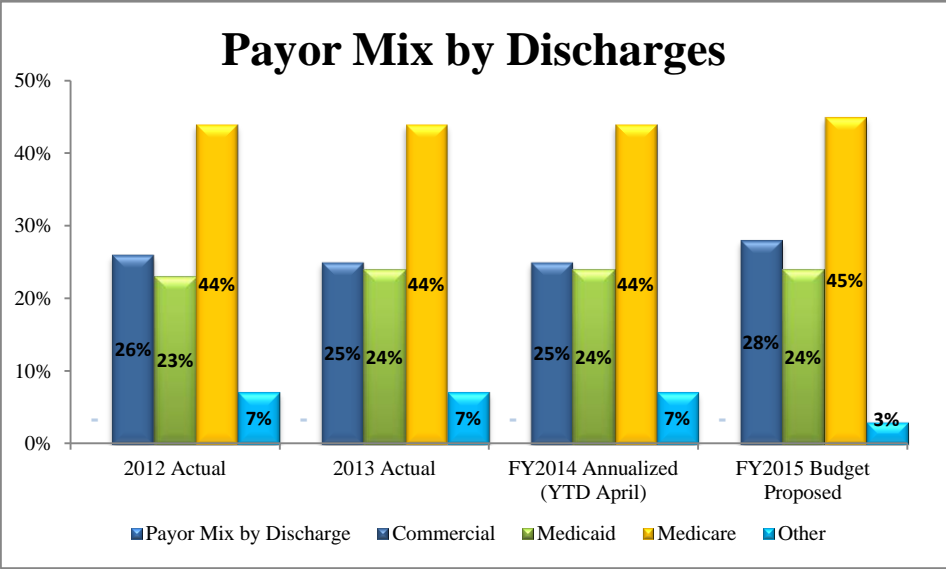
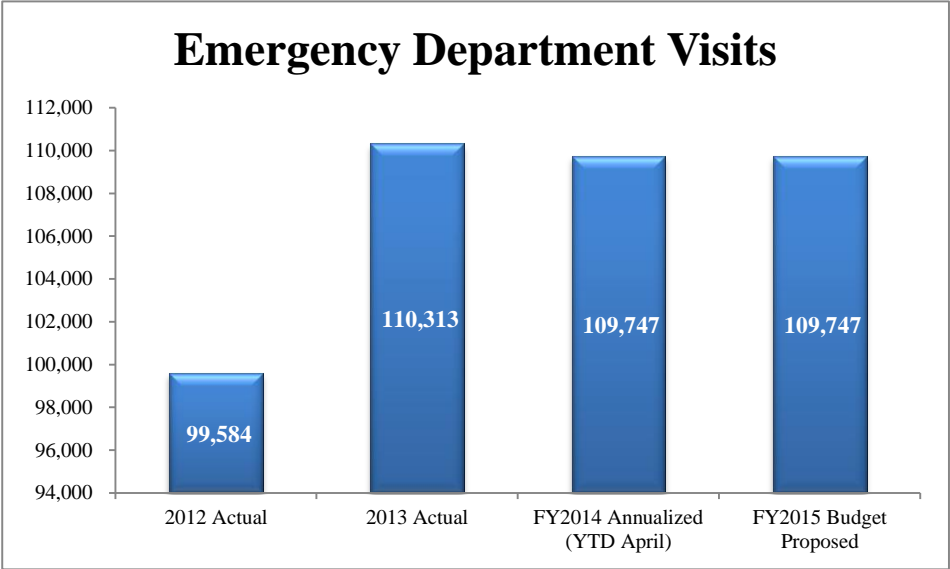
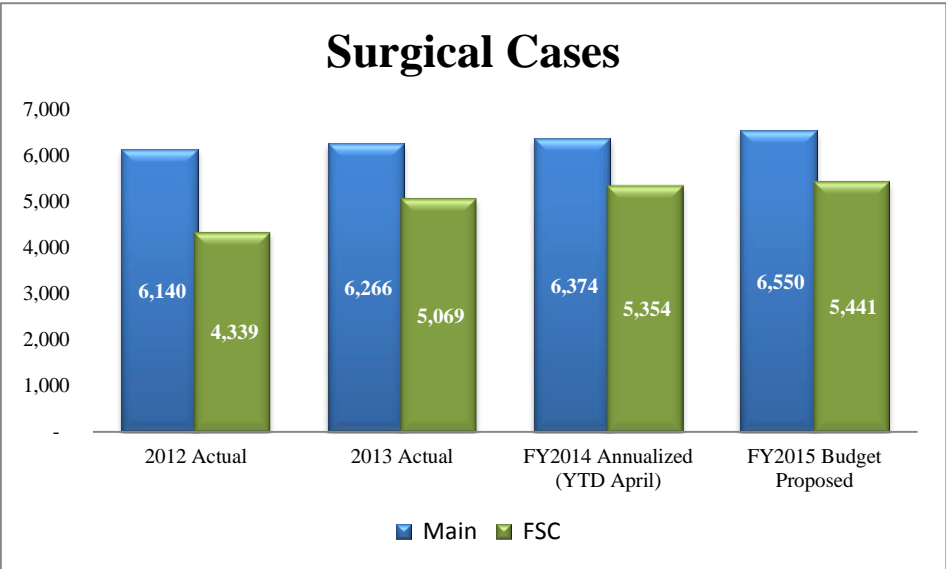


Average Length of Stay



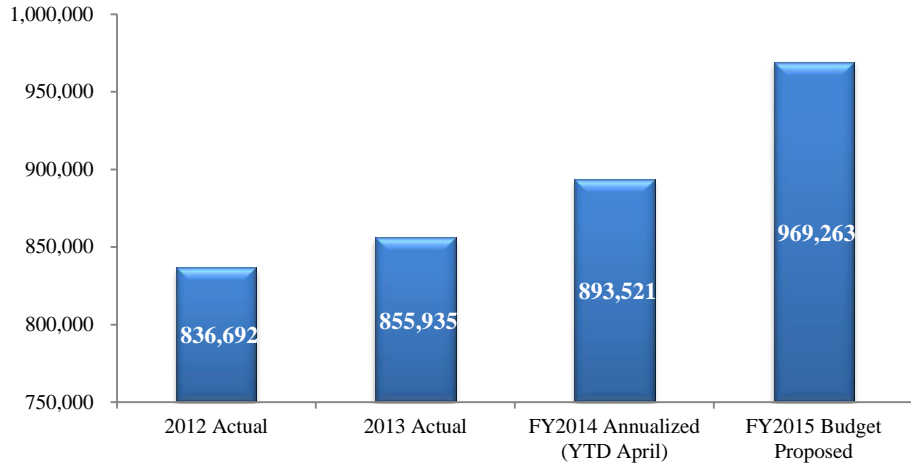
John Dempsey Hospital

Statistical Graphs (Excludes NICU)

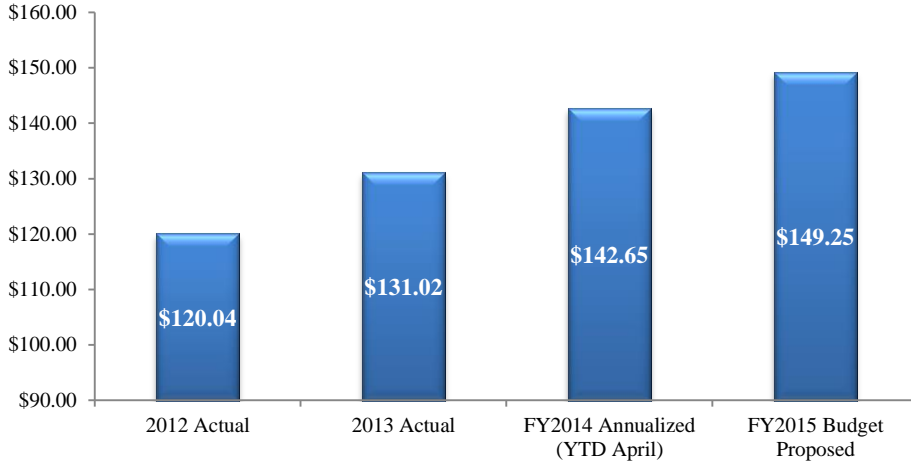


UConn Medical Group Statistical Graphs

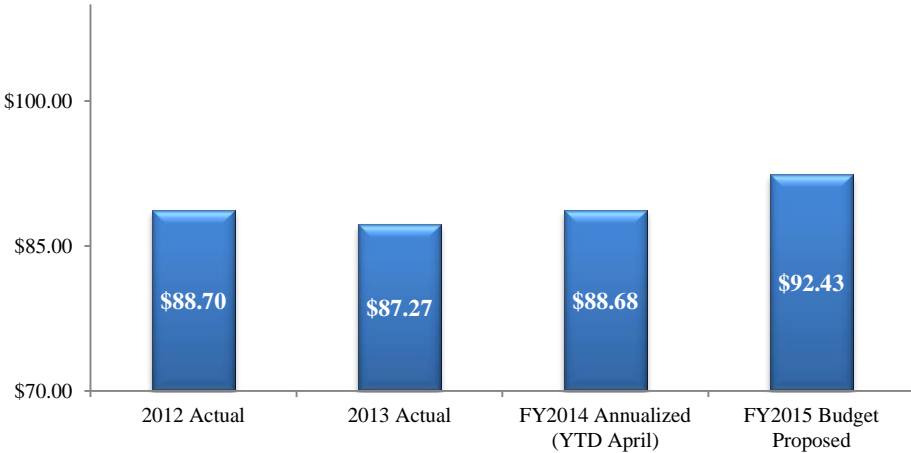
Physician RVU's



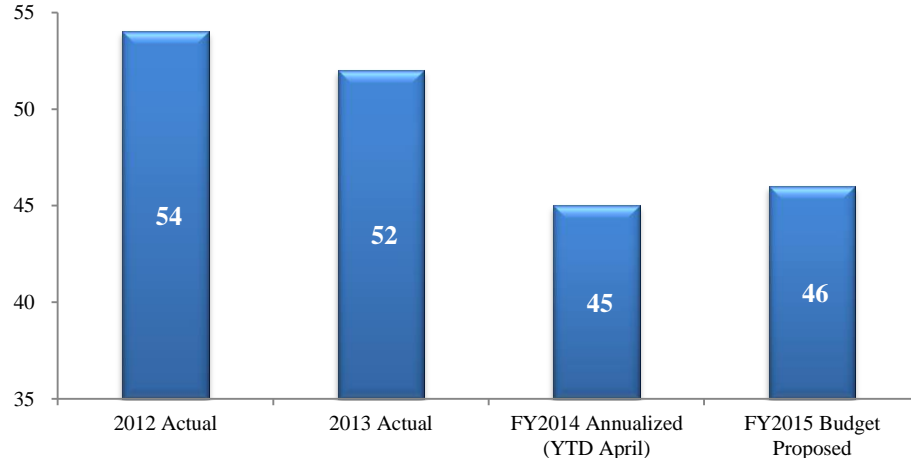
Expense Per RVU



Net Revenue Per RVU

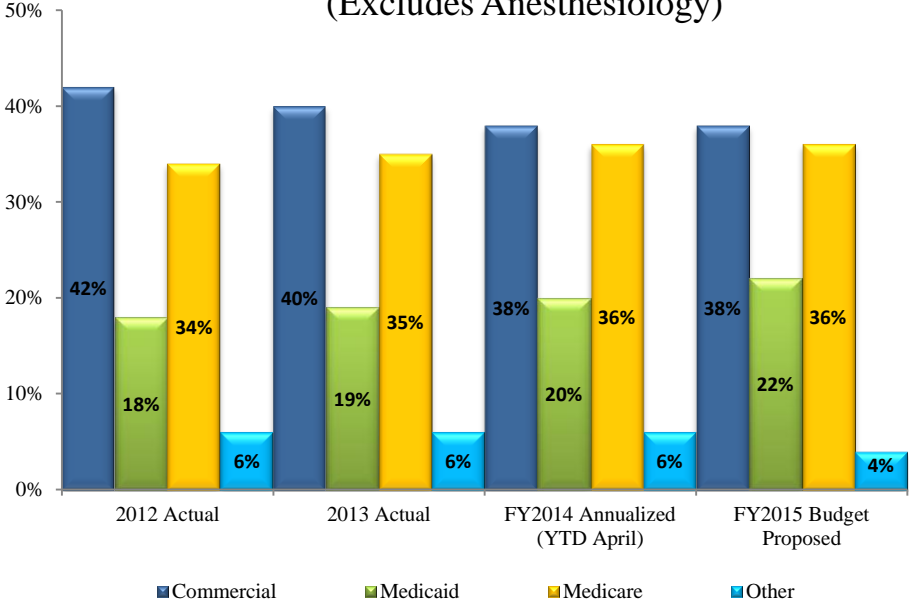


Days in Accounts Receivable

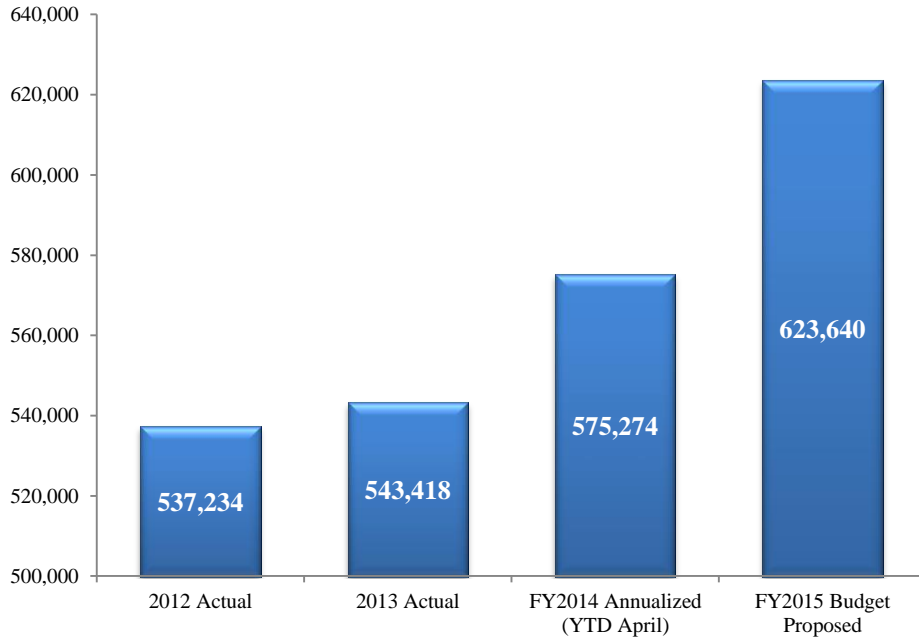


**UConn Medical Group
Statistical Graphs**

Payor Mix by Gross Charges
(Excludes Anesthesiology)

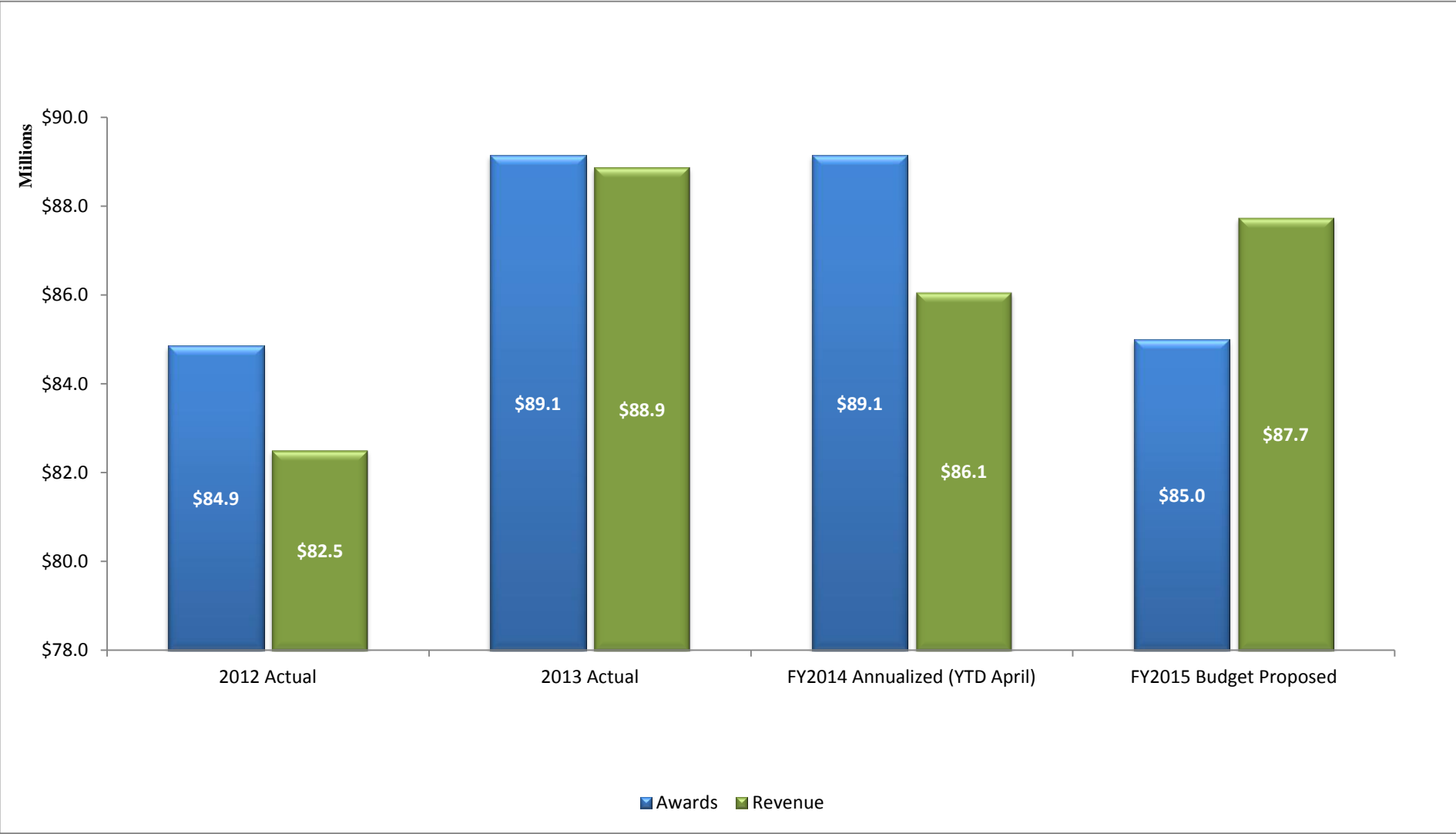


Encounters (Excludes Anesthesiology)



Research Awards and Revenue Recognition by Fiscal Year (in millions)

Graph includes the full grant amount (even if multi-year) in the year of the award



Fiscal Year 2015 Spending Plan

Total Operating Revenue	\$ 711,990,351
State Support	226,957,814
Restricted Capital Balances	
Use Allowance	6,500,000
Endowments	550,000
Departmental /Grant Funds	<u>1,127,796</u>
 Total Available for Spending	 \$ 947,125,961
 Total Operating Expenses (less depreciation)	 \$ 918,329,316
Current Approved Capital Projects	4,721,688
Working Capital Needs	4,000,000
FY 2015 Capital Spending	9,261,182
Use Allowance	6,500,000
Departmental /Grant Funds	1,127,796
Principal Payment on Debt	3,185,979
 Total Spending Plan	 \$ 947,125,961
 UConn Health Excess/(Deficiency)	 <u><u>-</u></u>