

UConn HEALTH

September 25, 2024

TO: Members University of Connecticut Board of Trustees

FROM: Jeffrey P. Geoghegan, CPA
Executive Director, Finance Corporation

Chad Bianchi
Chief Financial Officer, Finance Corporation

RE: 2024 Finance Corporation Report of Operations

BACKGROUND:

Pursuant to CGS 10a-253, the Finance Corporation shall report on its operations for the preceding fiscal year to the Board of Trustees of The University of Connecticut. The report shall include a summary of the activities of the corporation, a statement of operations and, if necessary, recommendations for legislation to promote the purposes of the corporation.

The following report contains four sections to address these requirements and provide a general overview of the business. The four sections are: Overview and Corporate Structure, Statements of Operations, Summary of Significant Activities, and Requested Legislative Actions.

Quarterly Finance Corporation meetings are open to the public and listed on UConn Health's website. Our subsidiary boards typically meet once a year in the fall with meetings also open to the public.

SECTION 1: Overview and Corporate Structure

Effective July 1, 1987, The University of Connecticut Health Center Finance Corporation (the Finance Corporation) was established pursuant to Public Act No. 87-458. The purpose of the Finance Corporation is to provide greater flexibility for John Dempsey Hospital (21002 Fund) (the Hospital), UConn Medical Group (UMG), and University Dentists and Educational Clinics and to promote the more efficient provision of health care services. The Finance Corporation has been empowered to purchase supplies and equipment; acquire facilities; approve write-offs of accounts receivable; negotiate and enter into joint ventures, shared service, and other agreements for all of the entities; and process malpractice claims on behalf of the University of Connecticut Health Center (UConn Health) and its entities.

The Finance Corporation is administered by a board of directors currently consisting of the President of the University of Connecticut, the Secretary of the Office of Policy and Management for the State of Connecticut, a member of the Board of Directors of UConn Health, the Executive Vice President for Health Affairs, and the Chairman of the Board of Trustees for the University of Connecticut, who is appointed by the Governor of the State of Connecticut or their respective designees. The Governor appoints one of these members as Chairman of the Board of the Finance Corporation.

The University of Connecticut Health Center Finance Corporation Circle Road Corporation (Circle Road Corporation), a subsidiary of the Finance Corporation, was formed pursuant to Section 10a-254 of the Connecticut General Statutes by the Finance Corporation (its sole member). This subsidiary corporation is administered by a board of directors elected on an annual basis by the sole member's board of directors or appointed by the Governor of the State of Connecticut, as prescribed in the bylaws of Circle Road Corporation. The number of directors shall not be less than three or more than ten, and 50% shall be members of the board of directors of the sole member or appointed by the Governor. At least one of these directors must be an independent director. There are four members of the subsidiary corporation's board of directors and five members of the sole member's board of directors.

In 2018, the Finance Corporation created a wholly owned subsidiary corporation, UConn Health Pharmacy Services, Inc. (UHPSI) pursuant to the authority granted by Section 10a-254 of the Connecticut General Statutes. The subsidiary's main focus is the provision of pharmacy operation services on behalf of UConn Health and its clinical units, including the Hospital and UMG. The subsidiary has been empowered to apply for and obtain all licenses, certificates or other credentials as required for pharmacy operations and granted the ability to enter into such contracts that are necessary or desirable for, or incidental to, the conduct of the subsidiary's business and affairs.

The sole member of UHPSI is the Finance Corporation (the Member). The Member has the power to elect and remove directors to/from UHPSI's Board of Directors. The property and affairs of UHPSI are managed by UHPSI's Board of Directors.

In 2022, the Finance Corporation entered into a joint venture with OIA of Connecticut, LLC, to form UConn Health Imaging, LLC. UConn Health Imaging, which opened in April of 2024, provides radiology services off UConn Health's main campus in Farmington in a non-hospital clinic setting. The Finance Corporation retains a 75% ownership interest in the joint venture and fills three of the four board seats.

SECTION 2: Statement of Operations (unaudited)

	The University of Connecticut			
	Health Center	UCHCFC	UConn Health	
	Finance	Circle Road	Pharmacy Services,	
	Corporation	Corporation	Inc.	Total
Operating Revenues				
Interest income - right-to-use assets	\$ 118,473	\$ 19,750	\$ -	\$ 138,223
Lease Revenue - right-to-use assets	1,758,012	16,793	-	1,774,805
Rental Income	239,824	33,401	-	273,225
Interest income from direct financing lease	-	9,947,708	-	9,947,708
Contract and other income	-	-	270,716	270,716
Pharmaceutical revenues, net	-	-	149,821,597	149,821,597
Total Operating Revenues	2,116,309	10,017,652	150,092,313	162,226,274
Operating Expenses				
Professional services	21,641	3,500	-	25,141
Internal contractual support	-	-	2,160,457	2,160,457
Outside agency per diems	-	-	10,143,454	10,143,454
Pharmaceuticals/medical supplies	-	-	136,755,399	136,755,399
Equipment and software leases	-	3,303	86,698	90,001
Insurance	-	-	750	750
Interest expense	111,440	7,565,271	20,803	7,697,514
Depreciation	753,300	-	4,278	757,578
Amortization - right-to-use assets	-	-	120,913	120,913
Other	-	3,981	111,541	115,522
Total Operating Expenses	886,381	7,576,055	149,404,293	157,866,729
Operating Income	1,229,928	2,441,597	688,020	4,359,545
Nonoperating Revenue (Expense)				
Loan servicing fee	(6,117)	(5,750)	-	(11,867)
Net Nonoperating (Expense)	(6,117)	(5,750)	-	(11,867)
Gain (Loss) before Transfers	1,223,811	2,435,847	688,020	4,347,678
Net Transfers from UConn Health - Unrestricted (note 5)	-	119,520	-	119,520
Increase in Net Position	1,223,811	2,555,367	688,020	4,467,198
Net Position - Beginning of year	20,321,812	14,802,160	8,690,695	43,814,667
Net Position - End of year	\$ 21,545,623	\$ 17,357,527	\$ 9,378,715	48,281,865

The results above do not include operational results of UConn Health Imaging, which began operations April 28, 2024. Audited results are not yet available but will be included in the Finance Corporation audited statements.

SECTION 3: Summary of Significant Activities

Finance Corporation: The main Finance Corporation entity continues to pay the mortgage for the Musculoskeletal building and serve as facilitator for bad debt write-offs and joint ventures. In April, our new joint venture, UConn Health Imaging, opened to the public.

Circle Road Corporation: Circle Road Corporation continues to maintain the Outpatient Pavilion property in accordance with the mortgage. There were no significant operational issues in the current year and the 990 was filed on time in the spring.

UHPSI: UHPSI continued to expand its service offering and as a result grew its business during the past year. Total revenues grew approximately \$37.8 million and its bottom-line income increased by roughly \$3.9 million. The UHPSI pharmacy, through its 340B contracted pharmacy relationship with the Hospital is an overall positive contributor to UConn Health though the entity itself shows operational losses on its individual income statement. The total estimated impact to UConn Health (via contributed margins in John Dempsey Hospital) was approximately \$17.8 million.

UHPSI continues to work towards opening a new line of business, called UConn Health Infusion Pharmacy Services (UHIPS) with an outside business partner. This business will focus on infusion of specialty drugs based on scripts written by UConn Health providers. This business is expected to have a limited opening in September.

UHPSI will continue to play a significant role in 340B maximization as well as in assisting UConn Health clinical units adapt to a changing landscape around medication coverages and reimbursement in the upcoming years.

SECTION 4: Requested Legislative Actions

The Finance Corporation (and its subsidiaries) are not requesting legislative considerations at this time.