

# UConn HEALTH

## Appropriations Committee Testimony

Dr. Andy Agwunobi,  
CEO of UConn Health

February 18, 2020

Good afternoon.

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 and the work that we do – and, most importantly, they demonstrate how the Schools of Medicine and Dental Medicine, our research, and the clinical care enterprises are **successful, vibrant, and growing**. 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 – not only to our academic and clinical enterprise, but to the state as whole. We generate **\$2.2 billion** in overall economic impact and contribute over 10,000 jobs the state economy.

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 invite you to come

and see us. Thanks to your tremendous investment, our facilities – most of which had not been updated in 40-50 years – now include 21<sup>st</sup> 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. In turn, these new facilities continue to support our ability to provide phenomenal care to **all** Connecticut residents, ensuring access to a broad range of primary care, dental, and specialty services, such as behavioral health services – to our patients, including underserved populations.

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 we 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. Our class sizes have grown 30 percent in the Schools of Medicine and Dental Medicine, with the classes of 2023 being the largest in history.

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 are not saddled with crushing 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 of these extraordinary students later tonight.

In addition to our Medical and Dental students, UConn Health sponsors residency programs that place 800 medical and dental residents throughout Central Connecticut hospitals, **addressing a critical workforce need and bringing in over \$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 more than **\$100 million in external research grant awards** 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 an 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. In FY 2019, our TIP had almost 30 start-ups on site. 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 26 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 \$145 million in grant funding, \$40.5 million of which has already been awarded.

In Patient Care: Due to a combination of the hiring of extremely high quality physicians and the opening of our new hospital tower and outpatient facility, our patient care enterprise is **experiencing unprecedented growth**.

Over the last six years, we have had nearly 60 percent increase in clinical revenues, which accounts for half of the institution's budget. We have over 1 million outpatient visits and over 10,500 hospital discharges annually and these numbers continue to grow. Our market share in the Farmington Valley is growing, along with our name recognition. Our hospital is often nearly full - just the other day we had only two open beds - and our operating room suites frequently run at maximum capacity.

According to the most salient growth metrics - net patient revenue, productivity, hospital discharges, and medical group encounters - **UConn Health is a prospering entity, with burgeoning potential**.

This kind of growth in the healthcare industry is extraordinary, if not unique - and it occurs even as we **uphold our public mission of treating all Connecticut residents**. For example, we are one of the only locations in the state that ensures access to cutting-edge services and specialty care (orthopedics, radiology, psychiatry, dermatology) for Medicaid patients. We are the single largest provider in the state of dental services to Medicaid recipients and the under- and un-insured, and nearly 25 percent of hospital and outpatient visits are from those enrolled in Medicaid. Your support of UConn

Health protects our most vulnerable populations by safeguarding the provision of these services and other care we provide, for which we receive low or no reimbursement.

## Budget

Since its inception almost fifty years ago, UConn Health, as a state agency, has received some level of state funding for its operations. The state appropriation or “block grant” for UConn Health has remained virtually flat over the last decade, peaking at \$135 million in FY 2015 and presently at \$128.2 million in FY 2020. Out of UConn Health’s current \$1.2 billion budget, this state appropriation makes up only a little more than 10% of its revenues, not including corresponding fringe benefit funding.

This is in stark contrast to most other state agencies, who receive 100 percent of their salary and fringe costs covered with state funding. As a result, UConn Health – and other similar entities such as UConn and the Connecticut State University System – fully fund the majority of their employees’ salary and fringe costs using non-state funds. For UConn Health, this means we cover the salary and fringe costs of 62% of our employees and all other expenses with revenues generated from patient services, research grants, contracts, student tuition and fees.

We are all familiar with the state’s challenges with unfunded pension and health care liabilities. In FY 2013, these associated charges began increasing significantly. Since FY14 we have achieved more than \$62 million in extensive cost reductions, revenue enhancements, and strategic growth initiatives in order to keep up with this legacy cost growth and eliminate the need for deficit funding. In fact, UConn Health has not requested or received deficit funding from the state for over 10 years.

It was not until this biennium that the legacy costs the state charges to UConn Health have become unsustainable and outpaced our efforts to cover them. Last legislative session we requested additional funding over the biennium to support these growing legacy costs. The General Assembly provided much needed relief from these costs through an additional \$33.2 million appropriation in the State Comptroller’s budget in FY20 only; we are grateful to you for that support. We are thankful that the Governor has proposed the same amount of \$33.2 million in FY 2021. However, this amount is \$19.1 million less than the projected \$52.3 million needed to balance our budget.

This year -- FY 2021 – UConn Health is projecting to end the year with a \$52.3 million deficit – wholly attributable to these unfunded legacy costs. **In fact, in the past two years, if not for the state’s unfunded legacy costs charged to UConn Health, the enterprise as a whole would have had a better than breakeven financial performance, as long as the historical funding for public education, research, and other public missions services was maintained.** We ask you to support the Governor’s proposed mid-term budget adjustments that provide \$33.2 million in relief to cover these unfunded legacy costs (as was done in FY20) and that you appropriate an additional \$19.1 million in the State Comptroller’s budget, for the unfunded legacy costs to be covered and in order for UConn Health to end FY21 in balance.

As you know, fringe benefit costs, including legacy costs, are a cost wholly outside UConn Health's control. The state negotiates state employee benefits and costs and sets the fringe rates, including the imposition of the additional legacy costs in the rate.

We understand that this challenge is not unique to UConn Health – yet we are disproportionately affected because almost all other state agency budgets do not have legacy costs charged to them or attributed to their agency. Instead, they are centralized in one amount and represented in a line item within the State Comptroller's budget.

After years of paying for the state's legacy costs, in order to stall the impact they are having on our research and clinical competitiveness, as well as our students and families, we respectfully request that you work with us to find a sustainable solution to address them. We have already engaged OPM and the Governor's Office, and will continue to work with them as well. As we address this critical issue, we also will endeavor to work with you to find a common understanding in the way state support and these costs are characterized to ensure there is consistency across agencies.

In closing, the state has invested so much in our public academic medical center, which, in turn, has resulted in a significant positive economic impact on our state as a whole. Because of your tremendous investment, we are thriving in so many ways – in educating our future medical professionals, growing Connecticut's economy, and providing fantastic clinical care, often to our state's most vulnerable populations. We look forward to working with you so 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.

---

# **State's Unfunded Legacy Costs**

**Impact on  
UConn and UConn Health**

January 2020

---

# State's Unfunded Legacy Costs - Key Issues

---

**High fringe benefit costs impact UConn and UConn Health's budgets, students and their families, and competitiveness. The largest portion of the State's retirement rate is attributable to the **State's unfunded liabilities**, which are passed on to higher ed.**

- **Budget Impact** – UConn and UConn Health must pay ~\$78M of its non-state funds to cover the State's unfunded liabilities in FY20. We estimate this cost will rise to \$85M in FY21. Without these costs, UConn and UConn Health would not have deficit budgets.
- **Students and Their Families** - In addition to impacting our budgets, the State's unfunded legacy costs cause an undue burden, especially on our students and their families. We have to fund some of these costs with tuition and fee dollars. \$22M is not going to their education, but to a prior unfunded retiree liability. We estimate this cost will rise to \$24M in FY21. This translates into \$700 per student.
- **Research Competitiveness** – UConn and UConn Health research fringe rate is an outlier, ~ 20% higher than peers. This results in less research grant dollars, innovation, commercialization and federal dollars to the State's economy.
- **Clinical Competitiveness** – The current State fringe rates for UCH's clinical operations are ~40% higher than other hospitals and providers across the state; resulting in over \$113M in more costs for UConn Health to provide clinical care. This gap in costs due to the unfunded liability costs results in a budget deficiency that UConn Health cannot cover on its own.

# Impact of High Fringe Rates on Research

---

**UConn's high fringe rates negatively effect our ability to recruit and retain researchers and grow research.**

- UConn's high fringe rates have been noted by grant reviewers
- Grants are not pursued because our high fringe cost make the budget unworkable
- Portions of projects are being outsourced because of the high cost of research
- High rates are driving decisions by several well-funded faculty to leave UConn for positions at other institutions (with lower fringe rates), taking grant dollars with them.

# Fringe Rate Comparison

High fringe rates are impacting UConn's competitiveness for research grants.

	Faculty rate	Professional rate
<b>UConn</b>	<b>53%</b>	<b>65%</b>
Georgia	49	49
Michigan State	47	47
Illinois	42	42
Rutgers	41	41
Penn State	38	38
<b>Average of Peer Institutions</b>	<b>37</b>	<b>41</b>
Wisconsin	35	35
Texas	30	30
Maryland	25	39

# Impact of High Fringe Rates on Research

.....  
**UConn's high fringe rates negatively effect our ability to grow research.**

- **UConn's high fringe rates have been noted by grant reviewers, impacting our competitiveness**

**Grant not funded; \$2.9M** (PIs: S. King, E. Eipper)

NIH R01 "*Peptide Amidation in Ciliogenesis*"

From a NIH grant proposal review:

"The budget is excessive for the experiments proposed. Reduce effort / salary for co-PI and technician by 1/2... Fringe for some positions (nearly 70% of salaries) seems inordinately high..."

- **Grants are not pursued because our high fringe cost make the budget unworkable**

**Grant not submitted; \$320K** (PI: K. Gans)

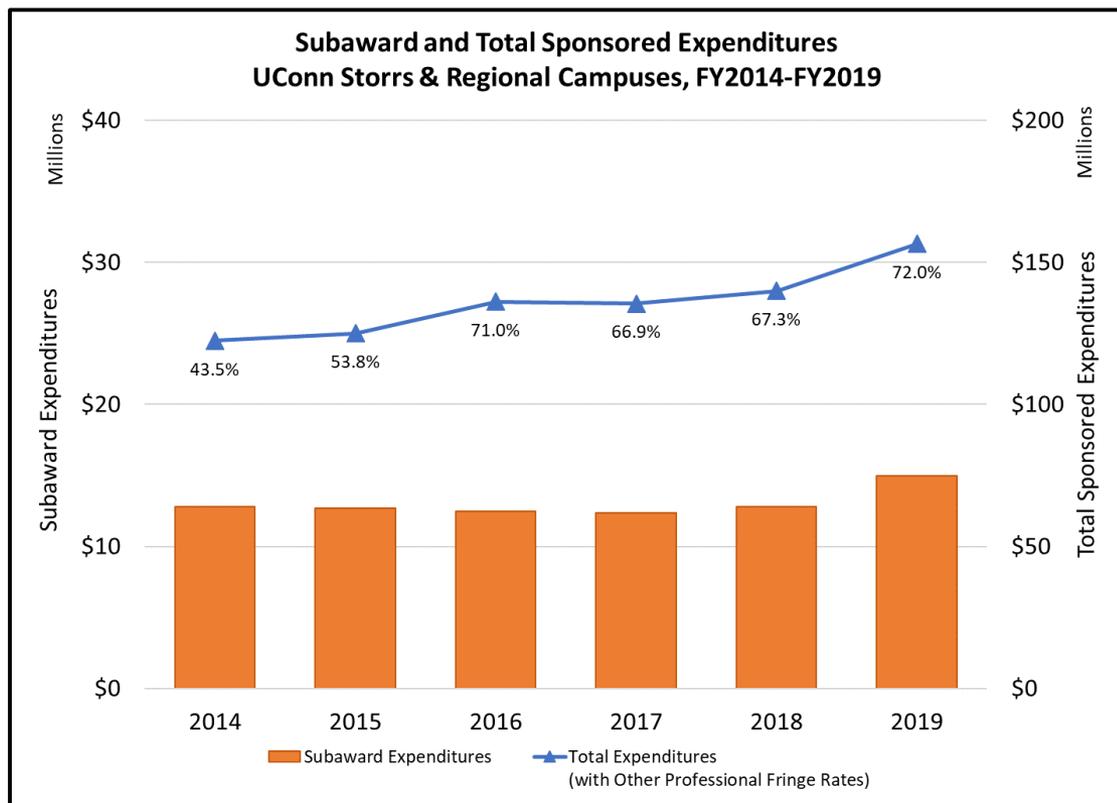
PI feedback regarding Robert Wood Johnson Foundation HER grant proposal:

"After submitting a concept paper... I was invited to submit a full proposal (only 41 out of 250 submitted were chosen). I had planned to submit the full proposal (due October 2) but unfortunately, I cannot make the budget work with the high fringe rates that UConn currently has."

# Trend Towards Outsourcing Research

Portions of projects are being outsourced because of the high cost of research at UConn.

- Spending on Subawards from UConn to other entities grew by 17% from FY18 to FY19 – after remaining relatively flat since 2013
- Two of our top grant funded investigators have moved a large amount of their research to a non-UConn organization in Spring 2019
  - This move is expected to shift ~\$700K per year in expenditures from UConn to another organization



# Impact on Research Faculty Retention

**UConn's high fringe rate was a factor for several well-funded faculty members' decisions to leave UConn for positions at other institutions (with lower fringe rates)**

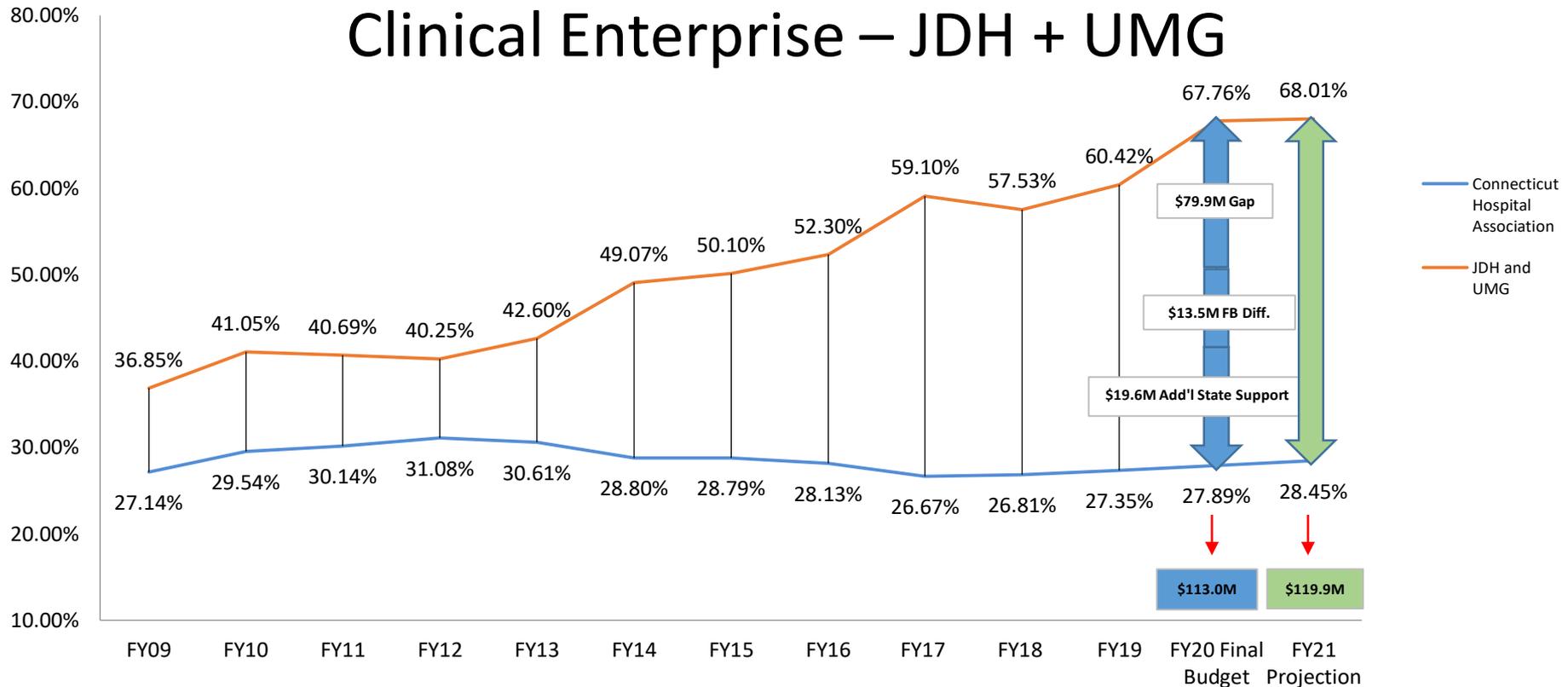
Former UConn/UConn Health Faculty	New Institution	Total Amount Transferred (Relinquished)	New Awards Received Since Leaving UConn*
Ramamurthy Ramprasad	Georgia Institute of Technology	\$3,226,135	\$2,188,438
Mohammad Tehranipoor	University of Florida	\$3,019,165	\$6,000,000 <sup>#</sup>
Fudong Liu	University of Texas-Austin	\$2,893,720	\$3,474,059
Ulrike Klueh	Wayne State University	\$1,992,935	\$568,525
Doug Adams	University of Colorado	\$1,417,010	\$684,198
Kate Whitaker	UMass-Amherst	\$1,091,289	<i>No data; too recent</i>
Kyle Baumbauer	University of Kansas	\$583,579	\$424,669
Lauren Sansing	Yale University	\$582,140	\$3,858,567
At least 8 others	Various locations	\$2,087,489	\$3,548,902
<b>Total grant funds lost</b>		<b>\$16,893,462</b>	<b>\$20,747,358</b>

\*Source: New awards obtained from Academic Analytics

Selection of research active faculty who have left UConn due in part to institutional barriers of doing research at UConn.

\* Source: New awards data obtained from Academic Analytics, NIH RePORTER, and NSF's Research.gov

# UCH - Fringe Benefit Differential

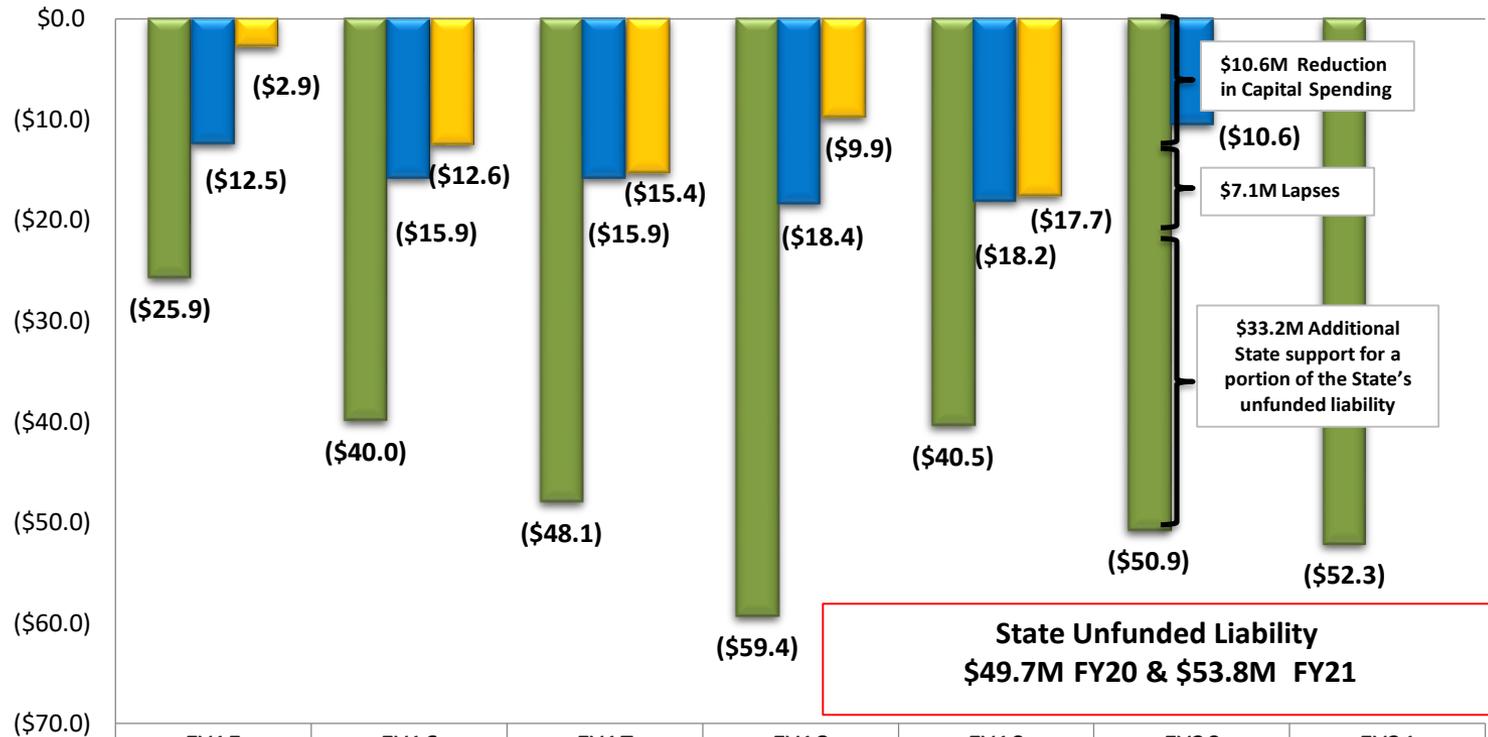


For FY20, the **difference in rates** is expected to result in over \$113.0M of additional costs to run the Clinical Operations compared to other area hospitals. In FY21, the additional cost is expected to be over \$119.9M

UConn Health receives some Fringe Benefit differential support from the State in the amount of \$13.5M and an additional State support of \$19.6M (clinical portion of the \$33.2M), resulting in a gap of nearly \$79.9M.

# UConn Health - Financial Overview

UConn Health's fundamentals are strong and growing. We saw a 60% increase in clinical revenues in 6 years, a 30% increase in class sizes and increases in research awards. If not for the State's unfunded liabilities charged to it, the enterprise would have had a better than breakeven financial performance as long as the historical funding for public education, research and other public mission services was maintained.



	FY15	FY16	FY17	FY18	FY19	FY20	FY21
Original Projection w/o Intervention	(\$25.9)	(\$40.0)	(\$48.1)	(\$59.4)	(\$40.5)	(\$50.9)	(\$52.3)
Final Budget	(\$12.5)	(\$15.9)	(\$15.9)	(\$18.4)	(\$18.2)	(\$10.6)	
Actuals	(\$2.9)	(\$12.6)	(\$15.4)	(\$9.9)	(\$17.7)		

# FY20 & FY21 SERS Unfunded Legacy Costs

The portion of the fringe costs associated with the State's unfunded pension liabilities are significant. While the State reimburses UConn/UCh for some of those costs, UConn's other non-State funds still pay a large share of that liability, plus retiree health costs, for a **combined total of \$77.7M expected for FY20 and \$84.7M in FY21.**

\*Other includes outside educational revenue, indirect cost return from grants, etc.

\*\*UCH received **\$33.2M** additional State support in FY20 to help cover a portion of the unfunded pension liability and retiree health costs.

\*\*\*Includes tuition, contracts, interns, residents etc.

UConn (Storrs & Regionals)		
PROJECTED FY20 & FY21 Unfunded Liability Costs		
	SERS Retirees Unfunded Liability (Retirees Pension & Health)	
Fund Type	FY20	FY21
Tuition/Fees/Other*	\$21.6	\$24.1
Research	\$6.4	\$6.9
<b>Non-State Funds/Liabilities</b>	<b>\$28.0</b>	<b>\$30.9</b>
UConn Health**		
PROJECTED FY20 & FY21 Unfunded Liability Costs		
	SERS Retirees Unfunded Liability (Retirees Pension & Health)	
Fund Type	FY20	FY21
Clinical	\$26.9	\$29.8
SOM/SODM Academic Units***	\$15.0	\$15.9
Research Fund	\$7.8	\$8.1
<b>Non-State Funds/Liabilities</b>	<b>\$49.7</b>	<b>\$53.8</b>
<b>Combined UConn/UCh</b>	<b>\$77.7</b>	<b>\$84.7</b>

---

# Appendix

# Fringe Benefit Rate Components - SERS

The State Comptroller develops the fringe benefit rates and the University is charged those rates for each employee.

Below is an example showing the components of the fringe rate for an employee who is a member of the State Employees Retirement System (SERS)\*\* with an annual salary of \$100K.

## FY20 State Fringe Benefit Rate Components

<b>State Retirement (SERS) **</b>	<b>59.99%</b>
<b>FICA SS</b>	<b>6.20%</b>
<b>FICA Medicare</b>	<b>1.45%</b>
<b>Unemployment Compensation</b>	<b>0.00%</b>
<b>Group Life Insurance*</b>	<b>~0.20%</b>
<b>Health Insurance*</b>	<b>~30.96%</b>
	<b>98.80%</b>

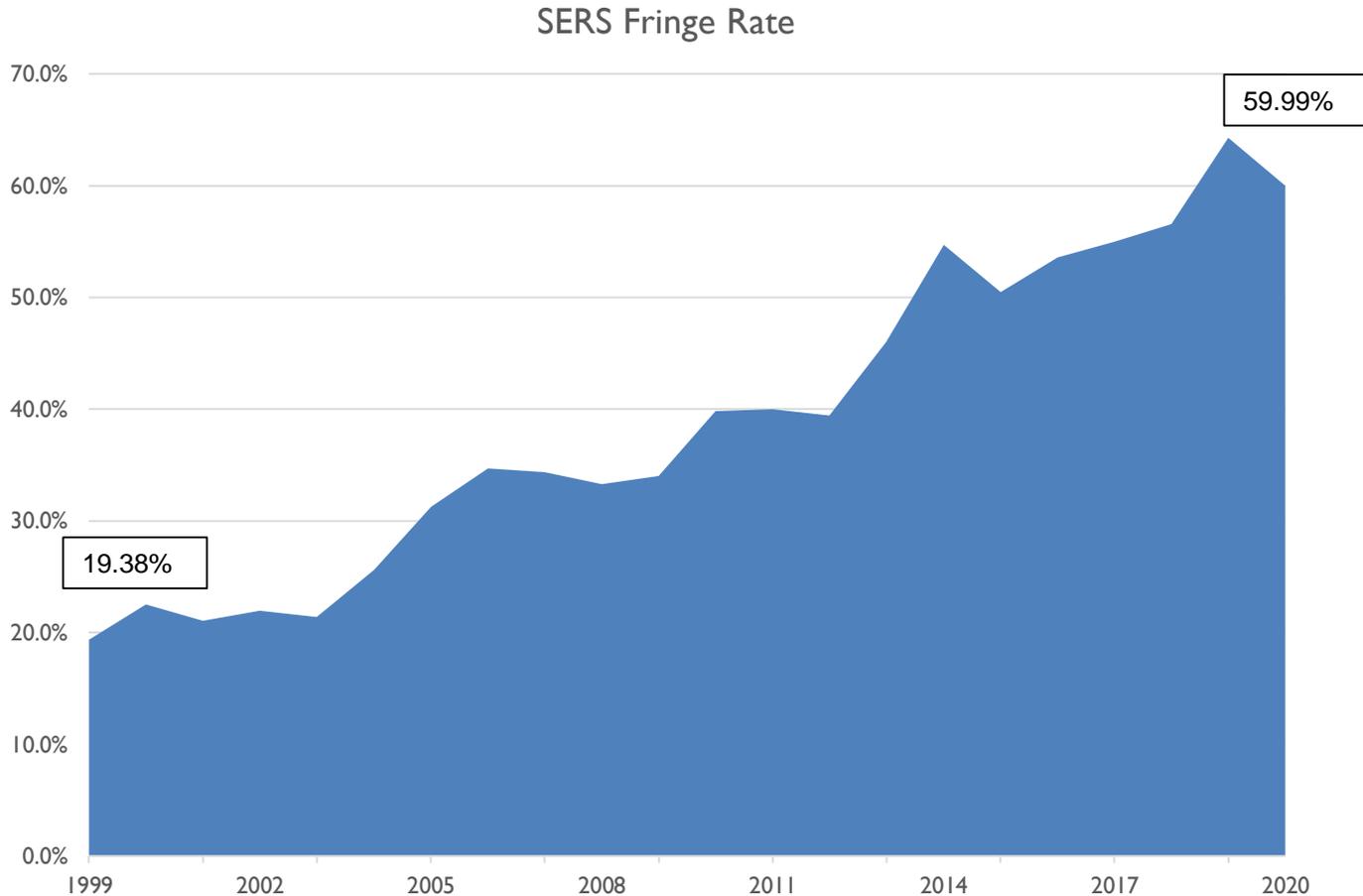
\*Rates vary according to coverage selected

Unfunded Pension Liability	31.06%
Retiree Health	20.34%
Normal/Current Retire. Costs	4.49%
Other Post Employ. Benefit Costs (OPEB)	2.79%
Administrative Costs	.35%
Roll-forward/Adjustments	.96%
	<b>59.99%</b>

\*\*Other retirement options are available for non-classified employees (Alternate Retirement Plan (ARP) Rate at 14.61%). About 37% of our current employees are on the ARP and 63% are on the SERS State plan.

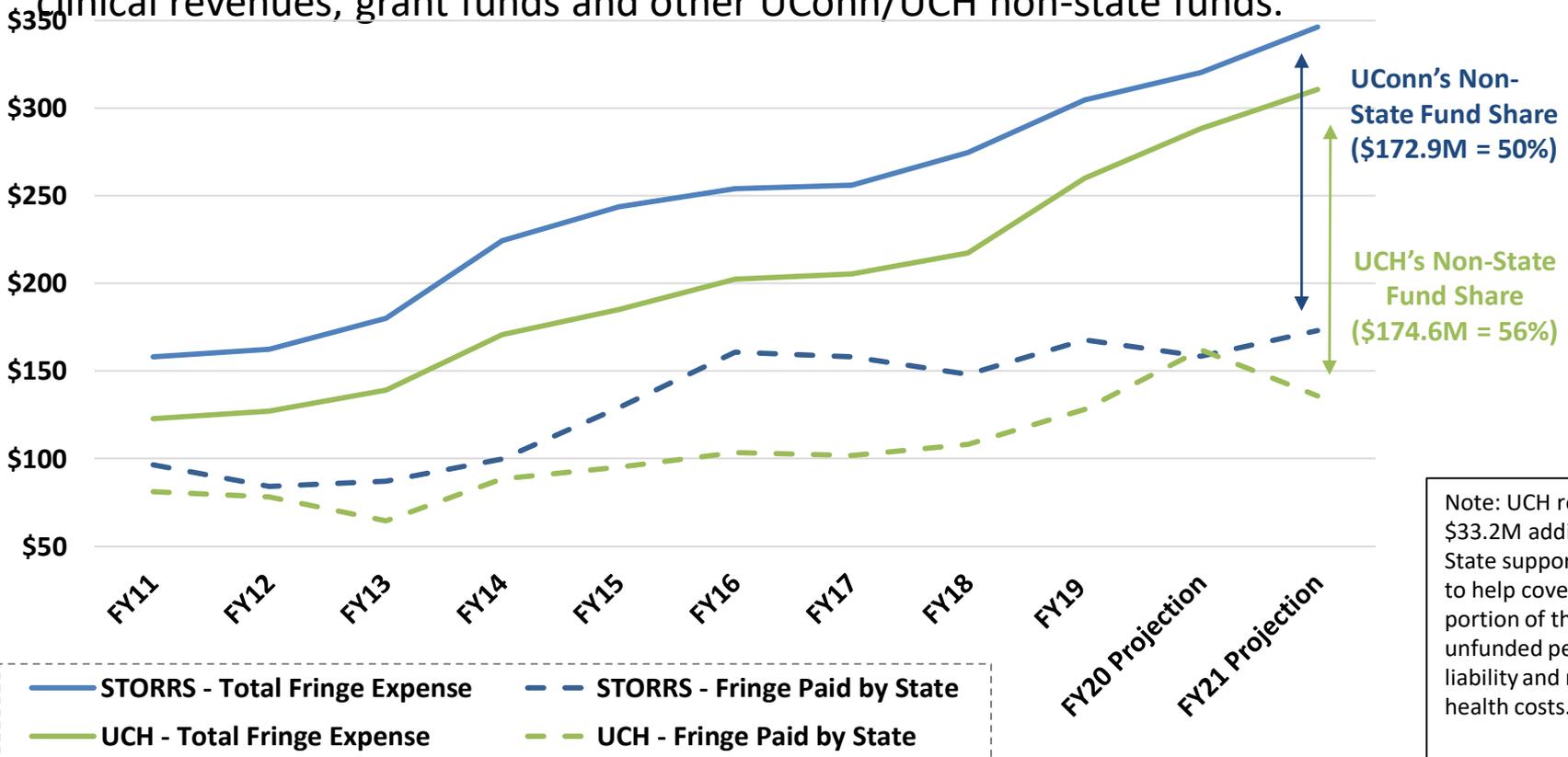
# Fringe Benefit Rate Components - SERS

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



# Fringe Costs are Rising

Total fringe costs, primarily due to the state's unfunded legacy pension liabilities and healthcare costs, have risen drastically over the last 10 years. While the State reimburses UConn & UCH for some of these costs, a significant amount (**\$172.9M for UConn** and **\$174.6M for UConn Health** projected in FY21) must be covered by tuition, clinical revenues, grant funds and other UConn/UCH non-state funds.



Note: UCH received \$33.2M additional State support in FY20 to help cover a portion of the unfunded pension liability and retiree health costs.

# Comparison of Research Fringe Rates

In FY20, UConn Storrs is 16.6% points above its peers in the faculty rate and UCH is 19.1% points higher in the professional rate.

	<u>Faculty</u>	<u>Professional</u>	<u>Special Payroll</u>
<b>UConn (Storrs &amp; Regionals)</b>	<b>53.2%</b>	<b>64.8%</b>	<b>24.3%</b>
<b>UConn Health</b>	<b>40.9%</b>	<b>59.9%</b>	<b>14.0%</b>
<b>Peer Institutions:</b>			
Michigan State University	47.2	47.2	7.7
University of Georgia	49.0	49.0	24.4
Indiana University	39.3	39.3	27.9
University of Delaware	40.6	40.6	7.1
University of Utah	34.0	62.0	34.0/10.0
University of Kansas	35.0/40.0/9.0 <i>b</i>	35.0/40.0/9.0 <i>b</i>	15.0 <i>d</i>
Purdue University	28.1	33.2/30.5/50.2 <i>e</i>	4.0 <i>d</i>
University of Kentucky	<i>a</i> 19.9	20.0	9.1 <i>d</i>
<b>Average of Peer Institutions</b>	<b>36.6%</b>	<b>40.8%</b>	<b>18.5%</b>

<b>Aspirant Institutions:</b>	<u>Faculty</u>	<u>Professional</u>	<u>Special Payroll</u>
Penn State University	37.9	37.9	13.0
University of Illinois - UC	42.0	42.0	7.8 <i>d</i>
University of Wisconsin-Madison	35.0	35.0	19.9
University of California - Davis	38.4	53.1	10.3
University of Florida	26.8	35.7	12.1/5.7 <i>c</i>
University of Maryland	25.3	39.2	8.4
Ohio State - Main campus	24.0	31.1	15.1/9.1 <i>c</i>
University of Texas - Austin <i>a</i>	29.8	29.8	5.1
<b>Average of Aspirant Institutions</b>	<b>32.4%</b>	<b>38.0%</b>	<b>13.5%</b>

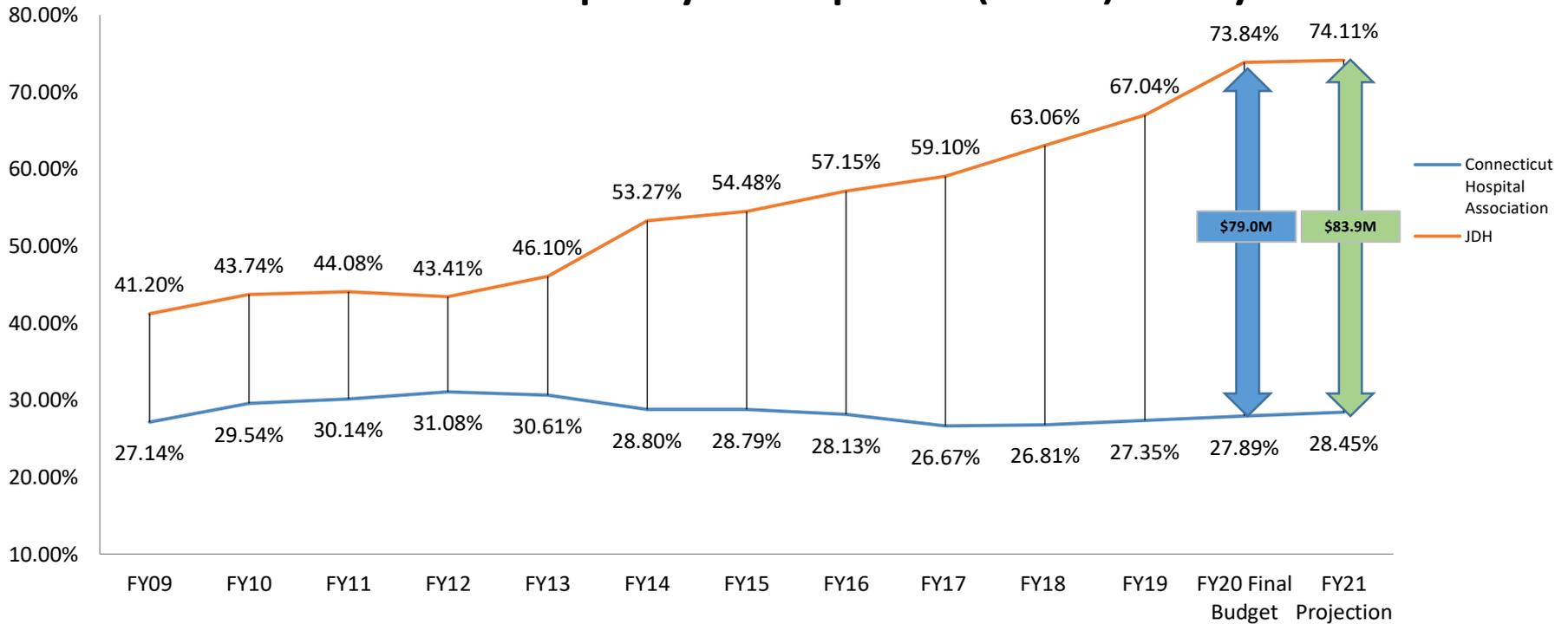
<b>Other Institutions:</b>	<u>Faculty</u>	<u>Professional</u>	<u>Special Payroll</u>
University of Vermont	46.0	46.0	11.6
Rutgers State University	41.4	41.4	41.4
University of New Hampshire	45.0	45.0	8.0
UMASS-Amherst	36.6	36.6	1.7
Yale University	27.5	27.5	27.5
Brown University	30.4	30.4	30.4
New York University	30.5	30.5	30.5
Temple University	25.5	25.5	21.4 <i>d</i>
MIT	26.6	26.6	8.2 <i>d</i>
University of Rhode Island <i>a</i>	21.9	21.9	21.9
Harvard University	23.6	30.5	19.4 <i>d</i>
University of Virginia	28.9	39.6	7.6
<b>Average of Other Institutions</b>	<b>32.0%</b>	<b>33.5%</b>	<b>21.7%</b>

**Notes:**

- a* Does not include health insurance, which is charged at actual cost
- b* Rate varies based on FTE (.9-1.0/.5-.89/.49 or less)
- c* Separate rates for Faculty and Graduate summer salary
- d* Graduate student rate; Faculty summer pay at regular faculty rate
- e* Rate varies depending on retirement plan

# UCH - Fringe Benefit Differential

## John Dempsey Hospital (JDH) only

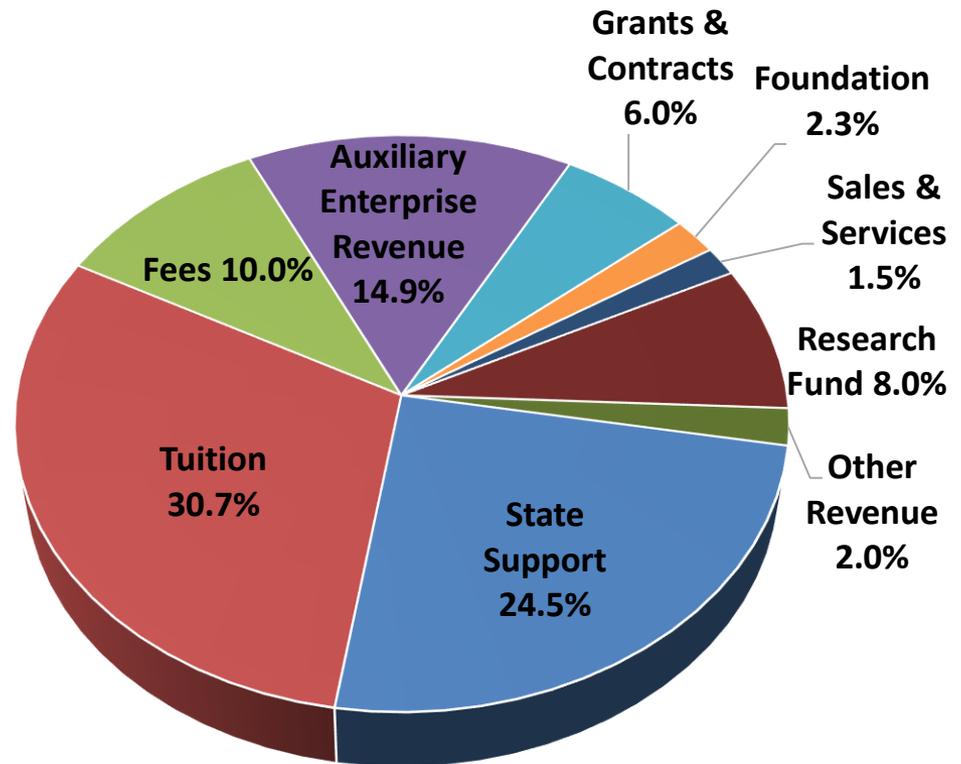


For FY20, the difference in rates is expected to result in over \$79.0M of additional costs to run the Clinical Operations compared to other area hospitals. In FY21, the additional cost is expected to be over \$83.9M.

# UConn – FY20 Revenues by Category

The University relies more on tuition than any other revenue source at 30%, greater than state support at just 25%.

Total Revenues \$1,471.6M



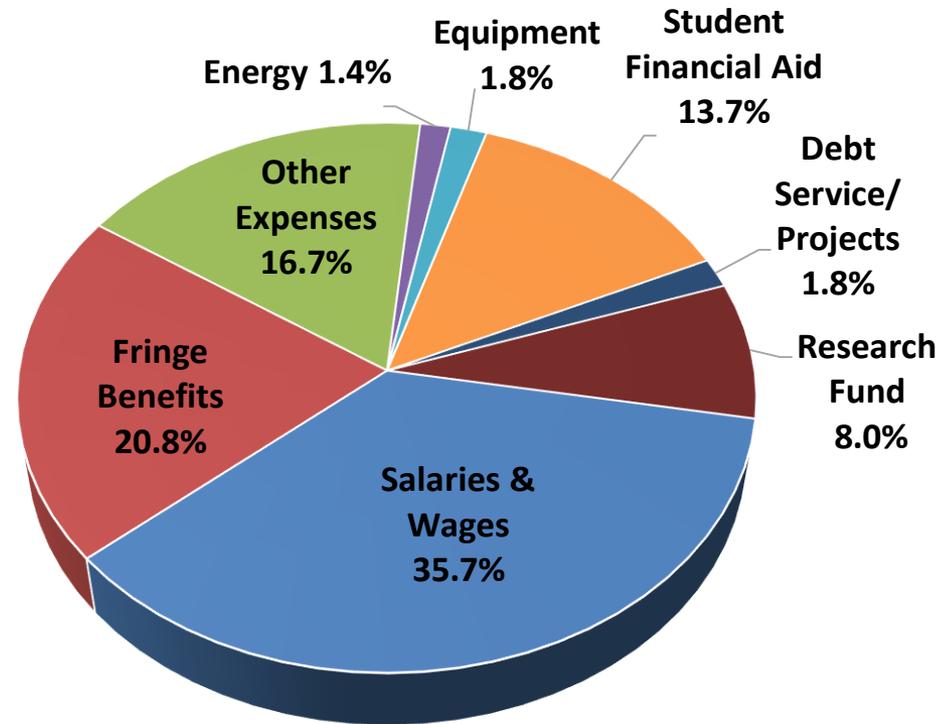
Revenues (\$M)	
FY20 Projection	
State Block Grant	199.4
Fringe Benefits & Adjustments	161.4
Total State Support	<b>\$ 360.7</b>
Tuition	451.5
Fees	147.7
Grants & Contracts	87.9
Foundation/Endowment	33.9
Sales & Services	22.4
Auxiliary Enterprise Revenue	219.3
Other Revenue	30.1
Research Fund	118.0
<b>Total Current Funds Revenues</b>	<b>\$ 1,471.6</b>

# UConn – FY20 Expenditures by Category

57% of UConn’s expenses are for employee salary and fringe costs.

Total Expenditures \$1,467.7M

Expenditures (\$M)	
FY20 Projection	
Salaries and Wages	524.7
Fringe Benefits	305.1
Other Expenses/Equipment	272.1
Energy	21.3
Student Financial Aid	200.5
Debt Service/Projects	27.0
Research Fund	117.1
<b>Total Current Funds Expenditures</b>	<b>\$ 1,467.7</b>



# UConn - Projected Deficit for FY21

---

Projected Deficit (\$M)	<u>FY21</u> (\$12.2)
-------------------------	-------------------------

## Deficit Mitigation Strategies to Consider

- Revisit tuition estimates for FY21 which may impact affordability and student demand.
- Increase enrollment, which will bring more tuition, but may increase class size, faculty to student ratio, reduce average SAT score, and affect ranking.
- Freeze staff hiring, which may affect staff retention and have deleterious effects on research, teaching and academic performance.

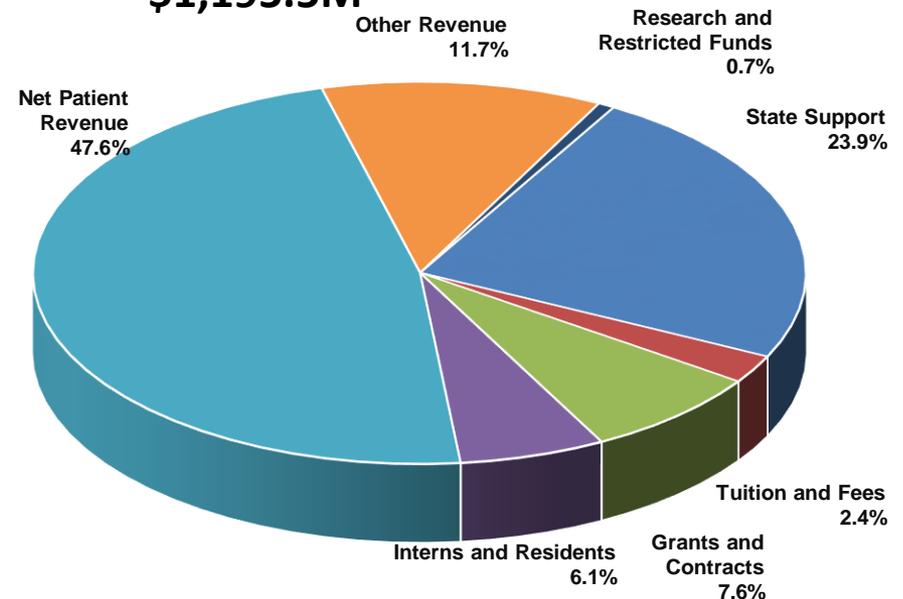
## UConn Health – FY20 Revenues by Category

UConn Health’s greatest revenue source is Patient Revenue, covering >47%. State support (Block Grant and In-kind Fringe) covers 24% of total revenues.

The Block Grant is used only for salaries of UConn Health employees - it (and the associated fringe benefit reimbursement received) only covers approximately 40% of our employees.

Revenues (\$M)	
State Block Grant	127.6
Fringe Benefits & Adjustments	124.9
Additional State Support	33.2
<b>Total State Support</b>	<b>\$ 285.7</b>
Tuition and Fees	28.6
Grants and Contracts	91.1
Interns and Residents	72.8
Net Patient Revenue	568.8
Other Revenue	140.3
<b>Total Operating Fund</b>	<b>\$ 1,187.3</b>
<b>Research and Restricted Funds</b>	<b>8.3</b>
<b>Total Current Funds Revenues</b>	<b>\$ 1,195.5</b>

### Total Revenues \$1,195.5M

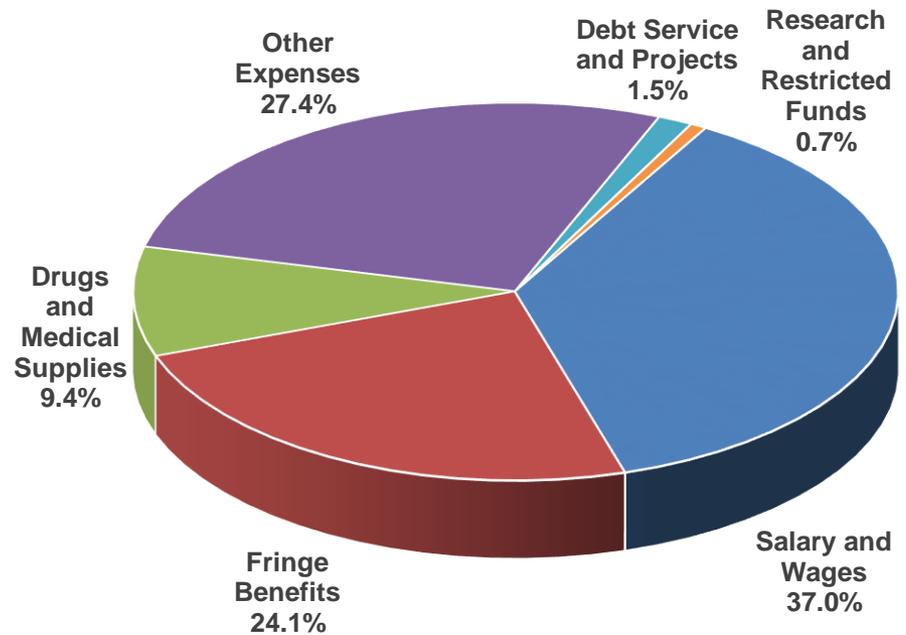


# UConn Health – FY20 Expenditures by Category

61% of UConn Health expenses are for employee salary and fringe costs.

Expenditures (\$M)	
Salary and Wages	442.4
Fringe Benefits	288.2
Drugs and Medical Supplies	112.0
Other Expenses*	327.1
Debt Service and Projects	17.5
<b>Total Operating Fund</b>	<b>\$1,187.3</b>
<b>Research and Restricted Funds</b>	<b>8.3</b>
<b>Total Current funds Expenditures</b>	<b>\$1,195.5</b>

**Total Expenditures \$1,195.5M**



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



## Table of Contents

---

	<b>Page</b>
UConn Health Overview - Who We Are	3-14
Research – Innovation – Commercialization	15-19
Budget and State’s Unfunded Legacy Costs	20-34
Bioscience Connecticut - UConn Health’s Capital Program	35-43

## 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  
Graduate Dental Education



## UConn Health - A Snapshot

UConn Health's fundamentals are strong and growing with increases in clinical revenues (60% in six years), Medical and Dental class sizes (30% in six years), and research awards are expanding.

- **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. It is a major supplier of health care professionals and biomedical science professionals for the state.
- **Budget:** Annual Operating Budget of > \$1 Billion
- **Employees:** Employing nearly 4,600 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 % of inpatient hospital and nearly % of 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 800 medical and dental school graduates in residency programs throughout Central Connecticut hospitals, addressing a critical workforce need and bringing in \$122.3 Million annually in federal funds to CT hospitals to support these jobs.

# Education

## School of Medicine

- 444 Students
- 684 Residents

## School of Dental Medicine

- 202 Students
- 117 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 & Dental Education
- Continuing Medical Education – Accreditation with Commendation
- Statewide Community Partnerships & Community Outreach Programs

# Education

## The Graduate School

- 164 PhD Students
- 145 Masters Students
- 18 Graduate Certificate Students



### Programs

#### Public Health (PhD, MPH)

#### Clinical & Translational Research (MS-CTR)

#### Dental Science (MC-Dent Sc)

#### Biomedical Science (PhD)

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

#### Combined Degree Programs

##### MD

- MD/PhD
- MD/MPH
- MD/MS-CTR
- MD/MBA

##### DMD

- DMD/PhD
- DMD/MPH
- DMD/MBA
- DMD/MS-CTR

##### PhD

- PhD/MBA

## Residency Training/Graduate Medical Education

### A Partner and Resource to Other Hospitals & the State

- UConn Health has 801 residents (684 medical and 117 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	\$50.1 million
Hospital of Central Connecticut	\$7.6 million
UConn John Dempsey Hospital	\$29.1 million
St. Francis Hospital	\$32.5 million
<b>TOTAL</b>	<b>\$122.3 million</b>

### 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 (FY19)

- 10,587 inpatient discharges
- 1,256,967 outpatient visits\*
- 84,824 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

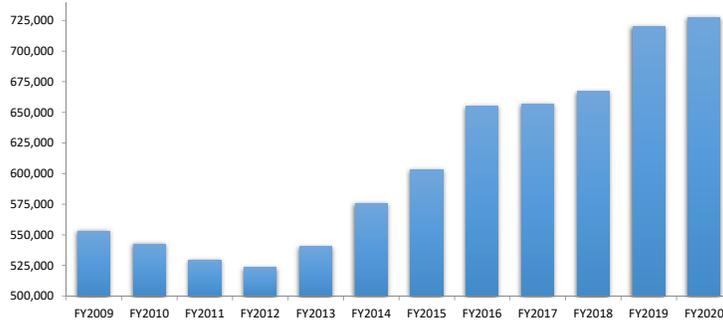
### Locations

- 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.

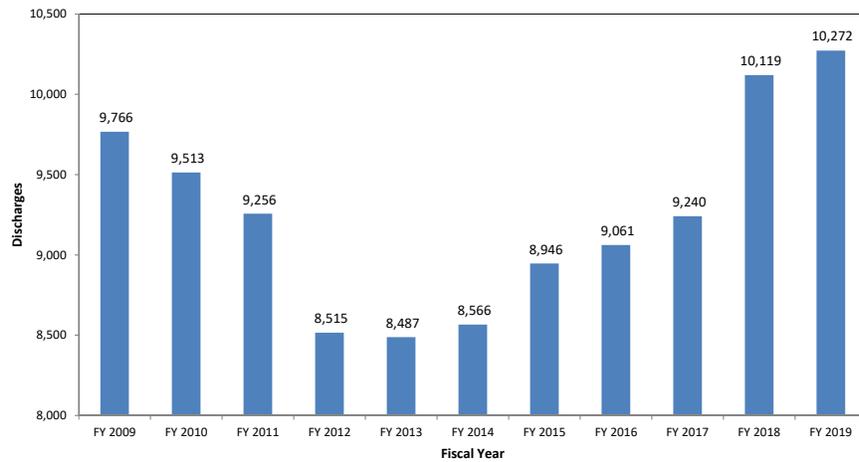
\* Some outpatient visits will generate multiple patient services in a given day

## UConn Medical Group ENCOUNTERS BY FISCAL YEAR

Encounters (Excludes Anesthesiology)



## John Dempsey Hospital DISCHARGES BY FISCAL YEAR



## An Essential Healthcare Provider to Connecticut's Underserved Citizens

### UConn John Dempsey Hospital

- Medicaid inpatient days as a percentage of total inpatient days = 25.6%

**Service to Medicaid Patients FY19**

### UConn Medical Group

22.7% of visits were Medicaid patients

### UConn Dental Clinics

- Single largest provider of dental services to Medicaid recipients and the under- and uninsured
- 52.8% 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 (statewide, AHEC)
- South Park Inn Medical/Dental Clinic (Hartford)
- Camp Courant Dental Screening Program
- Covenant Soup Kitchen (Willimantic, AHEC)
- CT AHEC Urban Service Track/AHEC Scholars Program - provides 60+ community-based programs annually throughout CT), including Smalley Academy collaboration (New Britain)
- CT Mission of Mercy
- CT Innerscity Mission of Mercy (Hartford)
- Special Olympics Healthy Athletes/Special Smiles
- New London Homeless Hospitality Center (AHEC)
- St. Vincent DePaul Soup Kitchen (Norwich, AHEC)
- SHA/SHIP – Students/faculty assisted CT DPH with community input survey; UConn Storrs assisted DPH with section on climate change and health in CT



## A Resource to the Community and the State

### Building & Developing the Healthcare Provider Pipeline for Connecticut

Initiatives to prepare the next generation of health care providers and 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:

**CT Area Health Education Center (AHEC) Network**, based in Farmington with four regional centers providing services throughout CT (Hartford, Norwich, Shelton and Waterbury)

- CT AHEC Network Pipeline Programs: Youth Health Service Corps, Collegiate Health Service Corps, AmeriCorps & STEM programs for high school students
- Urban Service Track/AHEC Scholars Program – promoting primary care and public health for health professions students with a passion for vulnerable underserved communities (urban and rural)
- Mental Health First Aid (MHFA) training and Applied Suicide Intervention Skills Training (ASIST), including student veteran trainees (AHEC)
- SBIRT training – substance abuse screening, brief intervention and referral to treatment (AHEC)
- Safety in opioid prescribing training (AHEC)

**AETNA Health Professions Partnership Initiative (HPPI)**, based in Farmington, is a formal educational consortium offering a comprehensive program of educational enrichment and support activities, for underrepresented, disadvantaged and first generation students applying to medical and dental schools, graduate programs in biomedical sciences, nursing, pharmacy, and allied health programs.

- Middle School Students - Great Explorations Middle School Program;
- High School Students - Doctors Academy Program; Student Research Apprentice Program; Mini Medical/Dental School Program;
- Middle School, High School and College Students - The Bridge To The Future Science Mentorship Program
- College Students - Pre-College Enrichment Programs for entering freshmen; Health Disparities Clinical Summer Research Fellowship Program; Medical/Dental Preparatory Program; Summer Research Fellowship Program

## UConn Health - One of Connecticut's Successes

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

- **30%** increase in class sizes for UConn School of Medicine (SOM) and UConn School of Dental Medicine (SODM) with the Classes of 2023 the largest in history.
- **37%** of UConn School of Medicine (SOM) graduates practice in the State, the largest single provider of medical professionals in the state.
- **34%** of SOM graduates stay in CT for residency and fellowship receiving training while providing service; thus over 70% SOM graduates give back in service for the 4 years of medical education they receive.
- **35%** of SOM-sponsored residents and fellows including non-SOM graduates stay and serve CT
- **47%** of UConn School of Dental Medicine (SODM) graduates practice in the State, the largest single provider of dental professionals 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 **26%** of the SODM's 2019 first-year class are under-represented/minority students
- UConn School of Medicine was recently named by US News and World Report as one of the nation's **top ten medical schools for diversity** of its student body with African American students comprising 11.8%, well above the national average of 6%. The school's population of underrepresented has grown steadily in recent years.

### Economic Driver for the Region and the State

- Catalyst for new biomedical and biotech jobs, e.g. Stem cell, genomics and personalized medicine
- Generates **\$2.2 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 4,600 employees from 136 different Connecticut towns

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

UConn Sponsored Program Activity*	
Annual Grant Expenditures (\$M)	FY19 \$157
Proposals (\$M)	\$738
Grants Awarded (\$M)	\$164
Average Grant Award Size/Faculty	\$302,238
UConn Health Sponsored Program Activity*	
Annual Grant Expenditures (\$M)	FY19 \$87
Proposals (\$M)	\$516
Grants Awarded (\$M)	\$102
Average Grant Award Size/Faculty	\$554,351

\* 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

### FY19 Technology Commercialization Activity:

- 90 invention disclosures received
- 105 U.S. patent applications filed
- 30 patents issued
- 21 licenses & options executed
- \$740K licensing revenue
- 15 startups formed by faculty\*

### Recent Success and Rankings:

- 46<sup>th</sup> in Princeton Review/Entrepreneur Magazine Top 50 Undergraduate Programs for Entrepreneurs
- 90<sup>th</sup> in Reuters Top 100: The World's Most Innovative Universities; based on patents filed, success rate of patents and commercial impact



Research & Innovation success leads to technology commercialization, creates new companies, new jobs, and positions Connecticut for economic growth

\* Startups formed based on CI2018 data

## UConn Research & Innovation: Technology Incubation Program



Moving technology from the lab to the market at UConn and UConn Health

	TIP UConn and UConn Health Total FY19	TIP UConn Health Total FY19
Raised in debt & equity funding	\$69M	\$69M
Raised in revenue from sales and grants	\$9M	\$8M
Companies located at the incubator	35	27
Full-time (FT) and part-time (PT) Jobs	106 (FT) 62 (PT)	97 (FT) 48 (PT)
Incubator space occupied	90%	90%
Taxes paid	\$1,286,000	\$1,207,000

## UConn Collaborations with The Jackson Laboratories

### UConn/JAX Collaborative Grants FY14-Present

Joint Grant Submissions	Value
Awarded	\$40.5 million
Pending	\$104.8 million
<b>Total</b>	<b>\$145.3 million</b>

#### Joint Hires

- 5 Joint UConn/JAX hires

#### Exceptional Educational Opportunities

- 26 JAX faculty have UConn graduate faculty appointments
- 27 UConn Biomedical Science PhD students are doing their dissertation research with JAX faculty
- 60 lab rotations have been done with JAX faculty
- 3 students have graduated from the UCH/JAX Doctoral Program
- Storrs and JAX affiliation agreement encompassing Storrs PhD students conducting research at JAX executed (8/2019)

#### Development of Single Cell Genomics Center

- Continued 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 UConn/UConn Health faculty using the Center total nearly \$18M

#### Precision Medicine/Stem Cell Initiative

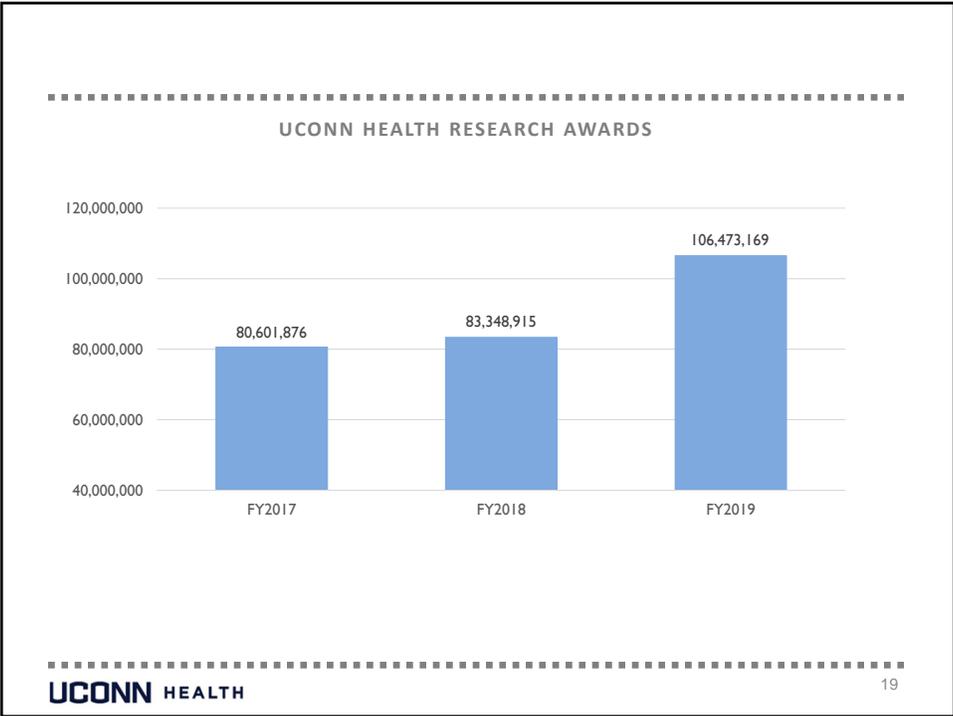
- Pursuing joint stem cell/precision medicine initiatives

#### 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.



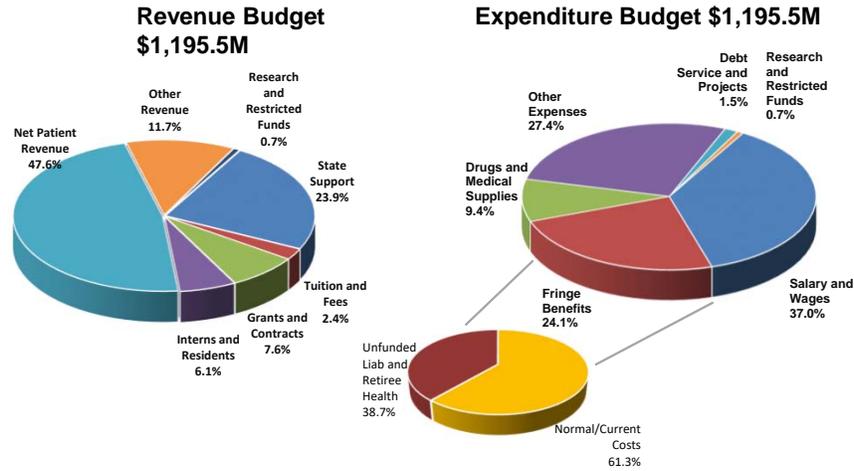
-----

**Budget**

-----

**UCONN HEALTH** 20

## UConn Health FY20 Budget

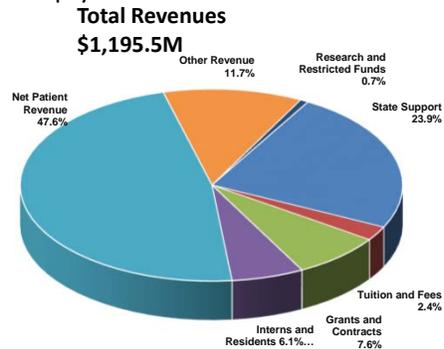


## UConn Health – FY20 Revenues by Category

UConn Health's greatest revenue source is Patient Revenue, covering >47%. State support (Block Grant and In-kind Fringe) covers 24% of total revenues.

The Block Grant is used only for salaries of UConn Health employees - it (and the associated fringe benefit reimbursement received) only covers about 40% of our employees.

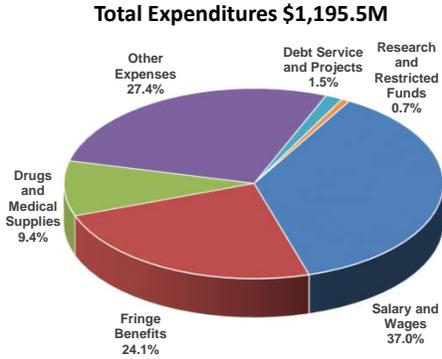
Revenues (\$M)	
State Block Grant	127.6
Fringe Benefits & Adjustments	124.9
Additional State Support	33.2
<b>Total State Support</b>	<b>\$ 285.7</b>
Tuition and Fees	28.6
Grants and Contracts	91.1
Interns and Residents	72.8
Net Patient Revenue	568.8
Other Revenue	140.3
<b>Total Operating Fund</b>	<b>\$ 1,187.3</b>
<b>Research and Restricted Funds</b>	<b>8.3</b>
<b>Total Current Funds Revenues</b>	<b>\$ 1,195.5</b>



## UConn Health – FY20 Expenditures by Category

61% of UConn Health expenses are for employee salary and fringe costs.

Expenditures (\$M)	
Salary and Wages	442.4
Fringe Benefits	288.2
Drugs and Medical Supplies	112.0
Other Expenses*	327.1
Debt Service and Projects	17.5
<b>Total Operating Fund</b>	<b>\$1,187.3</b>
<b>Research and Restricted Funds</b>	<b>8.3</b>
<b>Total Current funds Expenditures</b>	<b>\$1,195.5</b>



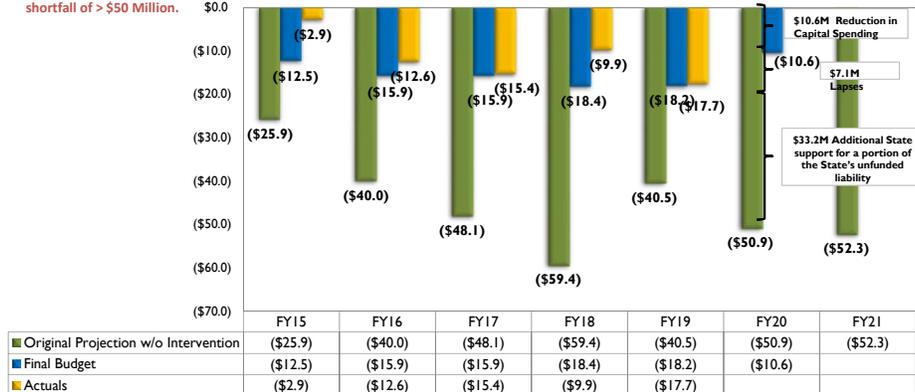
\*Other Expenses includes items such as Medical/Dental House Staff, Medical Contractual Support, Utilities, Insurance and Repairs/Maintenance

## Budget Projections

UConn Health is projected to face deficits in FY20 and FY21 due primarily to the state's unfunded legacy costs that it cannot cover on its own.

A \$10.6 Million operating loss is projected for FY20. Notwithstanding this operating loss, UConn Health presented a balanced budget to the Board; capital spending will be reduced to balance the budget.

It is estimated that in FY21, after cost reductions, revenue enhancements, and reducing capital spending, UConn Health will still face a shortfall of > \$50 Million.



## FY20 Budget Key Drivers of Deficit

### REVENUE:

- Dermatology Department Updates
  - Mohs move from Hospital Based to Office Based Clinic
  - Provider Ramp-up
  - Pharmacy Utilization Decrease
- DOC Pharmacy Contract

### EXPENDITURES:

- Salary – SEBAC 5.5% CBI Increases
- Fringe Benefits –
  - Salary CBI increases
  - Full Impact of the SAG Award
  - Health/Dental/Pharmacy Insurance Increases

## 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
- FY 19 Total Savings \$25.1m:** Financial Improvement Project 4.0

### Current Cost Savings Efforts:

- FY 20 Total Estimated Savings \$9.5M:** Financial Improvement Project 5.0
  - ✓ **Clinical Initiatives** – Contract pharmacy, Radiology expanded services, provider productivity, Incentive based compensation
  - ✓ **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, Lost Fringe and Fund Sweeps (\$1M)						
	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	119.7	(0.6)	119.1	(0.4)	-	(1.0)
FY20	128.2	(0.6)	127.6	(0.6)	-	(1.2)
<b>TOTAL</b>		<b>\$ (23.2)</b>		<b>\$ (14.6)</b>	<b>\$ (24.0)</b>	<b>\$ (61.6)</b>

## State's Unfunded Legacy Costs - Key Issues

**High fringe benefit costs impact UConn and UConn Health's budgets, students and their families, and competitiveness. The largest portion of the State's retirement rate is attributable to the State's unfunded liabilities, which are passed on to higher ed.**

- **Budget Impact** – UConn and UConn Health must pay ~\$78M of its non-state funds to cover the State's unfunded liabilities in FY20. We estimate this cost will rise to \$85M in FY21. Without these costs, UConn and UConn Health would not have deficit budgets.
- **Students and Their Families** - In addition to impacting our budgets, the State's unfunded legacy costs cause an undue burden, especially on our students and their families. We have to fund some of these costs with tuition and fee dollars. \$22M is not going to their education, but to a prior unfunded retiree liability. We estimate this cost will rise to \$24M in FY21. This translates into \$700 per student.
- **Research Competitiveness** – UConn and UConn Health research fringe rate is an outlier, ~20% higher than peers. This results in less research grant dollars, innovation, commercialization and federal dollars to the State's economy.
- **Clinical Competitiveness** – The current State fringe rates for UCH's clinical operations are ~40% higher than other hospitals and providers across the state; resulting in over \$113M in more costs for UConn Health to provide clinical care. This gap in costs due to the unfunded liability costs results in a budget deficiency that UConn Health cannot cover on its own.

## FY20 & FY21 SERS Unfunded Legacy Costs

The portion of the fringe costs associated with the State's unfunded pension liabilities are significant. While the State reimburses UConn/UCh for some of those costs, UConn's other non-state funds still pay a large cost of that liability, plus retiree health costs, for a combined total of \$77.7M expected for FY20 and \$84.7M in FY21.

\*Other includes outside educational revenue, indirect cost return from grants, etc.

\*\*UCh received \$33.2M additional State support in FY20 to help cover a portion of the unfunded pension liability and retiree health costs.

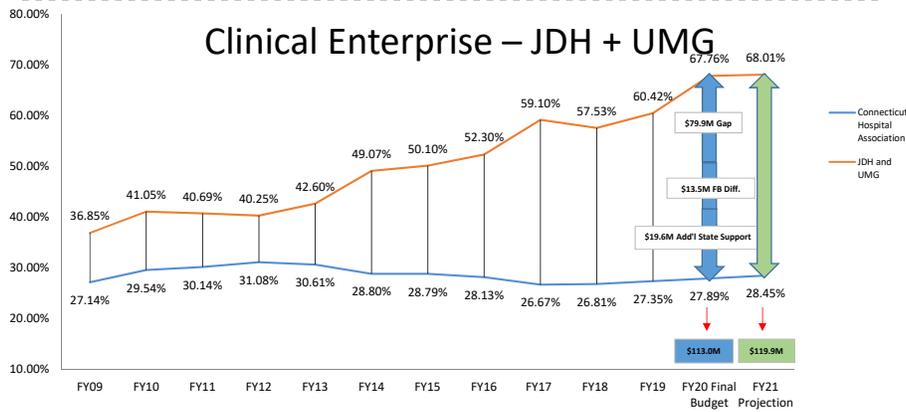
\*\*\*Includes tuition, contracts, interns, residents etc.

UConn (Storrs & Regionals)		
PROJECTED FY20 & FY21 Unfunded Liability Costs		
	SERS Retirees Unfunded Liability (Retirees Pension & Health)	
Fund Type	FY20	FY21
Tuition/Fees/Other*	\$21.6	\$24.1
Research	\$6.4	\$6.9
<b>Non-State Funds/Liabilities</b>	<b>\$28.0</b>	<b>\$30.9</b>

UConn Health**		
PROJECTED FY20 & FY21 Unfunded Liability Costs		
	SERS Retirees Unfunded Liability (Retirees Pension & Health)	
Fund Type	FY20	FY21
Clinical	\$26.9	\$29.8
SOM/SODM Academic Units***	\$15.0	\$15.9
Research Fund	\$7.8	\$8.1
<b>Non-State Funds/Liabilities</b>	<b>\$49.7</b>	<b>\$53.8</b>
<b>Combined UConn/UCh</b>	<b>\$77.7</b>	<b>\$84.7</b>

## UCH - Fringe Benefit Differential



For FY20, the difference in rates is expected to result in over \$113.0M of additional costs to run the Clinical Operations compared to other area hospitals. In FY21, the additional costs is expected to be over \$119.9M

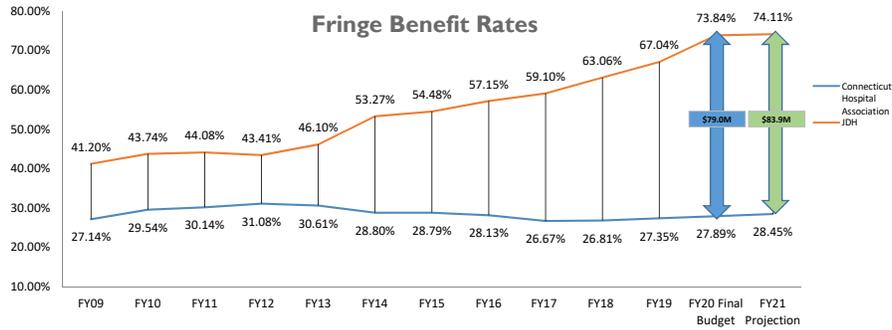
UConn Health receives some Fringe Benefit differential support from the state in the amount of \$13.5M and an additional state support of \$19.6M (clinical portion of the \$33.2M), resulting in a gap of nearly \$79.9M.

# 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 \$79.0M of additional costs to run the Clinical Operations compared to other area hospitals. In FY21, the additional costs is expected to be over \$83.9M

# Fringe Benefit Rate Components - SERS

The State Comptroller develops the fringe benefit rates and the University is charged those rates for each employee.

Below is an example showing the components of the fringe rate for an employee who is a member of the State Employees Retirement System (SERS)\*\* with an annual salary of \$100K.

### FY20 State Fringe Benefit Rate Components

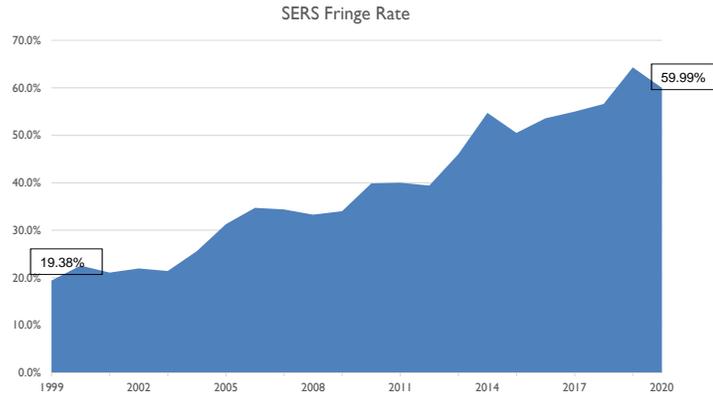
State Retirement (SERS) **	59.99%	Unfunded Pension Liability	31.06%
FICA SS	6.20%	Retiree Health	20.34%
FICA Medicare	1.45%	Normal/Current Retire. Costs	4.49%
Unemployment Compensation	0.00%	Other Post Employ. Benefit Costs (OPEB)	2.79%
Group Life Insurance*	~0.20%	Administrative Costs	.35%
Health Insurance*	~30.96%	Roll-forward/Adjustments	.96%
	98.80%		59.99%

\*Rates vary according to coverage selected

\*\*Other retirement options are available for non-classified employees (Alternate Retirement Plan (ARP) Rate at 14.61%). About 37% of our current employees are on the ARP and 63% are on the SERS State plan.

## Fringe Benefit Rate Components - SERS

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



## State Approved Budgets

### FY2020 and FY2021

	FY2020 PA19-117 FY20	FY2020 Allotment	FY2021 Requested	FY2021 PA19-117 FY21
Operating Expenses	\$109,785,175	\$109,236,249	\$116,556,690	\$116,556,690
Workers Compensation Claims	2,670,431	2,670,431	2,917,484	2,917,484
AHEC	375,179	375,179	375,832	375,832
Bioscience	15,400,000	15,323,000	16,000,000	16,000,000
<b>Total Appropriation</b>	<b>\$128,230,785</b>	<b>\$127,604,859</b>	<b>\$135,850,006</b>	<b>\$135,850,006</b>
Additional Funds to Cover a Portion of Unfunded Pension and Healthcare Liabilities	33,200,000	33,200,000	52,300,000	-
<b>Total State Support</b>	<b>\$161,430,785</b>	<b>\$160,804,859</b>	<b>\$188,150,006</b>	<b>\$135,850,006</b>

Additional funding for FY2021 to cover the unfunded pension and healthcare liabilities was requested during the Midterm Adjustment submissions on October 3, 2019

---

## 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

As of May 8, 2019, all Bioscience Connecticut facilities and infrastructure projects are substantially complete.

# 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%	<b>36%</b>
Minority/Women/ Disadvantaged – Owned Businesses	6.25%	<b>23%</b>

## 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 280,000 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)
- 1,400 car parking garage (opened in November 2013)
- Private financing through TIAA \$203M

## Dental Care Center



- Renovation and Expansion of clinical facilities for the School of Dental Medicine
- 174 treatment rooms and a dedicated imaging suite
- Allows for growth in delivery of care in patient centered environment
- Completed in May, 2019

## Clinical Renovations



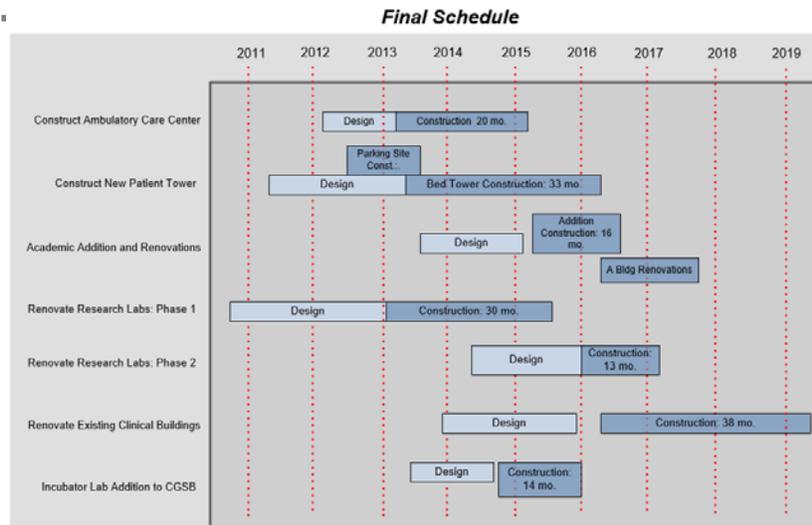
- Renovation and program expansions for the Pat and Jim Calhoun Cardiology Center
- Renovations for Clinical Research
- Renovations of multi-specialty clinics
- Reconfiguration of the main lobby
- Construction of a new blood draw area
- Completed in May, 2019

# 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



## Capital Bond Funds Request FY20 and FY21

During the biennial appropriation process, UConn Health requested \$11.1M and \$8M for FY20 and FY21 in bond funds, respectively, to address critical deferred maintenance capital needs throughout UConn Health.

FY20 and FY21 Biennial Appropriation Process:	Request 2020	Request 2021	Approved
Facility Renewal costs - Nonrecurring Costs	\$ 3,100,000	\$ -	\$ -
Facility Renewal Costs - Deferred Renewal Costs	\$ 8,000,000	\$ 8,000,000	\$ -
Total	\$ 11,100,000	\$ 8,000,000	\$ -

An independent third-party consultant hired to do a Facilities Condition Assessment (FCA) of the buildings on campus has estimated that the total 10 year non-recurring and recurring (deferred maintenance) costs to maintain UConn Health buildings/facilities is \$300M.

The capital request represented the bare bones of amounts needed to address the projects identified in the FCA report as "critical." Unfortunately, none of the bonding proposals discussed during the 2019 legislative session included capital funding for UConn Health.

UConn Health requested the critical capital funding again during the FY21 Midterm Options process – to address critical deferred maintenance, IT and equipment needs in the amount of \$56 million.

FY21 Midterm Options process - Capital Fund Option Request:	Request 2020	Request 2021
Deferred Maintenance, IT and Equipment		\$ 56,000,000
Total	\$ -	\$ 56,000,000

	(\$M)
Campus Renovations	\$ 9.1
Clinical Equipment	3.2
Deferred Maintenance*	19.1
Information Technology	9.1
Revenue Growth Investment	15.6
Total	\$ 56.0
*FY20 and FY21 DM Bonding needs (not funded)	

# Connecticut's Only Public Academic Medical Center

UConn Health's fundamentals are **strong and growing**, with a 60% increase in clinical revenues in 6 years, a 30% increase in class sizes, and increases in research awards. It **generates \$2.2 billion in overall economic impact** to the state.



## TEACHING THE DOCTORS, DENTISTS, AND SCIENTISTS OF TOMORROW

- Affordable tuition for Connecticut residents combined with top-rated education ensures access to top-quality health care services for our citizens by training the state's future doctors, dentists, and scientists
- **646** students in UConn's medical and dental schools
- **327** 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
- **95%** of UConn School of Medicine and **86%** of UConn School of Dental Medicine 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 health care resources to Greater Hartford area hospitals and community facilities throughout the state



## AN ECONOMIC DRIVER FOR CONNECTICUT

- **Generates \$2.2 billion** in economic impact for the region and the state
- Bringing in **over \$100 million** in research grants and contracts from outside the state
- UConn Health's residency programs drive > **\$122 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 health care, bioscience and biotech companies located in or looking to be 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



## SERVING PATIENTS & THE COMMUNITY, INCLUDING THOUSANDS OF UNDERSERVED CITIZENS

- UConn 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 are 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 health care 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), CT Mission of Mercy
- UConn's Urban Service Track/AHEC Scholars Program instills in its health-profession students the commitment to serve Connecticut's medically underserved and provides about 65 community-based programs annually throughout the state



UConn generates economic impacts that ripple throughout Connecticut, affecting business and industry, households, and the rich variety of people who contribute to the state's prosperity.

**\$5.3B**  
statewide

UConn's Total Impact

**80¢**  
generated  
elsewhere

for every research dollar  
UConn attracts

## Economic Output

UConn has a \$5.3 billion impact on statewide economic output, generated directly from UConn (\$3 billion) and through spillover effects on other affected industries (\$914 million) and households (\$1.4 billion).

For every dollar spent by UConn, 77 cents in economic output is generated elsewhere in the Connecticut economy, with 31 cents from businesses and 46 cents from households. Moreover, the statewide economic output traced to UConn amounts to approximately \$1,500 per Connecticut resident.

### IMPACTS ON ECONOMIC OUTPUT

**\$5.3B**

Total Impact

**\$2.7B**

Storrs

**\$2.2B**

UConn Health

**\$383M**

Regional Campuses

## Job Creation and Earnings

UConn supports nearly 26,000 jobs with \$2.6 billion in labor income. Of the \$2.6 billion in labor income, \$1.7 billion directly supports over 16,000 jobs, and over 9,800 jobs earning \$900 million in labor income comes indirectly through spillover effects attributed to other affected industries (3,602 jobs with \$361 million in income) and households (6,233 jobs with \$552 million in income).

### IMPACTS ON EMPLOYMENT (in job numbers)

**25,905**

Total Impact

**13,247**

Storrs

**10,515**

UConn Health

**2,143**

Regional Campuses

### IMPACTS ON LABOR INCOME

**\$2.6B**

Total Impact

**\$1.2B**

Storrs

**\$1.2B**

UConn Health

**\$187M**

Regional Campuses



**From the Connecticut shoreline to the hills of Litchfield and the heart of the capital region and beyond, UConn's economic impact can be found through employment, labor and value added to the state's economy.**

Explore more at [impact.uconn.edu](http://impact.uconn.edu)



## Value Added to the Economy

The best measure of UConn's contribution to gross state product is the "value added" measure. Value added refers to the difference between the value of output and the cost of raw materials. UConn added \$2.8 billion in value to the Connecticut economy, leaving \$440 million in the hands of businesses and \$653 million in the hands of households. For every dollar UConn spends, 62 cents of value is added to the state economy (with 25 cents going to business owners, and 37 cents to households).

### IMPACTS ON VALUE ADDED

<b>\$2.8B</b>	<b>\$1.4B</b>	<b>\$1.2B</b>	<b>\$224M</b>
Total Impact	Storrs	UConn Health	Regional Campuses

## State and Local Taxes

As a state entity, UConn is not subject to federal, state, and local taxes, but the University generates state and local tax payments through the industries it affects.

### IMPACTS ON ECONOMIC OUTPUT

<b>\$278M</b>	<b>\$144M</b>	<b>\$113M</b>	<b>\$21M</b>
Total Impact	Storrs	UConn Health	Regional Campuses

## Economic Impact of UConn's Research

For every research dollar that UConn attracts in externally sponsored research and spends within the state, 80 cents in economic output is generated elsewhere in the state economy.

UConn's research generates jobs and earnings in the Connecticut economy and supported 1,394 jobs, which includes grant-funded faculty, post-doctoral research staff ("postdocs"), graduate students, and other staff. Added impacts on other businesses (indirect impacts) and other supported jobs (induced impacts), resulted in a total impact of 2,149 jobs throughout the state.

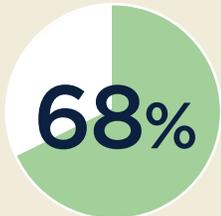
### RESEARCH SPENDING IMPACTS ON EMPLOYMENT (in job numbers)

<b>2,149</b>	<b>1,426</b>	<b>723</b>
Total Impact	All Campuses	UConn Health

### RESEARCH SPENDING IMPACTS ON ECONOMIC OUTPUT

<b>\$485M</b>	<b>\$308M</b>	<b>\$177M</b>
Total Impact	All Campuses	UConn Health

# UConn: Critical to Connecticut's Future



of UConn's most recent graduates from in-state are living and working in Connecticut

650+

U.S. patents have been granted based on UConn innovations, with 30 issued last year

75.7%

increase in enrollment since fall 1995



UConn was awarded nearly \$709M in external sponsored programs funding in the last three years

UConn is ranked in the **TOP 25** among the nation's public universities for the ninth consecutive year by *U.S News & World Report*

1

## UConn keeps great students in Connecticut and brings new people to the state — fighting the “brain drain” and helping to build a key working age population

- Connecticut residents comprise 77 percent of UConn's undergraduate student body.
- Some 68 percent of UConn's in-state graduates are living and working in Connecticut
- 100% of Fortune 100 companies headquartered in CT, recruited and hired UConn graduates.
- UConn's undergraduate enrollment has increased by 75.7 percent since fall 1995.
- Beginning with new undergraduate students for the fall 2020 term, the recently announced Connecticut Commitment promises free tuition for up to four years (eight terms) of full-time undergraduate study for entering freshmen from qualifying families with household incomes of \$50,000 or less.

2

## UConn creates new businesses, jobs, and economic growth, strengthening Connecticut industry

- More than 24,000 Connecticut jobs, or 1 out of every 90, are generated by UConn.
- The Technology Incubation Program at UConn (TIP) is one-of-a-kind in Connecticut and has supported more than 110 startup companies. TIP companies have raised \$555 million since its inception in 2003 in equity, grants, revenue, and debt funding.
- Industry leaders including Pratt & Whitney, Comcast, Eversource, UTC, GE, and many more have invested nearly \$100 million in UConn in areas such as materials science, advanced manufacturing, big data, computer security, and other fields. Companies heavily recruit student talent on our campuses for both internships and full-time jobs to support their growth.
- More than 650 U.S. patents have been granted based on UConn innovations, with 30 issued last year alone.
- UConn has vibrant locations in Groton, Waterbury, Stamford, Hartford, and Farmington with thousands of students, faculty, and staff generating millions in economic activity.

3

## UConn prepares students for high-quality jobs

- Storrs Engineering undergraduate enrollment has increased from 2,109 in FY13 to 3,375 in FY19 or by 1,266 (a 60% increase).
- With the Bioscience CT initiative completed, enrollment at UConn's School of Medicine and School of Dental Medicine has grown 30% ensuring a stable source of future medical professionals in our state and access to quality health care for our residents.

4

## UConn innovates and finds solutions to major health and societal problems

- UConn was awarded nearly \$709 million in external sponsored programs funding in the last three years.
- UConn and UConn Health researchers innovate and find solutions to major public health challenges, including cancer, heart disease, stroke, and obesity, as well as major public policy challenges, such as the achievement gap in schools, coastal flooding, energy, cybersecurity, environmental sustainability, infrastructure safety, and more.