

**Appropriations Committee Testimony**  
**Andrew Agwunobi, M.D., M.B.A.**  
**Interim Executive Vice President for Health Affairs**  
**UConn Health**  
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Thank you Co-Chairs, Ranking Members, and members of the Committee for the opportunity to speak with you today. I am Andrew Agwunobi, Interim Executive Vice President for Health Affairs at UConn Health. On behalf of our employees and students, we thank you for your continued support of UConn Health. Because of that support, there is a transformation underway on our campus. The strategic investments you have made in UConn Health are yielding great returns. My remarks reflect these positive changes and returns, as well as the many ways we are contributing to growing the state's workforce and economy and addressing the healthcare needs of Connecticut's citizens. Joining me today are Jeff Geoghegan, Chief Financial Officer and Anne Diamond, CEO of John Dempsey Hospital.

As many of you know, UConn Health is the State of Connecticut's only public academic medical center. Our vision is to be a nationally recognized academic medical center that improves the health of Connecticut's citizens through the innovative integration of education, research, and clinical care.

**Education**

UConn Health is comprised of the Schools of Medicine and Dental Medicine, as well as the Graduate School in Biomedical Sciences. There are more than 880 students across our schools in addition to 754 UConn medical and dental residents who train and provide essential care primarily in the greater Hartford region. Our students and residents represent the future healthcare workforce for the state. Nearly 40 percent of medical school graduates practice in the state as do the majority of dental school graduates. We plan to grow this number by introducing a loan forgiveness program this year that further incentivizes our graduates to practice primary care (an area of great need) in underserved areas of the state.

**Clinical Care**

UConn Health also includes the John Dempsey Hospital, the only public tertiary care hospital in the State; the UConn Medical Group, one of the region's largest multi-specialty physician groups; and the UConn Health Dental Clinics. Collectively, our clinical faculty and staff support nearly 950,000 medical visits plus 74,000 dental visits annually. We have been expanding the locations where we serve patients to better meet their needs. We currently have nine regional sites in addition to Farmington, to include new locations in Storrs, Southington and a new facility opening next month in Canton. Our dental services have been available for years in Hartford and through a statewide network of affiliated community clinics, including federally qualified health centers.

An important part of our public mission is providing clinical services to the state's most vulnerable populations, the under- and uninsured. We are seeing increasing numbers in these populations year over year. In FY 14, 20.2 percent of medical visits and 61 percent of dental

visits were Medicaid patients. In addition, Medicaid was the payor for 24.6 percent of inpatient days at John Dempsey Hospital. If all of these services were reimbursed at Medicare levels, it would have resulted in \$7.5 million of additional revenue to UConn Health.

### **Research**

When it comes to UConn Health, we talk about patients, of course, and our medical and dental students. But we remind you that another core mission of ours is basic science. It is basic science, the study of human anatomy and disease, that will cure cancer and other diseases that plague all of our families. So yes, the faculty at UConn Health not only treat patients, but conduct the basic research that will eventually lead to cures for so many diseases like cancer, Alzheimers, diabetes and Parkinsons. We all have our stories. President Herbst was telling me recently about her beloved parents, who suffered terribly from cancer and neurological disorders. They never got to see a UConn basketball game or move to this wonderful state of CT, which they'd have done with joy. We, at UConn Health, work daily on the basic science needed to conquer the most debilitating diseases of mankind. And the legislature can help us with this monumental task.

Our clinician scientists and basic scientists conduct innovative basic science, clinical, epidemiological, and bio behavioral research. It is this work that we hope will translate our bioscience discoveries into new technologies to strengthen and grow Connecticut businesses and improve clinical treatments. We also work collaboratively with researchers at private companies and other institutions, making our expertise, facilities, and equipment available to assist them in their work.

### **Economic Impact of UConn Health**

The economic impact of UConn Health is nearly \$1.5 billion and reaches every corner of the state. As a major employer generating more than 5,700 direct jobs, we attract employees from almost every county. Our research also drives significant economic activity. In FY14, our faculty's research spending was \$105 million, most of it funded from sources outside of the state.

Our growing partnership with The Jackson Laboratory will also bolster economic development and potentially change the diagnosis, treatment and prevention of disease. Connections are building between genomics experts, basic scientists and clinicians at our institutions that will accelerate discoveries to patients. To date, more than fifty (50) joint proposals have been submitted with eight funded, totaling nearly \$7 million. In October, UConn and The Jackson Laboratory partnered with Yale University to host a Forum on Healthcare Innovation. The event brought more than 150 thought leaders from the healthcare industry together to develop a plan to drive healthcare innovation in Connecticut. With your support, we need to intensify our efforts in bioscience research, innovation, entrepreneurship and commercialization to sustain economic growth.

### **Bioscience Connecticut**

Through the Governor's and the General Assembly's generous support of Bioscience Connecticut, the UConn Health campus in Farmington is in the midst of its most significant physical transformation since it was first chartered in 1961. We are building and improving

facilities to better meet the needs of patients, researchers and an expanded number of learners—future doctors, dentists, scientists and other healthcare professionals. All of our projects are being completed on time.

As envisioned, Bioscience Connecticut is driving increases in construction related jobs. Through January 2015, 3,417 construction related jobs have been created, and 82 percent of construction contracts have been awarded to Connecticut companies, with a value of more than \$310 million. Participation rates of small businesses are currently at 38 percent and minority/women's/disadvantaged participation is at 23 percent (surpassing the state's requirements in both areas). UConn Health has awarded nearly \$141 million in contracts to small businesses and minority-owned companies.

This month we open our new Outpatient Pavilion, home to more than 250 providers who will be delivering personalized medical and orthodontics care to patients. We are only about a year away from opening our new patient care tower which will house 169 private rooms for patients, an emergency department and operating room suites. Both buildings are designed for patient convenience, and they will receive at least LEED silver certification as required by state statute.

The enhancements to our research facilities are also progressing. We are more than one-third complete on the renovations to our labs, and 29 lead researchers along with their graduate students, postdocs, interns and technicians are working in fully renovated space. Construction that will double our business incubator space is well underway, and occupancy of our existing space is at nearly 93 percent.

Construction and renovations to our teaching facilities are expected to begin in April and will support the modernizing of our curriculum in which medical and dental students will participate in expanded interdisciplinary and small-group problem solving experiences. The new space also allows us to incorporate advanced technology into the teaching environment, such as simulation and interactive teleconferencing.

The importance of our transformed campus in recruiting world-class faculty, students and staff to UConn Health and positioning us for success in the era of personalized medicine cannot be overstated. Our success, however, will not be found in the construction of buildings alone; it is what goes on inside those buildings, with the people and resources, that will guarantee our success and benefit the state most. Our entering classes in the Schools are some of the brightest and most diverse to date, and we are proud that underrepresented minorities make up 24.5 percent of the expanded school of medicine first year class (98 students) and 24 percent of the first years in the dental school. With the additional state support for Bioscience Connecticut, we have successfully recruited 34 new faculty who continue to ramp up and will be instrumental in helping us grow our clinical services and expand our research portfolio to address the healthcare needs of Connecticut citizens. We are on track to hire the remaining 16 faculty, including 8 joint hires with The Jackson Laboratory, in the next two years. Clinical and research faculty are hired with the expectation that they will bring or receive grant funding or earn clinical revenues to support their salary.

## **FY16-FY17 Budget and Financial Improvement**

As many of you know, 24 percent of UConn Health's revenue comes from state support. The rest (76 percent) is generated from clinical and research revenues, tuition and philanthropy. However, as clinical reimbursement rates drop, uncompensated and undercompensated care grow, funding for research stagnates, fringe benefit expenses increase and there are rescissions to our block grant, UConn Health's budget challenges deepen.

More than a year ago, I came to UConn Health as a principle with the Berkeley Research Group to lead a large-scale, aggressive cost savings initiative that has generated nearly \$19 million in annual savings. Our priority during this work has been to minimize the impact of cuts and cost savings to our patients, students and programs. We are constantly challenging ourselves to be more productive, efficient and effective while also improving the quality and safety of patient care. Despite the tremendous efforts, UConn Health is expected to end FY15 with a loss. We will cover this operating deficit through short term cuts to our capital spending. Realistically speaking, though, this is unsustainable. Significant growth in clinical revenues through new programs or increased volume and/or expense reductions to produce a strong positive margin is also unrealistic.

My message to you today is clear. We are extremely grateful that the Governor's proposed budget of \$137 million for UConn Health includes a 1.8 percent, or \$2 million, increase to UConn Health's state appropriation. This continued support helps ensure key initiatives like Bioscience Connecticut move forward. However, like the state and the University, we will confront very tough choices to minimize budget shortfalls. We are projecting that FY16 expenses will increase by approximately 6.6 percent; with the proposed appropriation, all revenue sources for UConn Health would increase by less than 4 percent. And, while we cannot estimate the impact of the proposed reductions in Medicaid reimbursement rates to UConn Health, we anticipate additional financial challenges due to our high volume of Medicaid business. Given these realities, we will continue to carefully review positions and programs for further reductions or rightsizing in response to these budgetary challenges.

## **Summary**

UConn Health joins the State and the University in continuing to make sacrifices to address this budget crisis. To date, we have done so without impacting the progress of Bioscience Connecticut or our core mission areas. However, sustaining our progress depends on the state's continued ability to fund its commitments to UConn Health. Losing momentum at this tenuous time will mean that the ultimate reward of becoming a leader in bioscience will be compromised.

Serving the state of Connecticut and its citizens is our top priority. Our ability to build the state's healthcare workforce, deliver high quality care and effective treatments and be an economic driver through our groundbreaking research directly depends on the state's commitment to and investment in UConn Health. We appreciate the opportunity to be here today and welcome any questions you may have.