Good morning.

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, the work that we do, and the status of Bioscience Connecticut. 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.

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 encourage you to come and see us. Our facilities – most of which had not been updated in 40-50 years – now include 21st 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.
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 – thanks to Bioscience Connecticut – 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.

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 do not carry as much 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 these extraordinary students later tonight.

In addition to our Medical and Dental students, UConn Health sponsors Residency Programs that place nearly 800 medical and dental school graduates in residency programs throughout Central Connecticut hospitals, addressing a critical workforce need and bringing in almost $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 in nearly $100 million in external research grants 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 a future 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. At the close of Calendar Year 2018, our TIP had 30 start-ups on site, and a waiting list of companies seeking space. These companies garnered $97 million in debt and equity, $13 million in grants and revenues, employed over 140 full and part-time employees and paid nearly $1 million in taxes to the State. 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 22 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 $108m in grant funding, $33m of which has already been awarded.

In Patient Care: Our patient care enterprise is steadily growing due to a combination of the hiring of extremely high quality physicians, and the opening of our new hospital tower and outpatient facility. We have over 1 million outpatient visits and over 10,000 inpatient visits annually and this is growing rapidly. Both our inpatient and outpatient volumes have grown by approximately 4% over last year. Our market share in the Farmington Valley is growing. Our hospital is frequently nearly full, and our Operating Room suites often run at maximum capacity.

Budget

This growth is good news because the majority of UConn Health’s revenues come from our clinical operations. Our overall budget at UConn Health is over $1 billion, and 51% of that is paid for with patient clinical revenues. So growing those revenues have been a big part of our strategy to cover rising costs.

In fact, the state appropriation covers just 23% of UConn Health’s overall operating budget. And you might also be interested to know that – in actual dollars – UConn Health receives less state operating dollars this year, in 2019, than it received in FY 2010.

Like UConn, UConn Health uses every dollar it receives from the General Fund for employee salaries, so as UConn Health has grown by 73% as an institution over the past decade (from a total budget of $685.8 in FY09 to $1.2 billion in FY19), we really have been relying primarily on growth in clinical revenues, grant funds, and other contracts and programs to fuel our operating growth, rather than relying on increased state funding.
I am also proud to report that we have successfully undertaken focused, measured financial improvement plans each year, that have saved us significant dollars and have enabled us to control the growth of our expenses, even in very-high growth expense areas like pharmaceuticals. Our FY19 financial improvement plan aims to save $22.3 million this year, and we are currently on target to meet that goal.

Unfortunately, rising fringe benefit costs are outstripping our efforts to grow revenues and control expenses. These rising fringe costs have reached the point of becoming unsustainable.

Please know that, although we have been running operational deficits in recent years, we have not come back to the state to ask for deficiency funding for the past 10 years, because we have been managing these deficits internally. We’ve done this primarily by using dollars budgeted for capital equipment, fixes and upgrades to close the gap.

This year -- Fiscal Year 2019 -- UConn Health is projecting to end the year with an $18.2 million deficit. We have set aside operational dollars that we use for capital needs to cover this loss at year’s end.

However, with fringe benefit costs projected to balloon in FY20 and FY21, we will not be able to make ends meet in the next biennium. We will need additional help.

In FY20 alone, UConn Health’s total fringe benefit costs are projected to be $40 million more than last year’s costs. Any business would find it very difficult to find additional revenues or cost savings totaling $40 million in a given year, never mind a public academic medical center that operates in a highly competitive and regulated environment and receives fixed reimbursements for many of its services.

Our current projections for FY20 show that we will need additional funding, approximately $30 million – on top of the Governor’s proposed budget – to ensure a positive cash balance throughout the year.

State fringe benefit rates are set by the Office of the Comptroller and are charged to entities like UConn Health that are not fully funded by the General Fund. The General Fund currently reimburses UConn Health for the fringe benefit costs of those employees whose salaries are paid for using the state appropriation.

As I mentioned previously, all the operational dollars that UConn Health receives from the state is used on salaries, and those dollars currently cover 38% of our employees. Therefore, the Comptroller’s Office reimburses UConn Health for the fringe costs of those employees. The fringe costs associated with the remaining 62% of our employees must be paid using UConn Health’s clinical funds, grant funds, tuition and other non-state revenues.

Last Fiscal Year, in FY18, the fringe costs that UConn Health paid from its non-state revenues was approximately $109 million. This Fiscal Year, we expect that to grow to
$130 million, and next FY – in FY20 – we expect to have to fund $151 million from non-state revenues to cover fringe costs. This is simply not feasible.

The Legislature has directed UConn Health to explore possible public-private partnerships to put us on a sustainable path. We have done so, putting out a Solicitation of Interest last fall, and we are currently evaluating options.

It has become clear, however, that with or without a partnership, the high fringe benefit costs are an impediment that must be addressed. Furthermore, any potential partnership would not yield financial benefit to UConn Health in the upcoming biennium. Therefore, we will need to work together to determine how best to address this critical issue. We have already engaged OPM and the Governor’s Office, and will continue to work with them as well.

The State has invested so much in our public academic medical center. And because of that investment, we are thriving in so many ways – in educating our future medical professionals, growing Connecticut’s Bioscience economy, and providing fantastic clinical care, often to our state’s most needy. We need to find a solution to these rising state costs that are being imposed on UConn Health, so that 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.
Teaching the Doctors, Dentists and Scientists of Tomorrow
- Affordable tuition for Connecticut residents combined with top-rated education provides Connecticut's future doctors, dentists and scientists – ensuring access to top-quality healthcare services for our citizens
- 600 students in UConn's Medical and Dental Schools
- 300 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
- 91% of UConn Medical School and 87% of UConn Dental School 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 healthcare resources to Metro Hartford area hospitals and community facilities throughout the State

An Economic Driver for Connecticut
- Bringing in nearly $100 million in research grants and contracts from outside the State
- UConn Health's Residency Programs drive >$110 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 healthcare, bioscience and biotech companies located in or looking to locate 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
- Nearly $1.5 billion in economic impact for the region and the State

Serving Patients & the Community, Including Thousands of Underserved Citizens
- UConn Health's 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 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 healthcare 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)
- UConn's Urban Service Track/AHEC Scholars Program instills in its health profession students the commitment to serve Connecticut's medically underserved, and provides ~65 community-based programs annually throughout the State
Fringe Benefits

UConn and UConn Health

March 7, 2019
Fringe Benefits - Key Issues

Fringe benefit costs impact UConn and UConn Health’s competitiveness. The State’s fringe rate is significantly higher than our peers. The largest portion of the State’s retirement rate is attributable to the unfunded pension liabilities, and that cost is increasing at a dramatic pace.

➢ **Research competitiveness** – UConn and UCH research fringe rates are about 20% points higher than their peers. This results in less research grants, research dollars, innovation and commercializing technologies.

➢ **Clinical competitiveness** – Current state fringe rates for UConn Health’s John Dempsey Hospital are 45% higher than other Connecticut hospitals; this results in tens of millions of dollars in more costs for UConn Health to provide clinical care compared to other hospitals in the state. This gap in costs due to the high fringe rates will result in an FY20 budget deficiency that UConn Health cannot cover on its own.
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.

<table>
<thead>
<tr>
<th>FY19 State Fringe Benefit Rate Components</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>State Retirement (SERS)**</td>
<td>64.30%</td>
</tr>
<tr>
<td>FICA SS</td>
<td>6.20%</td>
</tr>
<tr>
<td>FICA Medicare</td>
<td>1.45%</td>
</tr>
<tr>
<td>Unemployment Compensation</td>
<td>0.23%</td>
</tr>
<tr>
<td>Group Life Insurance*</td>
<td>~0.20%</td>
</tr>
<tr>
<td>Health Insurance*</td>
<td>~24.02%</td>
</tr>
<tr>
<td></td>
<td>96.40%</td>
</tr>
</tbody>
</table>

**Unfunded Pension Liability** 33.61%
Retiree Health 20.94%
Normal/Current Retire. Costs 5.30%
Other Post Employ. Benefit Costs (OPEB) 2.86%
Administrative Costs 0.37%
Roll-forward/Adjustments 1.22%

64.30%

*Rates vary according to coverage selected

**Other retirement options are available for non-classified employees (Alternate Retirement Plan (ARP) Rate at 14.50%), however 63% of our current employees are on the SERS State plan.

<table>
<thead>
<tr>
<th>Retirement Plan</th>
<th>Headcount</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>SERS</td>
<td>3,030</td>
<td>62.9%</td>
</tr>
<tr>
<td>ARP</td>
<td>1,778</td>
<td>36.9%</td>
</tr>
<tr>
<td>Teachers</td>
<td>13</td>
<td>0.3%</td>
</tr>
</tbody>
</table>

4,821

<table>
<thead>
<tr>
<th>Retirement Plan</th>
<th>Headcount</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2,731</td>
<td>62.7%</td>
</tr>
<tr>
<td></td>
<td>1,607</td>
<td>36.9%</td>
</tr>
<tr>
<td></td>
<td>17</td>
<td>0.4%</td>
</tr>
</tbody>
</table>

4,355
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 will rise drastically from FY18-20. While the State reimburses UConn & UCH for some of these costs, a significant amount ($178.5m for UConn and $158.8m for UConn Health) must be covered by tuition, clinical revenues, grant funds and other UConn/UCH non-state funds.
Unfunded Liability

The portion of the fringe costs associated with the State’s unfunded pension liabilities are significant — projected to be $70.9M for UConn and $61.8M for UConn Health in FY19. 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 at $42.9M.

<table>
<thead>
<tr>
<th>Fund Type</th>
<th>Total Salary Cost</th>
<th>Total Fringe Cost</th>
<th>Fringe Cost - SERS (Reg &amp; HAZ)</th>
<th>SERS Unfunded Liability Portion**</th>
</tr>
</thead>
<tbody>
<tr>
<td>State Appropriation</td>
<td>$187,418,562</td>
<td>$153,194,422</td>
<td>$102,277,925</td>
<td>$54,360,717</td>
</tr>
<tr>
<td>Tuition Fund</td>
<td>$188,026,241</td>
<td>$63,119,404</td>
<td>$1,467,546</td>
<td>$780,001</td>
</tr>
<tr>
<td>Research</td>
<td>$50,324,670</td>
<td>$18,334,684</td>
<td>$6,935,158</td>
<td>$3,629,701</td>
</tr>
<tr>
<td>Other / Auxiliary*</td>
<td>$127,248,883</td>
<td>$65,920,080</td>
<td>$24,063,022</td>
<td>$12,139,319</td>
</tr>
<tr>
<td>Total</td>
<td>$553,018,357</td>
<td>$300,568,590</td>
<td>$134,743,651</td>
<td>$70,905,738</td>
</tr>
</tbody>
</table>

**Unfunded Pension Liability portion is 52.28% of the total SERS regular fringe costs and 61.04% of the SERS Hazardous duty. The ARP rate does not include any unfunded pension liability.

<table>
<thead>
<tr>
<th>Fund Type</th>
<th>Fund Level</th>
<th>Total Salary Cost</th>
<th>Total Fringe Cost</th>
<th>Fringe Cost - SERS (Reg &amp; HAZ)</th>
<th>SERS Unfunded Liability Portion**</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Fund</td>
<td></td>
<td>$118,663,660</td>
<td>$111,074,272</td>
<td>$67,788,567</td>
<td>$35,439,868</td>
</tr>
<tr>
<td>Clinical Fund</td>
<td></td>
<td>$111,669,392</td>
<td>$62,558,981</td>
<td>$25,145,852</td>
<td>$13,150,391</td>
</tr>
<tr>
<td>Operating Fund</td>
<td>UMG Other</td>
<td>$61,045,797</td>
<td>$21,012,580</td>
<td>$6,124,892</td>
<td>$3,202,100</td>
</tr>
<tr>
<td>Research Fund</td>
<td></td>
<td>$90,445,323</td>
<td>$37,927,110</td>
<td>$11,292,955</td>
<td>$5,903,960</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>$420,001,690</td>
<td>$252,296,534</td>
<td>$118,173,048</td>
<td>$61,785,025</td>
</tr>
</tbody>
</table>

*Other includes activities funded from student fees (room/board/parking), program fees, outside educational revenue, indirect cost return from grants, etc.
Retirement Conversions

The additional annualized cost for the 1600 current employees who switched into the State retirement system is estimated at $77M. The State will reimburse an estimated $39M of those costs and University will be required to cover the remaining $38M.

<table>
<thead>
<tr>
<th>UConn (Storrs &amp; Regionals)</th>
<th>Count</th>
<th>State Reimbursed</th>
<th>UConn Cost</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Previous Hybrid conversions (current active employees)</td>
<td>364</td>
<td>$16,801,093</td>
<td>$2,634,803</td>
<td>$19,435,896</td>
</tr>
<tr>
<td>Current SAG award</td>
<td>567</td>
<td>$13,859,162</td>
<td>$11,289,110</td>
<td>$25,148,272</td>
</tr>
<tr>
<td></td>
<td>931</td>
<td>$30,660,255</td>
<td>$13,923,913</td>
<td>$44,584,168</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Uconn Health</th>
<th>Count</th>
<th>State Reimbursed</th>
<th>UCH Cost</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Previous Hybrid conversions (current active employees)</td>
<td>263</td>
<td>$6,574,715</td>
<td>$5,401,049</td>
<td>$11,975,764</td>
</tr>
<tr>
<td>Current SAG award</td>
<td>439</td>
<td>$2,209,349</td>
<td>$18,192,999</td>
<td>$20,402,348</td>
</tr>
<tr>
<td></td>
<td>702</td>
<td>$8,784,064</td>
<td>$23,594,048</td>
<td>$32,378,112</td>
</tr>
<tr>
<td>Total</td>
<td>1633</td>
<td>$39,444,319</td>
<td>$37,517,961</td>
<td>$76,962,280</td>
</tr>
</tbody>
</table>
Comparison of Research Fringe Rates

In FY19, UConn Storrs was 18.8% points above its peers in the faculty rate and UCH was 23.6% points higher in the professional rate.

<table>
<thead>
<tr>
<th>Institution</th>
<th>Faculty</th>
<th>Professional</th>
<th>Special Payroll</th>
</tr>
</thead>
<tbody>
<tr>
<td>UConn (Storrs &amp; Regionals)</td>
<td>54.9%</td>
<td>70.6%</td>
<td>29.7%</td>
</tr>
<tr>
<td>UConn Health</td>
<td>38.7%</td>
<td>66.9%</td>
<td>17.9%/8.3%</td>
</tr>
<tr>
<td>Michigan State University</td>
<td>45.6</td>
<td>45.6</td>
<td>7.7</td>
</tr>
<tr>
<td>University of Georgia</td>
<td>47.0</td>
<td>47.0</td>
<td>22.7</td>
</tr>
<tr>
<td>Indiana University</td>
<td>38.1</td>
<td>38.1</td>
<td>25.9</td>
</tr>
<tr>
<td>University of Delaware</td>
<td>40.8</td>
<td>65.2</td>
<td>7.0</td>
</tr>
<tr>
<td>University of Utah</td>
<td>34.0</td>
<td>62.0</td>
<td>34.0/10.0</td>
</tr>
<tr>
<td>University of Kansas</td>
<td>35.0/40.0/9.0</td>
<td>15.0</td>
<td>b</td>
</tr>
<tr>
<td>Purdue University</td>
<td>28.1</td>
<td>33.2/30.5/50.2</td>
<td>4.0</td>
</tr>
<tr>
<td>University of Kentucky</td>
<td>a 20.2</td>
<td>20.4</td>
<td>8.9</td>
</tr>
<tr>
<td>Average of Peer Institutions</td>
<td>36.1%</td>
<td>43.3%</td>
<td>15.6%</td>
</tr>
</tbody>
</table>

Aspirant Institutions:

<table>
<thead>
<tr>
<th>Institution</th>
<th>Faculty</th>
<th>Professional</th>
<th>Special Payroll</th>
</tr>
</thead>
<tbody>
<tr>
<td>Penn State University</td>
<td>39.0</td>
<td>39.0</td>
<td>14.7</td>
</tr>
<tr>
<td>University of Illinois - UC</td>
<td>42.0</td>
<td>42.0</td>
<td>7.8 d</td>
</tr>
<tr>
<td>University of Wisconsin-Madison</td>
<td>33.3</td>
<td>33.3</td>
<td>21.0</td>
</tr>
<tr>
<td>University of California - Davis</td>
<td>30.5</td>
<td>51.3</td>
<td>17.3</td>
</tr>
<tr>
<td>University of Florida</td>
<td>27.0</td>
<td>35.1</td>
<td>11.3/5.6 c</td>
</tr>
<tr>
<td>University of Maryland</td>
<td>27.1</td>
<td>43.4</td>
<td>8.4</td>
</tr>
<tr>
<td>Ohio State - Main campus</td>
<td>26.8</td>
<td>31.6</td>
<td>15.7/8.0 c</td>
</tr>
<tr>
<td>University of Texas - Austin</td>
<td>a 18.0</td>
<td>18.0</td>
<td>10.4</td>
</tr>
<tr>
<td>Average of Aspirant Institutions</td>
<td>25.6%</td>
<td>31.8%</td>
<td>13.3%</td>
</tr>
</tbody>
</table>

Other Institutions:

<table>
<thead>
<tr>
<th>Institution</th>
<th>Faculty</th>
<th>Professional</th>
<th>Special Payroll</th>
</tr>
</thead>
<tbody>
<tr>
<td>University of Vermont</td>
<td>45.0</td>
<td>45.0</td>
<td>11.4</td>
</tr>
<tr>
<td>Rutgers State University</td>
<td>42.9</td>
<td>42.9</td>
<td>42.9</td>
</tr>
<tr>
<td>University of New Hampshire</td>
<td>42.3</td>
<td>42.3</td>
<td>8.4</td>
</tr>
<tr>
<td>UMASS-Amherst</td>
<td>36.9</td>
<td>37.5</td>
<td>1.0</td>
</tr>
<tr>
<td>Yale University</td>
<td>30.5</td>
<td>30.5</td>
<td>30.5</td>
</tr>
<tr>
<td>Brown University</td>
<td>30.7</td>
<td>30.7</td>
<td>30.7</td>
</tr>
<tr>
<td>New York University</td>
<td>30.0</td>
<td>30.0</td>
<td>30.0</td>
</tr>
<tr>
<td>Temple University</td>
<td>26.9</td>
<td>26.9</td>
<td>18.3 d</td>
</tr>
<tr>
<td>MIT</td>
<td>25.0</td>
<td>25.0</td>
<td>7.7 d</td>
</tr>
<tr>
<td>University of Rhode Island</td>
<td>a 25.3</td>
<td>25.3</td>
<td>25.3</td>
</tr>
<tr>
<td>Harvard University</td>
<td>23.9</td>
<td>31.1</td>
<td>18.7 d</td>
</tr>
<tr>
<td>Average of Other Institutions</td>
<td>32.7%</td>
<td>33.4%</td>
<td>20.5%</td>
</tr>
</tbody>
</table>

Notes:
- a Does not include health insurance, which is charged at actual cost
- b Rate varies based on FTE (.9-1.0/.5-.8/.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
For FY20, the difference in rates is expected to result in over $65M of additional costs to run JDH compared to other area hospitals.

UConn Health receives some fringe benefit differential support from the state in the amount of $13.5M, resulting in a net fringe benefit cost gap projected to be nearly $51.5M in FY20 alone for UConn Health to run its hospital, compared to other CT hospitals.
For FY20, the difference in fringe benefit rates is expected to result in over $91M of additional costs for UConn Health to run its clinical enterprise compared to other area hospitals.

UConn Health receives some fringe benefit differential support from the state in the amount of $13.5M, resulting in a net fringe benefit cost gap projected at ~$77.5M in FY20 alone for UConn Health to run its clinical operations compared to its peers.
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<td>Bioscience Connecticut - UConn Health’s Capital Program</td>
<td>37-43</td>
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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)
UConn Health – A Snapshot

- **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.
- **Budget:** Annual Operating Budget of > $1 billion
- **Employees:** Employing nearly 4500 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 nearly ¼ of inpatient hospital and 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 nearly 800 medical and dental school graduates in residency programs throughout Central Connecticut hospitals, addressing a critical workforce need and bringing in nearly $120 million annually in federal funds to CT hospitals to support these jobs.
Education

School of Medicine
- 408 Students
- 675 Residents

School of Dental Medicine
- 189 Students
- 114 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 Education
- Continuing Medical Education – Accreditation with Commendation
- Statewide Community Partnerships & Community Outreach Programs
Education

The Graduate School

- 147 PhD Students
- 155 Masters Students
- 22 Graduate Certificate Students

Programs

Public Health (PhD, MPH)
- Social & Behavioral Health
- Occupational & Environmental Health

Clinical & Translational Research (MS-CTR)
- Masters Degree

Biomedical Science (PhD)
- Cell Analysis & Modeling
- Cell Biology
- Genetics & Developmental Biology
- Immunology
- Molecular Biology & Chemistry
- Neuroscience
- Skeletal Biology & Regeneration

Dental Science (MDS)
- Masters Degree

Combined Degree Programs

MD
- MD/PhD
- MD/MPH
- MD/MBA

DMD
- DMD/PhD
- DMD/MPH

PhD
- PhD/MBA
Residency Training/Graduate Medical Education

A Partner and Resource to Other Hospitals & the State

- UConn Health has 789 residents (675 medical and 114 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.

<table>
<thead>
<tr>
<th>Hospitals FY 17</th>
<th>Graduate Medical Education &amp; Indirect Medical Education Reimbursement</th>
</tr>
</thead>
<tbody>
<tr>
<td>CT Children’s</td>
<td>$3.0 million</td>
</tr>
<tr>
<td>Hartford Hospital</td>
<td>$47.5 million</td>
</tr>
<tr>
<td>Hospital of Central Connecticut</td>
<td>$7.1 million</td>
</tr>
<tr>
<td>UConn John Dempsey Hospital</td>
<td>$27.2 million</td>
</tr>
<tr>
<td>St. Francis Hospital</td>
<td>$32.5 million</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$117.3 million</strong></td>
</tr>
</tbody>
</table>

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 (FY18)
- 10,228 inpatient discharges
- 1,097,518 outpatient encounters
- 89,147 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.
An Essential Healthcare Provider to Connecticut’s Underserved Citizens

**UConn John Dempsey Hospital**
- Medicaid inpatient days as a percentage of total inpatient days = 23.1%

**UConn Medical Group**
- 20.96% of visits were Medicaid patients

**UConn Dental Clinics**
- Single largest provider of dental services to Medicaid recipients and the under- and uninsured
- 55% 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
- South Park Inn Medical Clinic (Hartford)
- South Marshall Street Homeless Clinic (Hartford)
- YMCA Adolescent Girls Medical Clinic (Hartford)
- Camp Courant Dental Screening Program
- Covenant House (Willimantic)
- Urban Service Track/AHEC Scholars (Provides 60+ community-based programs annually throughout CT)
- CT Mission of Mercy
- Special Olympics
- New London Homeless Hospitality Center (AHEC)
- St. Vincent DePaul Soup Kitchen (AHEC)

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

Initiatives to 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:

- AETNA Health Professions Partnership Initiative Area Health Education Center program (AHEC), based in Farmington with 4 regional centers providing services throughout CT. Offices in Hartford, Norwich, Shelton & Waterbury
- CT AHEC Network Pipeline Programs: Youth Health Service Corps, Collegiate Health Service Corps, AmeriCorps & STEM programs for high school students
- Veterans’ and Mental Health First Aid
- State Innovation Model Grant support – Community Health Worker Workforce Development
- Urban Service Track/AHEC Scholars – promoting primary care and public health for health professions students with a passion for vulnerable underserved communities (urban and rural)
Critical Source of the State’s Health Care Professionals – Educating the Next Generation

- 37% of UConn School of Medicine (SOM) graduates practice in the State
- 44% of UConn School of Dental Medicine (SODM) graduates practice 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 29% of the SODM’s 2018 first-year class are under-represented/minority students

Economic Driver for the Region and the State

- Catalyst for new biomedical and biotech jobs, e.g. Stem cell, genomics and personalized medicine
- Generates nearly $1.5 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 4,500 employees from 155 different Connecticut towns
# UConn Research & Innovation (Storrs/Regionals & UConn Health)

<table>
<thead>
<tr>
<th>UConn Sponsored Program Activity*</th>
<th>FY18</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annual Grant Expenditures ($M)</td>
<td>$140</td>
</tr>
<tr>
<td>Proposals ($M)</td>
<td>$693</td>
</tr>
<tr>
<td>Grants Awarded ($M)</td>
<td>$164</td>
</tr>
<tr>
<td>Average Grant Award Size/Faculty</td>
<td>$143,221</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>UConn Health Sponsored Program Activity*</th>
<th>FY18</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annual Grant Expenditures ($M)</td>
<td>$79</td>
</tr>
<tr>
<td>Proposals ($M)</td>
<td>$549</td>
</tr>
<tr>
<td>Grants Awarded ($M)</td>
<td>$94</td>
</tr>
<tr>
<td>Average Grant Award Size/Faculty</td>
<td>$286,120</td>
</tr>
</tbody>
</table>

* 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 Technology Incubation Program (TIP)

FY2018
- $76 M raised in debt & equity funding
- $21M raised in revenue from sales and grants
- 40 companies located at the incubator – largest # in program history
- 118 full-time & 53 part-time jobs
- 96% of incubator space occupied
- $786,000 in taxes paid

Moving technology from the lab to the market at UConn Storrs and UConn Health in Farmington

Farmington TIP

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Debt and Equity</td>
<td>$75M</td>
</tr>
<tr>
<td>Sales &amp; Grants</td>
<td>$19M</td>
</tr>
<tr>
<td># of Companies</td>
<td>31</td>
</tr>
<tr>
<td>Full-Time</td>
<td>98</td>
</tr>
<tr>
<td>Part-Time</td>
<td>39</td>
</tr>
<tr>
<td>% Occupied</td>
<td>98%</td>
</tr>
<tr>
<td>Taxes Paid</td>
<td>$734,000</td>
</tr>
</tbody>
</table>
UConn Collaborations with The Jackson Laboratories

UConn/JAX Collaborative Grants to Date

<table>
<thead>
<tr>
<th>Joint Grant Submissions</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Awarded</td>
<td>$33.4 million</td>
</tr>
<tr>
<td>Pending</td>
<td>$74.6 million</td>
</tr>
<tr>
<td>Total</td>
<td>$108 million</td>
</tr>
</tbody>
</table>

Joint Hires
- 5 Joint UConn/JAX hires

Exceptional Educational Opportunities
- 22 JAX faculty have UConn graduate faculty appointments
- 21 UConn Biomedical Science PhD students are doing their dissertation research with JAX faculty
- 43 lab rotations have been done with JAX faculty

Development of Single Cell Genomics Center
- $7.7 million three-year joint 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 date using the Center total nearly $5m

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 FY19 Budget

Revenue Budget $1,047.6M

- Other Revenue 5.8%
- Research and Restricted Funds 2.3%
- State Support 22.8%
- Tuition and Fees 2.4%
- Grants & Contracts 7.7%
- Interns/Residents 6.6%
- Net Patient Revenue 51.4%

Expenditure Budget $1,047.6M

- Personal Services 33.4%
- Fringe Benefits 24.3%
- Drugs/Medical Supplies 9.4%
- Other Expenses 23.1%
- Debt Service/Projects 1.5%
- Research and Restricted Expenditures 2.3%
UConn Health's FY19 Operating Budget

UConn Health is projecting a $18.2 million operating loss for FY19.

Notwithstanding this operating loss, UConn Health presented a balanced budget to the Board; capital spending will be reduced in FY19 to balance the budget.

<table>
<thead>
<tr>
<th>Revenues ($M)</th>
<th>Expenditures ($M)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Appropriation</td>
<td>123.3</td>
</tr>
<tr>
<td>Fringe Benefits &amp; Adjustments</td>
<td>115.5</td>
</tr>
<tr>
<td>Total State Support</td>
<td>$ 238.8</td>
</tr>
<tr>
<td>Tuition and Fees</td>
<td>25.5</td>
</tr>
<tr>
<td>Grants &amp; Contracts</td>
<td>80.2</td>
</tr>
<tr>
<td>Interns/Residents</td>
<td>69.0</td>
</tr>
<tr>
<td>Net Patient Revenue</td>
<td>538.3</td>
</tr>
<tr>
<td>Other Revenue</td>
<td>72.1</td>
</tr>
<tr>
<td><strong>Total Operating Fund</strong></td>
<td><strong>$ 1,023.9</strong></td>
</tr>
</tbody>
</table>

| Personal Services                  | 412.5                    |
| Fringe Benefits                    | 254.1                    |
| Drugs/Medical Supplies             | 98.6                     |
| Other Expenses**                   | 242.5                    |
| Depreciation                       | 34.4                     |
| **Total Operating Fund**           | **$ 1,042.1**            |
| **Net Gain/(Loss)**                | **$ (18.2)**             |

**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 that it cannot cover on its own. After reducing capital spending, UConn Health will still face a shortfall of > $30 million.
FY20 Estimated Budget Increases
Revenues and Expenses

FY20 Revenue Increases ($M)

<table>
<thead>
<tr>
<th>Source</th>
<th>Increase ($M)</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tuition and Fees</td>
<td>$1.00</td>
<td>4%</td>
</tr>
<tr>
<td>Interns/Residents</td>
<td>$1.93</td>
<td>3%</td>
</tr>
<tr>
<td>Other Revenue</td>
<td>$2.44</td>
<td>1%</td>
</tr>
<tr>
<td>Grants &amp; Contracts</td>
<td>$3.04</td>
<td>4%</td>
</tr>
<tr>
<td>Net Patient Revenue</td>
<td>$15.79</td>
<td>3%</td>
</tr>
<tr>
<td>Total State Support</td>
<td>$20.88</td>
<td>9%</td>
</tr>
<tr>
<td>Total Revenue</td>
<td>$45.06</td>
<td>4%</td>
</tr>
</tbody>
</table>

In FY20

Revenues are estimated to increase by $45.06M or 4.0%

vs.

Expenses are estimated to increase by $74.27M or 6%

These increased costs, when added to the FY19 shortfall of $18.2M result in a projected loss of $47.4M for FY20.
Estimated annual Comptroller increase in fringe rates (≈$11M)

Award (≈$20M)

Higher fringe costs for employees transferring to SERS under SAH

Increase in salaries per SEBAC agreement (≈$9M)

Fringe benefit cost increases due to:

5.5% Increase in salaries based on SEBAC agreement (≈$22M)

Increase in expenses are based on the following:

Increase in expenses are based on net patient revenue

3.0% Volume increase in net patient revenue

3.5% Increase in tuition and fees per CPU approval

Supported employees, due to increased fringe costs

Increased fringe reimbursement from the Comptroller for block grant

Includes Reserve for Salary Adjustment (for SEBAC increases) and Bioscience CT at original plan

State appropriation per Governor’s proposed budget

Increase in expenses are based on the following:

FY20 Estimated Budget 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

Current Cost Savings Efforts:

FY 19    **Total Estimated Savings** $22.3m: Financial Improvement Project 4.0

✓ **Clinical Initiatives** – Contract pharmacy revenue, provider productivity, contracts review, Scribe implementation
✓ **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

<table>
<thead>
<tr>
<th>Appropriation</th>
<th>Reduction</th>
<th>Actual Allotment</th>
<th>Lost Fringe due to Reduction</th>
<th>Fund Sweeps</th>
<th>Total Cut</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY10</td>
<td>119.0</td>
<td>(1.2)</td>
<td>117.8</td>
<td>(0.5)</td>
<td>(10.0)</td>
</tr>
<tr>
<td>FY11</td>
<td>119.3</td>
<td>(0.2)</td>
<td>119.1</td>
<td>(0.1)</td>
<td>(10.0)</td>
</tr>
<tr>
<td>FY12</td>
<td>109.7</td>
<td>(1.2)</td>
<td>108.5</td>
<td>(0.6)</td>
<td>-</td>
</tr>
<tr>
<td>FY13</td>
<td>112.7</td>
<td>(4.1)</td>
<td>108.6</td>
<td>(2.0)</td>
<td>-</td>
</tr>
<tr>
<td>FY14</td>
<td>125.5</td>
<td>(0.5)</td>
<td>125.0</td>
<td>(0.3)</td>
<td>-</td>
</tr>
<tr>
<td>FY15</td>
<td>135.4</td>
<td>(4.2)</td>
<td>131.2</td>
<td>(2.4)</td>
<td>-</td>
</tr>
<tr>
<td>FY16</td>
<td>144.3</td>
<td>(0.4)</td>
<td>143.9</td>
<td>(0.9)</td>
<td>(4.0)</td>
</tr>
<tr>
<td>FY17</td>
<td>134.5</td>
<td>(5.3)</td>
<td>129.2</td>
<td>(3.5)</td>
<td>-</td>
</tr>
<tr>
<td>FY18</td>
<td>122.4</td>
<td>(4.7)</td>
<td>117.7</td>
<td>(3.3)</td>
<td>-</td>
</tr>
<tr>
<td>FY19</td>
<td>123.0</td>
<td>(3.8)</td>
<td>119.2</td>
<td>(3.0)</td>
<td>-</td>
</tr>
<tr>
<td>TOTAL</td>
<td>$413.8</td>
<td>$388.2</td>
<td>$314.9</td>
<td>$16.6</td>
<td>$24.0</td>
</tr>
</tbody>
</table>
Public-Private Partnership Exploration
Key Reasons for Seeking a Public-Private Partnership

1. Provide long term financial sustainability
2. Address challenges of surrounding hospital consolidation
3. Enhance funding for the academic and research missions
4. Comply with the directive by the Legislature
Our Direction

- Leverage our strengths (academics, new facilities, campus, population) to explore public-private partnership(s) that will address the challenges of our clinical enterprise so that we can strengthen our academic differentiation.

- As we explore partnerships, grow and strengthen our clinical enterprise.

- Always focus on supporting the pre-eminence of our Academic mission.
Directive by Legislature

Public Act 17-2 (June Special Session):

Sec. 60. (Effective from passage) The University of Connecticut Health Center Board of Directors, established pursuant to subsection (c) of section 10a-104 of the general statutes, shall seek to establish public-private partnerships with hospitals or other private entities selected by the board. Not later than April 1, 2018, the board shall submit a report concerning the status of such partnerships and any recommended legislation to the joint standing committees of the General Assembly having cognizance of matters relating to higher education, public health and appropriations, in accordance with the provisions of section 11-4a of the general statutes.
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.

Fringe Benefit Rates

For FY20, the difference in rates is expected to result in over $65.5M of additional costs to run JDH compared to other area hospitals.

UConn Health receives some Fringe Benefit support from the state in the amount of $13.5M, resulting in a gap of nearly $52.0M.
For FY20, the difference in rates is expected to result in over $91M of additional costs to run the clinical enterprise compared to other area hospitals.

UConn Health receives some Fringe Benefit support from the state in the amount of $13.5M, resulting in a gap of nearly $77.5M.
Fringe Benefit Rate Components

The State Employees Retirement System (SERS) fringe rate has several components, the largest is attributed to the unfunded pension liability.

The following example reflects an employee with a salary of approximately $80,000, on SERS and with a family insurance plan (health/dental/pharmacy).

<table>
<thead>
<tr>
<th>Component</th>
<th>Amount</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salary</td>
<td>$79,828</td>
<td></td>
</tr>
<tr>
<td>State Retirement (SERS)*</td>
<td>51,329</td>
<td>64.30%</td>
</tr>
<tr>
<td>FICA SS &amp; Medicare</td>
<td>6,107</td>
<td>7.65%</td>
</tr>
<tr>
<td>Unemployment Compensation</td>
<td>184</td>
<td>0.23%</td>
</tr>
<tr>
<td>Health and Group Life Insurance **</td>
<td>25,000</td>
<td>31.32%</td>
</tr>
<tr>
<td><strong>Total Fringe Benefits</strong></td>
<td>$82,620</td>
<td>103.50%</td>
</tr>
</tbody>
</table>

Unfunded Pension Liability: 33.61%
Retiree Health: 20.94%
Normal/Current Retire. Costs: 5.30%
Other Post Employ. Benefit Costs (OPEB): 2.86%
Administrative Costs & Adjustments: 1.59%

* Other retirement options are available for some higher education employees (through the Alternate Retirement Plan (ARP) - which is similar to a traditional 401K retirement plan). The ARP rate is 14.50%, a much lower rate than SERS, mainly because it does not include any unfunded liability. About 37% of UConn Health employees have chosen ARP; while 63% have chosen SERS.

** Health Insurance costs vary based on coverage selected. UCH pays the actual cost of the health insurance. It is not based on a rate.

The state covers fringe costs for 38% of UCH employees; UConn Health non-state operating revenues cover the remainder.
Fringe Benefit Rate Components - SERS

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

Exploration

Scope - Process - Status
Public-Private Partnership

Scope

UConn Health is exploring a public-private partnership(s) for all or a portion of the *clinical enterprise*, comprised of John Dempsey Hospital and UConn Medical Group.

The Research and Academic enterprises (i.e. UConn Medical, Dental and Graduate Schools) are *not* part of the partnership exploration.
UConn Health - An Attractive Partner

- Premier public Academic Medical Center – many entities desire university partners
- One of the best campuses in the state
- Phenomenal healthcare providers
- Patient and market share is growing
- Finances have been steadily improving
- Medical and Dental Schools with excellent reputations
- Scientists engaging in groundbreaking research
- Growing role in commercialization and entrepreneurship and growing the state’s economy
Public-Private Partnership

Process

- Preparation
- Solicitation
- Narrowing & Due Diligence
- Negotiation & Documentation
Public-Private Partnership

Status

• The proposals that UConn Health received pursuant to the Solicitation of Interest did not meet our stated goals.

• Although we did not accept the specific proposals submitted, we are determining whether some of the respondents may be interested in developing new proposals that would meet our goals.

• Any such discussions will take some time and input from internal and external stakeholders, including legislators and unions.

• What has become clear, however, is that ballooning fringe benefit costs charged to UConn Health are a significant barrier to potential partnership(s), and that financial stability for UConn Health will not be achieved over the next biennium through a partnership.
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

Through March 1, 2019, Bioscience Connecticut facilities and infrastructure projects are 98% complete.

All projects are expected to be completed in Spring 2019.
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

<table>
<thead>
<tr>
<th>CONTRACTOR TYPE (ALL PROJECTS)</th>
<th>REQUIREMENT</th>
<th>PROJECTED</th>
</tr>
</thead>
<tbody>
<tr>
<td>Small Businesses</td>
<td>25%</td>
<td>36%</td>
</tr>
<tr>
<td>Minority/Women/ Disadvantaged – Owned Businesses</td>
<td>6.25%</td>
<td>23%</td>
</tr>
</tbody>
</table>
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 238,000 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)
- 1400 car parking garage (opened in November 2013)
- Private financing through TIAA-CREF $203M
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

March 2019

- Construct Ambulatory Care Center
  - Design: 20 mo.
  - Construction: 20 mo.

- Construct New Patient Tower
  - Design
  - Bed Tower Construction: 33 mo.
  - Parking Site Const.

- Academic Addition and Renovations
  - Design
  - Addition Construction: 16 mo.

- Renovate Research Labs: Phase 1
  - Design
  - Construction: 30 mo.

- Renovate Research Labs: Phase 2
  - Design
  - Construction: 13 mo.

- RenovateExisting Clinical Buildings
  - Design
  - Construction: 38 mo.

- Incubator Lab Addition to CGSB
  - Design
  - Construction: 14 mo.