

**UNIVERSITY OF CONNECTICUT HEALTH CENTER
JOHN DEMPSEY HOSPITAL (21002 FUND)**

**FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**
(With Management's Discussion and Analysis)

JUNE 30, 2021 AND 2020

**UNIVERSITY OF CONNECTICUT HEALTH CENTER
JOHN DEMPSEY HOSPITAL (21002 FUND)**

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**UNIVERSITY OF CONNECTICUT HEALTH CENTER
JOHN DEMPSEY HOSPITAL (21002 FUND)**

MANAGEMENT'S DISCUSSION AND ANALYSIS

OVERVIEW OF THE FINANCIAL STATEMENTS

The following discussion and analysis provides an overview of the financial position and activities of the University of Connecticut Health Center John Dempsey Hospital (21002 Fund) (the Hospital) as of and for the years ended June 30, 2021, 2020, and 2019. The Hospital is operated as a separate, identifiable unit of the University of Connecticut Health Center (UConn Health). This discussion has been prepared by management and should be read in conjunction with the financial statements and the notes thereto, which follow this section.

Through the Hospital (a licensed acute care hospital with 234 certified general acute care beds, 186 staffed), UConn Health provides specialized and routine inpatient and outpatient services. The Hospital also provides comprehensive healthcare services for the State of Connecticut's (State) incarcerated inmates. Historically, the contracts were with the Correctional Managed Health Care (CMHC) program. However, effective July 1, 2018, CMHC was dissolved. The Hospital continues to provide services through a variety of contracts with the State's Department of Correction (DOC). The Hospital has long been regarded as the premier facility in the region for high-risk maternity services. It is also recognized for its cardiovascular program (interventional cardiology and surgery), cancer, musculoskeletal, and behavioral mental health services. Additionally, the Hospital is home to the only Emergency Department in Connecticut's Farmington Valley.

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic, which continues to spread throughout the United States and the World. The COVID-19 outbreak in the United States caused business disruption through mandated and voluntary closings of businesses across the country. The Hospital chose to pause elective procedures on March 13, 2020 and did not resume until May 20, 2020. As a result, clinical volumes and results were lower in fiscal 2020 than in fiscal 2021. UConn Health continues to diligently navigate the pandemic and its many associated business challenges, including personal protective equipment (PPE) shortages, supply chain disruption, aid application and reporting requirements, variant waves, and staffing shortages. Management remains focused on providing exceptional, reliable, and safe patient care to our community. UConn Health implemented a mandatory masking policy for patients, staff, and visitors in 2021, and has adopted a mandatory vaccine policy in fiscal 2022. Both policies focus on ensuring the health of our patients, staff, and visitors. Due to the rapid development and fluidity of the pandemic, including variant spread, the magnitude and duration of the pandemic, and its impact on the Hospital's financial condition or results, remain uncertain as of the date of this report.

During fiscal year 2021, the Hospital received \$12.5 million via the Coronavirus Aid, Relief, and Economic Security (CARES) Act General Distribution Phase 3 based on lost revenue. Funds received under this program carry reporting and other requirements outlined by the federal government, which began September 30, 2021. The Hospital has met these requirements. During fiscal year 2020, the Hospital received \$15.9 million from the CARES Act. Funding came from both general and targeted distributions. Targeted distributions were made to physician practices based on, among other metrics, the total number of COVID-19 positive patients treated.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

The Hospital was also eligible for distributions for treating uninsured patients, though this population is not considered material.

The Hospital, as part of UConn Health, was also eligible to apply for reimbursement of expenses under two additional funding mechanisms: the Federal Emergency Management Agency (FEMA) and the Coronavirus Relief Fund (CRF). UConn Health was eligible to submit expenditures incurred in responding to the public health emergency to FEMA for consideration, and UConn Health has obtained a commitment from the State as part of the CRF to assist with eligible pandemic related expenses not reimbursed by FEMA. The FEMA application process can be time intensive, and, to date, no funds have been received related to UConn Health's claims. UConn Health is working towards receipt of funds from these funding mechanisms in fiscal year 2022.

This annual report consists of management's discussion and analysis and the financial statements. The basic financial statements (statements of net position, statements of revenues, expenses, and changes in net position, and statements of cash flows) present the financial position of the Hospital at June 30, 2021 and 2020, and the results of its operations and its financial activities for the years then ended. These financial statements report information about the Hospital using accounting methods similar to those used by private-sector companies. The statements of net position include all of the Hospital's assets, liabilities, and deferred inflows and outflows. The statements of revenues, expenses, and changes in net position reflect the year's activities on the accrual basis of accounting (i.e., when services are provided or obligations are incurred, not necessarily when cash is received or paid).

These financial statements report the Hospital's net position and how it has changed. Net position (the difference between assets and liabilities adjusted for deferred outflows and inflows) is one way to measure financial health or position. The statements of cash flows provide relevant information about each year's cash receipts and cash payments and classifies them as operating, investing, noncapital financing activities, and capital and related financing activities. The financial statement footnotes include notes that explain information in the financial statements and provide more detailed data.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL HIGHLIGHTS

The Hospital's financial position at June 30, 2021, consisted of assets of approximately \$471.9 million, deferred outflows of approximately \$343.2 million, liabilities of approximately \$1,186.3 million (of which \$1,062.9 million is related to GASB Statements No. 68 and 75), and deferred inflows of approximately \$26.8 million. The Hospital's financial position at June 30, 2020, consisted of assets of approximately \$466.1 million, deferred outflows of approximately \$325.9 million, liabilities of approximately \$1,005.4 million (of which \$929.4 million is related to GASB Statements No. 68 and 75), and deferred inflows of approximately \$33.0 million. Net position, which represents the residual interest in the Hospital's assets and deferred outflows after liabilities and deferred inflows are deducted, decreased by approximately \$151.6 million from fiscal year 2020 to a net deficit position of approximately \$398.0 million as of June 30, 2021.

The Hospital finished the year with an operating loss of \$183.7 million compared to an operating loss of \$167.6 million in the prior year. Current year losses include the effect of the Hospital recording its pro-rata share of expenses under GASB Statements No. 68 and 75, as discussed in note 10. These expenses reflect changes to the pension and other post-employment benefits (OPEB) plans on a State level. The Hospital recorded an additional \$109.9 million and \$83.9 million of expenses related to pension and OPEB liabilities in fiscal years 2021 and 2020, respectively. Operating losses exclusive of these entries were \$73.8 million and \$83.7 million in fiscal years 2021 and 2020, respectively.

The Hospital received net transfers from UConn Health of \$20.1 million and \$25.1 million in fiscal years 2021 and 2020, respectively. Current year transfers from UConn Health included \$72.7 million and \$9.3 million related to fringe benefit support and working capital, respectively. These transfers in were offset by \$61.9 million in transfers to UConn Health for operational support during fiscal year 2021. In fiscal year 2020, UConn Health transferred \$65.0 million and \$10.2 million related to fringe benefit support and working capital, respectively. These transfers in were offset by \$50.1 million in transfers to UConn Health for operational support during fiscal year 2020. Total net position decreased by approximately \$151.6 million in fiscal year 2021, compared to a decrease of approximately \$126.2 million in fiscal 2020.

**UNIVERSITY OF CONNECTICUT HEALTH CENTER
JOHN DEMPSEY HOSPITAL (21002 FUND)**

MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL HIGHLIGHTS (CONTINUED)

SUMMARY OF ASSETS AND LIABILITIES

Summarized components of the Hospital's Statements of Net Position as of June 30, 2021, 2020, and 2019 are presented below.

	2021	2020	2019
	<i>(in thousands)</i>		
Summary of assets, liabilities and net position at June 30:			
Current assets	\$ 134,332	\$ 110,668	\$ 137,471
Other assets	9,230	8,199	2,177
Capital and intangible assets, net	<u>328,304</u>	<u>347,277</u>	<u>366,457</u>
Total assets	<u>\$ 471,866</u>	<u>\$ 466,144</u>	<u>\$ 506,105</u>
Deferred amount for pensions	\$ 148,184	\$ 146,293	\$ 110,025
Deferred amount for OPEB	<u>195,025</u>	<u>179,581</u>	<u>45,019</u>
Total deferred outflows	<u>\$ 343,209</u>	<u>\$ 325,874</u>	<u>\$ 155,044</u>
Current liabilities	\$ 110,989	\$ 64,523	\$ 59,193
Pension liabilities	434,230	382,720	305,945
OPEB liabilities	628,675	546,723	380,386
Capital leases	1,562	2,306	2,431
Accrued compensated absences, noncurrent portion	<u>10,845</u>	<u>9,159</u>	<u>12,066</u>
Total liabilities	<u>\$ 1,186,301</u>	<u>\$ 1,005,431</u>	<u>\$ 760,021</u>
Deferred amount for pensions	\$ 83	\$ 966	\$ 1,061
Deferred amount for OPEB	<u>26,720</u>	<u>32,022</u>	<u>20,265</u>
Total deferred inflows	<u>\$ 26,803</u>	<u>\$ 32,988</u>	<u>\$ 21,326</u>
Net investment in capital assets	\$ 325,978	\$ 343,900	\$ 363,182
Unrestricted deficit	<u>(724,007)</u>	<u>(590,301)</u>	<u>(483,380)</u>
Total net position	<u>\$ (398,029)</u>	<u>\$ (246,401)</u>	<u>\$ (120,198)</u>

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MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL HIGHLIGHTS (CONTINUED)

SIGNIFICANT VARIANCES IN THE FINANCIAL STATEMENTS – ASSETS AND LIABILITIES

In this section, the Hospital explains the reasons for those financial statement items with significant variances relating to fiscal year 2021 amounts compared to fiscal year 2020 amounts.

Changes in assets included the following:

- *Inventory* – increased from June 30, 2020 to June 30, 2021 by approximately \$3.2 million primarily due to PPE purchased for the pandemic. There was also an increase in the purchase of pharmaceuticals during fiscal year 2021.
- *Contract and other receivables* – decreased from June 30, 2020 to June 30, 2021 by approximately \$1.5 million due to payments received for outstanding payroll owed for the contract between the Hospital and the Neonatal Intensive Care Unit (owned and operated by Connecticut Children's Medical Center) and Hemophilia Clinic outstanding payments owed by Red Chip.
- *Due from Finance Corporation* – increased from June 30, 2020 to June 30, 2021 by approximately \$4.6 million as a result of the 340B agreement that began in July 2020 between the Hospital and UConn Health Pharmacy Services Inc. (UHPSI), a subsidiary of the Finance Corporation.
- *Due from UMG* – increased from June 30, 2020 to June 30, 2021 by approximately \$1.9 million due patient deposits posted to a central clearing account for UMG that were owed back to the Hospital at year-end. A subsequent transfer was posted in fiscal year 2022 to move the funds from UMG to the Hospital.
- *Deposit with Vendors* – increased from June 30, 2020 to June 30, 2021 by approximately \$1.2 million due to an increase in contractually required deposits with the Hospital's primary pharmaceutical vendor, AmerisourceBergen.
- *Capital and intangible assets, net* – decreased from June 30, 2020 to June 30, 2021 by approximately \$19.0 million, as depreciation and disposals outpaced capital acquisitions during the current fiscal year.

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MANAGEMENT’S DISCUSSION AND ANALYSIS

FINANCIAL HIGHLIGHTS (CONTINUED)

**SIGNIFICANT VARIANCES IN THE FINANCIAL STATEMENTS – ASSETS AND LIABILITIES
(CONTINUED)**

Changes in liabilities included the following:

- *Accounts payable and accrued expenses* – increased from June 30, 2020 to June 30, 2021 by approximately \$3.3 million, primarily due to increased payables to several drug and medical supply vendors associated with increased clinical volumes during fiscal year 2021.
- *Due to Third-Party Payors* – increased from June 30, 2020 to June 30, 2021 by approximately \$42.0 million, primarily due to the advance payment from CMS (Medicare) for future claims. The advance repayment will begin in September 2021.
- *Pension and OPEB liabilities* – increased from June 30, 2020 to June 30, 2021 by approximately \$133.5 million due to changes in the Hospital’s OPEB costs and lowering of the discount rate from 3.58% to 2.38%. This represents the Hospital’s proportional share of the State’s OPEB liability as actuarially determined based on the Hospital’s percentage of overall contributions.

SUMMARY OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

Summarized components of the Hospital’s Statements of Revenues, Expenses, and Changes in Net Position for the years ended June 30, 2021, 2020, and 2019 are presented below:

	2021	2020	2019
	<i>(in thousands)</i>		
Summary of revenues, expenses and transfers for the year ended June 30:			
Operating revenues	\$ 528,437	\$ 464,342	\$ 451,469
Operating expenses	<u>(712,171)</u>	<u>(631,976)</u>	<u>(528,669)</u>
Operating loss	(183,734)	(167,634)	(77,200)
Nonoperating revenue, net	<u>11,969</u>	<u>16,331</u>	<u>428</u>
Loss before transfers	(171,765)	(151,303)	(76,772)
Net transfers	<u>20,137</u>	<u>25,100</u>	<u>21,558</u>
Decrease in net position	<u>\$ (151,628)</u>	<u>\$ (126,203)</u>	<u>\$ (55,214)</u>

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MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL HIGHLIGHTS (CONTINUED)

SIGNIFICANT VARIANCES IN THE FINANCIAL STATEMENTS – REVENUES, EXPENSES, AND CHANGES IN NET POSITION

Operating revenues

Total operating revenues increased from the year ended June 30, 2020 to the year ended June 30, 2021 by approximately \$64.1 million or 13.8%.

- *Net patient service revenues* – increased by approximately \$54.0 million or 13.4% from prior year due to increased volumes in fiscal year 2021 related to the ramp up of activity throughout the Hospital.
- *Contract and other revenues* – increased by approximately \$10.1 million or 16.4% from prior year, which was driven by increases in the Ryan White 340B contract, pharmacy 340B contract agreements (340B drug contract), and a new 340B contract with UHPSI. The 340B drug contract is a discount program created in 1992 by the U.S. federal government that requires drug manufacturers to provide outpatient drugs to eligible healthcare organizations at significantly reduced prices. The 340B drug contract came about as a result of changes in the 340B regulations that now allow qualified hospitals to contract with outside pharmacies to provide 340B priced drugs to the Hospital's outpatients. The Hospital is now partnering with area pharmacies to allow them to fill such prescriptions for outpatients.

Operating expenses

Total operating expenses increased from the year ended June 30, 2020 to the year ended June 30, 2021 by approximately \$80.2 million or 12.7%.

- *Salaries and wages* – increased by approximately \$11.2 million or 6.5% from prior year due to contractually bargained salary wage increases and an overall increase in full-time employees (FTEs). The Hospital FTE's went from 1,747 in fiscal year 2020 to 1,821 fiscal year 2021.
- *Fringe benefits* – increased by approximately \$42.1 million or 20.8% from prior year due to charges associated with the Hospital recording its proportionate share of expenses under GASB Statements No. 68 and 75.
- *Pharmaceutical/medical supplies* – increased by approximately \$19.7 million or 20.0% from prior year due to the cost of specialty drugs for the pharmacy department and increased surgical volumes during fiscal year 2021.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL HIGHLIGHTS (CONTINUED)

SIGNIFICANT VARIANCES IN THE FINANCIAL STATEMENTS – REVENUES, EXPENSES, AND CHANGES IN NET POSITION (CONTINUED)

- *Outside and other purchased services* – increased by approximately \$3.9 million or 7.5% from prior year, mostly due to fees associated with 340B wire deposits and purchased lab services from Jackson Laboratory for lab testing.

SUMMARY OF CASH FLOWS

The statements of cash flows provide additional information about the Hospital's financial results by reporting the major sources and uses of cash. A summary of the statements of cash flows for the years ended June 30, 2021, 2020, and 2019 are as follows:

	2021	2020	2019
	<i>(in thousands)</i>		
Cash received from operations	\$ 565,593	\$ 469,392	\$ 454,881
Cash expended for operations	<u>(582,772)</u>	<u>(527,192)</u>	<u>(474,288)</u>
Net cash used in operations	(17,179)	(57,800)	(19,407)
Net cash used in investing activities	(5,062)	(4,763)	(3,737)
Net cash provided by noncapital financing activities	12,451	16,542	715
Net cash provided by capital and related financing activities	<u>18,970</u>	<u>29,523</u>	<u>21,271</u>
Net change in cash	9,180	(16,498)	(1,158)
Cash - Beginning	<u>39,393</u>	<u>55,891</u>	<u>57,049</u>
Cash - Ending	<u>\$ 48,573</u>	<u>\$ 39,393</u>	<u>\$ 55,891</u>

Hospital discharges of 8,936 represent a decrease of 330 cases from 2020, primarily due to the patients' length of stay increasing in fiscal year 2021. The Hospital's patient length of stay for the years ended June 30, 2021 and June 30, 2020 was 4.7 and 4.5, respectively. The Hospital's normal patient length of stay pre-COVID-19 pandemic was approximately 4.2.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL HIGHLIGHTS (CONTINUED)

CAPITAL AND INTANGIBLE ASSETS

At June 30, 2021, the Hospital had capital and intangible assets of \$554.9 million before accumulated depreciation, compared to \$558.6 million at June 30, 2020. In 2020, capital leases increased by \$1.1 million due to the Hospital entering into two new lease agreements. There were no new leases in 2021. A summary of capital and intangible asset balances is shown in the table below:

	2021	2020	2019
	<i>(in thousands)</i>		
Land	\$ 183	\$ 183	\$ 183
Construction in progress	1,324	2,366	1,037
Buildings	403,107	398,992	397,090
Equipment	75,273	82,648	84,276
Computer software	57,632	57,061	58,158
Capital leases	<u>17,355</u>	<u>17,359</u>	<u>16,264</u>
Total capital and intangible assets	554,874	558,609	557,008
Less: accumulated depreciation and amortization	<u>226,570</u>	<u>211,332</u>	<u>190,551</u>
Capital and intangible assets, net	<u>\$ 328,304</u>	<u>\$ 347,277</u>	<u>\$ 366,457</u>

For fiscal year 2022, all UConn Health capital requests will be considered for funding on an individual basis. Capital requests will be considered by the senior executive committee of UConn Health. More detailed information about the Hospital's capital and intangible assets are presented in note 8 to the financial statements.

FISCAL 2022 OUTLOOK

As we look forward to fiscal year 2022, UConn Health continues to adapt its business models to changing landscapes: operational, pandemic, and regulatory. UConn Health continues to work and plan for the new operational realities, including labor and supply shortages through continual re-prioritization, forward thinking, teamwork, and creativity. The COVID-19 pandemic continues to evolve creating new community needs and challenges. UConn Health will continue to respond to these new needs, such as for vaccine boosters and community resources, and to serve the people of Connecticut. Healthcare, already a high oversight industry, has received additional regulatory mandates as a result of the pandemic and pandemic related relief funds received. Tracking and reporting these funds will continue to be a focus for UConn Health moving forward to monitor the increasing levels of regulations from authoritative agencies, including those assisting with pandemic relief.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

FISCAL 2022 OUTLOOK (CONTINUED)

Research, education, and patient care remain the cornerstones of UConn Health's mission. These pillars remain as fundamental and relevant as ever. UConn Health is focused on maximizing our efforts in these areas, while navigating uncertainty surrounding both State and Federal funding. Federal and State aid remain vital in shepherding public institutions through the challenges of COVID-19, but also in allowing institutions such as UConn Health to protect and serve socially or economically disadvantaged groups. UConn Health has benefitted from federal CARES Act support and has secured commitments from the State for CRF during the current year. Some level of additional benefits is expected to be realized in the upcoming year though exact future funding levels remain uncertain.

A combination of institution-wide financial initiatives and additional State funding allowed UConn Health to balance its 2021 spending plan. UConn Health approaches fiscal year 2022 cautiously optimistic. While vaccines have helped stem some of the impact of COVID-19, the surging Delta variant and pandemic fatigue have contributed to an uncertain outlook. While clinical volumes have rebounded in many areas, some of which have exceeded pre-pandemic volumes, a continued spike in cases could impact UConn Health's ability to perform elective surgeries, which are essential for the continued fiscal health of the institution. At the same time, the Hospital's Medicare Advance program funding will begin repayment in fiscal year 2022. Repayment of these amounts will reduce operating liquidity over future months.

Clinically, the focus remains on cautiously returning to patient care, while assuring patients that it is safe to do so. Significant concerns nationally about patients putting off care due to COVID-19 have lent greater urgency to handling the current Delta spike effectively and safely. UConn Health has worked continually over the past 12 months to strengthen its supply lines and broaden its access to the required types and amounts of PPE. We continue to update our treatment protocols and have proactively taken steps to ensure patient and staff safety across all its clinical units.

Among the initiatives that UConn Health has implemented are joining with the Connecticut Hospital Association in implementing mandatory vaccination at our facilities, universal masking, and screening of all staff and visitors in all facilities regardless of vaccination status.

UConn Health continues to work at leveraging its electronic medical record system (EPIC system). In the current year, our EPIC system allowed us to track and facilitate vaccine roll outs for staff and the public, and helped transmit COVID-19 testing results from Jackson Labs to other EPIC facilities in Connecticut. We also continued progress towards upgrading and optimizing the system. UConn Health is now on a quarterly upgrade schedule and is up-to-date with current EPIC functionality.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

FISCAL 2022 OUTLOOK (CONTINUED)

On June 30, 2021, all existing bargaining unit contracts concluded without new agreements being ratified and approved by the legislature. Affected unions are currently working under an extension agreement that runs through June 30, 2022, and keeps substantially all of the prior contract provisions, but which does not allow for general wage increases during the hold-over period.

The State, lifted by strong tax receipts and federal aid, reported a surplus for fiscal year 2021, and is anticipating a robust fiscal year 2022. The State's financial outlook has a direct role in that of UConn Health. Any potential negative changes to the State's economic outlook result in additional unpredictability of State support across UConn Health. While we are grateful for State support, UConn Health leadership remains diligent in seeking out continued, appropriate external funding, cost reductions, and programmatic enhancements while protecting quality of care.

Management will continue to monitor these and other factors over the upcoming year as it seeks to strengthen UConn Health for the future.

CONTACTING THE HOSPITAL'S FINANCIAL MANAGEMENT

This financial report provides the reader with a general overview of the Hospital's finances and operations. If you have questions about this report or need additional financial information, please contact the Office of the Chief Financial Officer, UConn Health, Farmington, Connecticut 06030-3800.

INDEPENDENT AUDITORS' REPORT

Joint Audit and Compliance Committee
University of Connecticut Health Center

Report on the Financial Statements

We have audited the accompanying financial statements of the University of Connecticut Health Center John Dempsey Hospital (21002 Fund) (the Hospital), an enterprise fund of the State of Connecticut, as of and for the years ended June 30, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the Hospital's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the University of Connecticut Health Center John Dempsey Hospital (21002 Fund) as of June 30, 2021 and 2020, and the results of its operations and changes in net position, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information, such as Management's Discussion and Analysis on pages 1 through 11, the Schedule of Changes in the Hospital's Net Pension Liability and Related Ratios on page 61, the Schedule of Pension Contributions on page 62, the Schedule of Changes in the Hospital's Net OPEB Liability and Related Ratios on page 63, Schedule of the Hospital's Proportionate Share of the Net OPEB Liability on page 64 and the Schedule of the Hospital's OPEB Contributions on page 65, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2021 on our consideration of the Hospital's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Hospital's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Hospital's internal control over financial reporting and compliance.

Marcum LLP

Hartford, CT
November 30, 2021

**UNIVERSITY OF CONNECTICUT HEALTH CENTER
JOHN DEMPSEY HOSPITAL (21002 FUND)**

STATEMENTS OF NET POSITION

JUNE 30, 2021 AND 2020

	2021	2020
Assets		
Current Assets		
Cash	\$ 48,572,719	\$ 39,393,084
Patient accounts receivable, net of estimated uncollectibles of \$15,963,000 and \$14,645,000 at June 30, 2021 and 2020, respectively	49,120,166	43,057,077
Inventory	15,066,359	11,907,825
Contract and other receivables	3,802,573	5,294,905
Due from State of Connecticut	6,842,171	6,453,519
Due from Other Funds	3,075,553	3,408,991
Due from UMG	2,053,679	194,548
Due from Finance Corporation	4,574,989	--
Prepaid expenses	1,223,674	957,370
Total Current Assets	134,331,883	110,667,319
Noncurrent Assets		
Deposits with vendors	9,112,315	7,921,017
Other assets	117,543	277,991
Capital and intangible assets, net (note 8)	328,303,827	347,277,333
Total Noncurrent Assets	337,533,685	355,476,341
Total Assets	471,865,568	466,143,660
Deferred Outflows of Resources		
Deferred amount for pensions (note 10)	148,183,467	146,293,132
Deferred amount for OPEB (note 10)	195,025,424	179,580,884
Total Deferred Outflows of Resources	\$ 343,208,891	\$ 325,874,016

The accompanying notes are an integral part of these financial statements.

**UNIVERSITY OF CONNECTICUT HEALTH CENTER
JOHN DEMPSEY HOSPITAL (21002 FUND)**

STATEMENTS OF NET POSITION (CONTINUED)

JUNE 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
Liabilities and Net Position		
Current Liabilities		
Accounts payable and accrued expenses	\$ 20,194,043	\$ 16,921,315
Accrued payroll	11,735,345	10,896,056
Due to UConn Health Malpractice Fund	188,376	188,376
Due to State of Connecticut	8,983,685	7,959,743
Due to third-party payors	61,622,763	19,595,962
Due to Finance Corporation	--	186,556
Deferred revenues	4,419	4,419
Capital leases, current portion (note 9)	764,476	1,071,583
Accrued compensated absences, current portion (note 9)	<u>7,496,104</u>	<u>7,698,814</u>
Total Current Liabilities	<u>110,989,211</u>	<u>64,522,824</u>
Noncurrent Liabilities		
Pension liabilities (notes 9 and 10)	434,230,079	382,719,634
OPEB liabilities (notes 9 and 10)	628,674,477	546,723,069
Capital leases, net of current portion (note 9)	1,561,673	2,306,363
Accrued compensated absences, net of current portion (note 9)	<u>10,845,233</u>	<u>9,158,672</u>
Total Noncurrent Liabilities	<u>1,075,311,462</u>	<u>940,907,738</u>
Total Liabilities	1,186,300,673	1,005,430,562
Deferred Inflows of Resources		
Deferred amount for pensions (note 10)	83,298	966,353
Deferred amount for OPEB (note 10)	<u>26,719,717</u>	<u>32,022,226</u>
Total Deferred Inflows of Resources	<u>26,803,015</u>	<u>32,988,579</u>
Net Position		
Net investment in capital assets	325,977,678	343,899,387
Unrestricted deficit	<u>(724,006,907)</u>	<u>(590,300,852)</u>
Total Net Position	<u>\$ (398,029,229)</u>	<u>\$ (246,401,465)</u>

The accompanying notes are an integral part of these financial statements.

**UNIVERSITY OF CONNECTICUT HEALTH CENTER
JOHN DEMPSEY HOSPITAL (21002 FUND)**

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	2021	2020
Operating Revenues		
Net patient service revenues (note 5)	\$ 456,560,089	\$ 402,585,016
Contract and other revenues	<u>71,877,122</u>	<u>61,756,615</u>
Total Operating Revenues	<u>528,437,211</u>	<u>464,341,631</u>
Operating Expenses		
Salaries and wages	185,133,029	173,901,777
Fringe benefits	243,895,101	201,823,246
Medical/dental house staff	2,029,584	3,179,597
Medical contractual support	278,549	350,256
Internal contractual support	50,270,873	46,077,315
Outside agency per diems	5,014,861	3,558,107
Depreciation and amortization	23,969,073	24,941,235
Pharmaceutical/medical supplies	118,314,813	98,608,997
Utilities	4,870,607	5,519,017
Outside and other purchased services	56,212,230	52,303,568
Insurance	5,782,536	6,481,061
Repairs and maintenance	11,239,667	9,807,692
Other expenses	<u>5,160,251</u>	<u>5,424,187</u>
Total Operating Expenses	<u>712,171,174</u>	<u>631,976,055</u>
Operating Loss	<u>(183,733,963)</u>	<u>(167,634,424)</u>
Nonoperating Revenues (Expenses)		
Gift and endowment (expense)/income	(299,587)	671,395
COVID-19 relief revenue	12,450,000	15,870,741
Interest expense	(115,227)	(114,855)
Loss on disposals	<u>(66,043)</u>	<u>(95,839)</u>
Net Nonoperating Revenues	<u>11,969,143</u>	<u>16,331,442</u>
Loss before Transfers	(171,764,820)	(151,302,982)
Transfers from UConn Health - Unrestricted (note 11)	82,038,429	75,201,378
Transfers to UConn Health (note 11)	<u>(61,901,373)</u>	<u>(50,101,411)</u>
Decrease in Net Position	(151,627,764)	(126,203,015)
Net Position - Beginning of year	<u>(246,401,465)</u>	<u>(120,198,450)</u>
Net Position - End of year	<u>\$ (398,029,229)</u>	<u>\$ (246,401,465)</u>

The accompanying notes are an integral part of these financial statements.

**UNIVERSITY OF CONNECTICUT HEALTH CENTER
JOHN DEMPSEY HOSPITAL (21002 FUND)**

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	2021	2020
Cash Flows from Operating Activities		
Cash received from patients and third-party payors	\$ 492,523,802	\$ 409,123,485
Cash received from contract and other revenues	73,069,454	60,267,931
Cash paid to employees for salaries and fringe benefits	(315,350,982)	(297,174,524)
Cash (returned to) received from related parties	(6,628,668)	4,436,675
Cash paid for other than personnel services	<u>(260,792,806)</u>	<u>(234,453,250)</u>
Net Cash Used in Operating Activities	<u>(17,179,200)</u>	<u>(57,799,683)</u>
Cash Flows from Investing Activities		
Additions to property and equipment	<u>(5,061,610)</u>	<u>(4,762,933)</u>
Net Cash Used in Investing Activities	<u>(5,061,610)</u>	<u>(4,762,933)</u>
Cash Flows from Noncapital Financing Activities		
COVID-19 relief revenue received	12,450,000	15,870,741
Gifts and endowment income	<u>413</u>	<u>671,395</u>
Net Cash Provided by Noncapital Financing Activities	<u>12,450,413</u>	<u>16,542,136</u>
Cash Flows from Capital and Related Financing Activities		
Interest paid	(115,227)	(114,855)
Transfer from UConn Health - Unrestricted	82,038,429	75,201,378
Transfer to UConn Health	(61,901,373)	(50,101,411)
Repayment from UMG	--	5,529,552
Payments on capital leases	<u>(1,051,797)</u>	<u>(991,758)</u>
Net Cash Provided by Capital and Related Financing Activities	<u>18,970,032</u>	<u>29,522,906</u>
Net Change in Cash	9,179,635	(16,497,574)
Cash - Beginning	<u>39,393,084</u>	<u>55,890,658</u>
Cash - Ending	<u>\$ 48,572,719</u>	<u>\$ 39,393,084</u>
Supplemental Disclosure of Non-Cash Investing and Financing Activities		
Equipment acquired by entering into capital lease agreements	<u>\$ --</u>	<u>\$ 1,094,544</u>
Change in endowment	<u>\$ 300,000</u>	<u>\$ --</u>

The accompanying notes are an integral part of these financial statements.

**UNIVERSITY OF CONNECTICUT HEALTH CENTER
JOHN DEMPSEY HOSPITAL (21002 FUND)**

STATEMENTS OF CASH FLOWS (CONTINUED)

FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	2021	2020
Reconciliation of Operating Loss to Net		
Cash Used in Operating Activities		
Operating loss	\$ (183,733,963)	\$ (167,634,424)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation and amortization	23,969,073	24,941,235
Non-cash portion of pension expense	48,737,055	40,411,728
Non-cash portion of OPEB expense	61,204,355	43,531,927
Changes in operating assets and liabilities:		
Patient accounts receivable, net	(6,063,088)	7,419,723
Inventory	(3,158,534)	(1,963,055)
Contract and other receivables	1,192,332	(1,488,684)
Prepaid expenses	(266,303)	(126,592)
Other assets	160,448	525,478
Deposits with vendors	(1,191,298)	--
Due from UMG	(1,859,131)	(194,548)
Due from Finance Corporation	(4,761,545)	4,631,223
Due from State of Connecticut	(388,652)	(3,193,464)
Due from other funds	333,438	(3,408,991)
Due to third-party payors	42,026,802	(881,254)
Accounts payable and accrued expenses	3,272,728	1,829,709
Due to State of Connecticut	1,023,942	(1,915,557)
Accrued payroll	839,289	1,962,667
Accrued compensated absences	1,483,852	(2,246,804)
Net Cash Used in Operating Activities	\$ (17,179,200)	\$ (57,799,683)

The accompanying notes are an integral part of these financial statements.

**UNIVERSITY OF CONNECTICUT HEALTH CENTER
JOHN DEMPSEY HOSPITAL (21002 FUND)**

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 1 – DESCRIPTION OF REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY

The financial statements include those assets, deferred outflows, liabilities, deferred inflows, net position, revenue, and expense accounts reflected in the accounting records of University of Connecticut Health Center John Dempsey Hospital (the Hospital), which are primarily accounted for in the 21002 Fund of the University of Connecticut Health Center (UConn Health). There are 21 members of the Board of Trustees of the University of Connecticut. Five serve as ex officio, voting members by virtue of other positions: The Governor is President of the Board, the Commissioners of Agriculture, Education, and Economic and Community Development are Board members, and the Chair of UConn Health's Board of Directors is a member. Two Board members are elected by alumni for four-year terms (and may be re-elected once, in succession). One undergraduate student is elected by undergraduates for a two-year term. One graduate or professional student is elected by graduate and professional students for a two-year term. Twelve members are appointed by the Governor, subject to confirmation by the General Assembly, for six-year terms, and may be reappointed without limit.

There are 18 members of the UConn Health Board of Directors. Three serve as ex officio voting members and serve concurrently with their positions: The Commissioner of Public Health, the Secretary or a designated under-secretary of the Office of Policy and Management, and the President of the University. All other terms are for three years and include: three members appointed by the Governor, three members appointed by the Chair of the Board of Trustees (two of which must be members of the Board of Trustees and one who serves as the Chair of the Board of Directors), and 9 at-large members appointed by the Board of Directors itself.

The Hospital is an enterprise fund of the State of Connecticut (the State) and is, therefore, exempt from federal income taxes under Section 115 of the Internal Revenue Code of 1986.

The University of Connecticut Health Center Finance Corporation (Finance Corporation) was established pursuant to Public Act No 87-458. The purpose of the Finance Corporation is to provide greater flexibility for the Hospital and to promote more efficient provision of health care services. As such, the Finance Corporation has been empowered to purchase supplies and equipment, acquire facilities, approve write-offs of the Hospital's accounts receivable, process malpractice claims on behalf of the Hospital and UConn Health, as well as negotiate joint ventures, shared service, and other agreements for the benefit of the Hospital.

**UNIVERSITY OF CONNECTICUT HEALTH CENTER
JOHN DEMPSEY HOSPITAL (21002 FUND)**

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 1 – DESCRIPTION OF REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

COVID-19 PANDEMIC

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic. The COVID-19 outbreak in the United States caused business disruption through mandated and voluntary closings of businesses across the country for non-essential services. The Hospital elected to pause elective procedures on March 13, 2020 and they did not resume until May 20, 2020. As a result, the Hospital experienced significant operating losses in fiscal 2020, which were only partially offset via government and other aid programs (see note 7). Although the Hospital remained open for elective procedures throughout fiscal 2021, the Hospital continued to be affected by the COVID-19 pandemic. Many patients were at least initially reluctant to return for routine procedures. At the same time, staffing and supply shortages, increased cleaning and safety protocols, and changing community needs (including testing and vaccination) have increased costs and challenged operations.

UConn Health continues to monitor the outbreak of COVID-19 and its impact on operations, financial position, cash flows, inventory, supply chains, patient trends, payments, and the industry in general, in addition to the impact on its employees. Due to the continued rapid development and fluidity of this situation, the magnitude and duration of the pandemic and its impact on the Hospital's financial condition or results of operations is uncertain as of the date of this report. See note 7 for additional details.

BASIS OF PRESENTATION

The Hospital's financial statements are prepared in accordance with all relevant Governmental Accounting Standards Board (GASB) pronouncements.

PROPRIETARY FUND ACCOUNTING

The Hospital utilizes the proprietary fund method of accounting whereby revenues and expenses are recognized on the accrual basis.

**UNIVERSITY OF CONNECTICUT HEALTH CENTER
JOHN DEMPSEY HOSPITAL (21002 FUND)**

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 1 – DESCRIPTION OF REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingencies at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Financial statement areas where management applies the use of estimates consist primarily of the allowance for uncollectible accounts, contractual allowances, compensated absences, pension and OPEB liabilities, and third-party reimbursement reserves.

CASH

Cash includes cash held on behalf of the Hospital by the State.

ACCOUNTS RECEIVABLE AND NET PATIENT SERVICE REVENUES

Patient accounts receivable and net patient service revenues are recorded at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Third-party settlements are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods, as final settlements are determined.

The amount of the allowance for uncollectible accounts is based upon management's assessment of historical and expected net collections, business and economic conditions, trends in Medicare and Medicaid health care coverage and other collection indicators. See note 5 for additional information relative to net patient service revenues and third-party payor programs.

CONTRACT AND OTHER REVENUES

Contract and other revenues include services provided to area hospitals under various contractual agreements and certain agreements with outside providers and pharmacies. Revenue is recorded on the accrual basis of accounting in the period the related services are rendered.

In fiscal year 2021, the Hospital's 340B pharmacy began a new agreement with UConn Health Pharmacy Services, Inc. (UHPSI) related to certain pharmaceutical sales. This revenue is included in contract and other revenues on the statements of revenues, expenses, and changes in net position. See note 6 for additional details.

**UNIVERSITY OF CONNECTICUT HEALTH CENTER
JOHN DEMPSEY HOSPITAL (21002 FUND)**

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 1 – DESCRIPTION OF REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

DUE TO AND FROM STATE OF CONNECTICUT

The Due from State of Connecticut reported on the statements of net position includes a receivable from the General Fund of the State (General Fund) for payroll. UConn Health allows the Hospital to charge certain employee salaries to the General Fund, which is accounted for as a Transfer from UConn Health on the statements of revenues, expenses, and changes in net position. Year-end accrued employee salaries are partially offset by the amounts to be funded by the General Fund.

The State also administers employee benefit and retirement plans and charges the Hospital based on an annual fringe benefit rate that is applied to employee salaries. The Due to State of Connecticut reported on the statements of net position consists of fringe benefits owed at the end of the fiscal year in relation to accrued salaries.

INVENTORY

Inventory, with the exception of pharmaceuticals, is recorded at cost, determined by the first-in, first-out (FIFO) method. Pharmaceuticals are valued at market value, which approximates cost due to high turnover rates. Short-term or minor supplies are expensed as incurred.

DEPOSITS WITH VENDORS

As of June 30, 2021 and 2020, deposits with vendors totaled approximately \$9.1 million and \$7.9 million, respectively. As of June 30, 2021 and 2020, approximately \$8.6 million and \$7.4 million, respectively, of the total deposits with vendors was held on deposit with AmerisourceBergen, the primary pharmaceutical vendor used by the Hospital. As part of its contract, the Hospital is required to maintain a deposit with AmerisourceBergen based on a percentage of the prior quarter purchases. These deposits are non-interest bearing and are considered subject to the credit risk of the vendor.

CAPITAL ASSETS

Property and equipment acquisitions are recorded at cost. Betterments and major renewals are capitalized, and maintenance and repairs are expensed as incurred.

Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed using the straight-line method. Buildings (and related improvements) have an estimated useful life of 5 to 50 years and equipment has an estimated useful life of 2 to 25 years.

**UNIVERSITY OF CONNECTICUT HEALTH CENTER
JOHN DEMPSEY HOSPITAL (21002 FUND)**

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 1 – DESCRIPTION OF REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CAPITAL ASSETS (CONTINUED)

Assets acquired under capital leases and leasehold improvements are depreciated no longer than the lease term.

For projects, including the development of computer software, construction in progress is capitalized as costs are incurred during the construction phase, and depreciation will begin once the assets are placed in service.

INTANGIBLE ASSETS

Intangible assets consist of capitalized computer software costs, including software internally developed. Costs incurred in the development and installation of internal use software are expensed or capitalized depending on whether they are incurred in the preliminary project stage, application development stage, or post-implementation stage, and the nature of the costs. Computer software costs are amortized on a straight-line basis over their expected useful lives, which range from 3 to 10 years. Capitalized computer software costs are included with capital and intangible assets on the statements of net position. See note 8 for the gross costs capitalized and the accumulated amortization of capitalized computer costs.

IMPAIRMENT OF LONG-LIVED ASSETS

The Hospital records impairment losses on long-lived assets used in operations when events and circumstances indicate that the assets might be impaired and the undiscounted cash flows estimated to be generated by those assets are less than the carrying amounts of those assets.

During 2021, the Hospital disposed of information technology and general equipment of approximately \$5.3 million to fit out the project HealthONE in the University Tower. These assets were reported in equipment in note 8 and there was no loss on disposal. The Hospital also disposed of a number of smaller items, which resulted in a total loss on disposal of \$66,043. None of these items were individually significant.

During 2020, the Hospital disposed of its previous Electronic Health Information Management and Bed Management systems, both replaced by EPIC. The combined value of these systems of approximately \$1.6 million was reported in computer software and equipment in note 8. Both systems were fully depreciated and there was no loss on disposal. The Hospital also disposed of or traded in a number of smaller items, which resulted in a total loss on disposal of \$95,839. None of these items were individually significant.

**UNIVERSITY OF CONNECTICUT HEALTH CENTER
JOHN DEMPSEY HOSPITAL (21002 FUND)**

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 1 – DESCRIPTION OF REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

RETIREMENT PLANS AND OTHER POSTEMPLOYMENT BENEFITS

Eligible employees of the Hospital, as defined, may participate in the following State retirement plans: the State Employees' Retirement System Tier I, Tier II, Tier IIA, Tier IV Hybrid (SERS) and the Teachers' Retirement System (TRS) defined benefit plans; and the Alternate Retirement Plan (ARP), which is a defined contribution plan. These plans are funded by contributions from the State, as well as payroll deductions from employees, except for the Tier II Plan, which is noncontributory. In addition, eligible employees may participate in a State defined contribution deferred compensation plan, which is funded by payroll deductions from employees.

The State is statutorily responsible for the pension benefits of Hospital employees who participate in the aforementioned defined benefit plans. The State is required to contribute to such plans at an actuarially determined rate, which may be reduced by an act of the State legislature. These plans do not issue stand-alone financial reports. Summary information on the plans is publicly available in the State's Annual Comprehensive Financial Report.

The Hospital has recorded and disclosed pensions in accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, as amended by GASB Statement No. 82 (collectively referred to herein as GASB 68). GASB 68 requires the pro rata share of the State's pension liabilities be recorded at the entity level. The Hospital continues to pay into the State retirement plans on a pay-as-you-go basis, but has recorded its corresponding liability and deferred inflows and outflows as prescribed by GASB 68.

The State also provides other postemployment benefits other than pensions (OPEB), including health care and life insurance benefits to eligible UConn Health employees, including those of the Hospital, in accordance with Sections 5-257(d) and 5-259(a) of the Connecticut General Statutes. Upon retirement, liability for other retirement benefits rests with the State. When employees retire, the State pays up to 100% of their health care insurance premium cost (including the cost of dependent coverage). The State finances the cost of postemployment health care and life insurance benefits on a pay-as-you-go basis through an appropriation from the General Fund.

**UNIVERSITY OF CONNECTICUT HEALTH CENTER
JOHN DEMPSEY HOSPITAL (21002 FUND)**

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 1 – DESCRIPTION OF REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

RETIREMENT PLANS AND OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

The Hospital recorded its pro rata share of the OPEB liability held at the State level in accordance with GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions* (GASB 75). The Hospital continues to pay its portion of the State of Connecticut’s Employee OPEB Plan (SEOPEBP) on a pay-as-you-go basis, but has recorded its corresponding liability and deferred inflows and outflows as prescribed by GASB 75. See note 10 for additional details.

PENSION LIABILITIES

The Hospital records its proportionate share of the collective net pension liability and collective pension expense for each defined benefit plan offered to its employees. The collective net pension liability for each plan is measured as the total pension liability, less the amount of the pension plan’s fiduciary net position. The total pension liability is the portion of the actuarial present value of projected benefit payments that are attributable to past periods of plan member service. Information about the fiduciary net position and additions to/deductions from each pension plan’s fiduciary net position has been determined on the same basis as they are reported by each pension plan. For this purpose, plan member contributions are recognized in the period in which the contributions are due. Hospital contributions are recognized in the period in which the contributions are appropriated. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan. The Hospital recorded its proportionate share of the net pension liability for the years ended June 30, 2021 and 2020.

OPEB LIABILITIES

Individuals who are employed by the Hospital are eligible to participate in the State’s group health plan and are also eligible to continue benefits upon retirement. Retirees under age 65 pay the same premium for medical, prescription drug and dental benefits as active employees, which results in an implicit rate subsidy and OPEB liability. For this purpose, plan member contributions are recognized in the period in which the contributions are due. Hospital contributions are recognized in the period in which the contributions are appropriated. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan. The Hospital recorded its proportionate share of the net OPEB liability for the years ended June 30, 2021 and 2020.

**UNIVERSITY OF CONNECTICUT HEALTH CENTER
JOHN DEMPSEY HOSPITAL (21002 FUND)**

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 1 – DESCRIPTION OF REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES

The Hospital reports its proportionate share of collective deferred outflows of resources and collective deferred inflows of resources related to its defined benefit and OPEB plans. Differences between expected and actual experience in the measurement of the total pension and OPEB liabilities, changes of assumptions or other inputs, and differences between actual contributions and proportionate share of contributions are classified as either deferred outflows or deferred inflows, and are recognized over the average of the expected remaining service lives of employees eligible for pension and OPEB benefits. The net differences between projected and actual earnings on the pension plan and OPEB plan investments are reported as deferred outflows or deferred inflows and are recognized over five years, while other changes are recognized over the remaining average service life. Contributions to the pension and OPEB plans from the Hospital subsequent to the measurement date of the net liabilities and before the end of the reporting period are reported as a deferred outflow of resources related to pensions and OPEB.

COMPENSATED ABSENCES

The Hospital's employees earn vacation, personal, compensatory and sick time at varying rates depending on their collective bargaining units. Employees may accumulate sick leave up to a specified maximum. Employees are not paid for accumulated sick leave if they leave before retirement. However, employees who retire from the Hospital may convert accumulated sick leave to termination payments at varying rates, depending on the employee's contract. Amounts recorded on the statements of net position are based on historical experience. Since adoption of GASB 68, certain fringe benefit costs associated with compensated absences were included in the pension liability and excluded from the compensated absences accrual in the accompanying statements of net position. All other compensated absences are accrued at 100% of their balance. Compensated absences in the accompanying statements of net position have been allocated between current and noncurrent liabilities based on historical experience.

THIRD-PARTY PAYORS

Laws governing the Medicare and Medicaid programs are extremely complex and are subject to interpretation. Each year, as the Office of Inspector General's (OIG) work plan changes, new areas of scrutiny surface. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in any given period.

**UNIVERSITY OF CONNECTICUT HEALTH CENTER
JOHN DEMPSEY HOSPITAL (21002 FUND)**

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 1 – DESCRIPTION OF REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

MEDICAL MALPRACTICE

Health care providers and support staff of the Hospital are fully protected by State Statutes from any claim for damage or injury, not wanton, reckless or malicious, caused in the discharge of their duties or within the scope of their employment (statutory immunity). Any claims paid for actions brought against the State as permitted by waiver of statutory immunity are charged against UConn Health's malpractice self-insurance fund. UConn Health allocates an annual malpractice premium to the Hospital, designed to reflect an estimate of the current year's cash claims to be processed. For the years ended June 30, 2021 and 2020, annual premiums were approximately \$2.3 million and \$4.1 million, respectively. These premiums are included in insurance expense in the Hospital's statements of revenues, expenses, and changes in net position. The due to UConn Health Malpractice Fund reported on the statements of net position represents premiums payable for occurrence based coverage through June 30, 2021 and 2020, respectively.

NET POSITION

Net position is classified in two components. Net investment in capital assets consists of capital assets net of accumulated depreciation and reduced by the current balances of any capital leases payable and outstanding borrowings (less amounts held in trust) used to finance the purchase or construction of those assets. All other assets less liabilities are classified as unrestricted.

REGULATORY MATTERS

The Hospital is required to file semi-annual and annual operating information with the State's Office of Health Strategy (OHS) and is required to file annual cost reports with Medicare.

RECLASSIFICATIONS

Reclassifications were made to the 2020 statement of net position to reclassify deposits with vendors from prepaid expenses to noncurrent assets to conform to the current year presentation; reclassifications were also made to the 2020 statement of cash flows related to this deposits reclassification. Additional reclassifications were made to the 2020 statement of net position to reclassify in-kind fringe benefits that were netted in Due to State of Connecticut in the prior

**UNIVERSITY OF CONNECTICUT HEALTH CENTER
JOHN DEMPSEY HOSPITAL (21002 FUND)**

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 1 – DESCRIPTION OF REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

RECLASSIFICATIONS (CONTINUED)

year to Due from State of Connecticut to conform to the current year presentation; reclassifications were also made to the 2020 statement of cash flows related to this in-kind fringe benefit reclassification. Certain other reclassifications were made to the 2020 statements of cash flows to reclassify cash received from the Finance Corporation from capital and related financing activities to operating activities. Further reclassifications were made to the 2020 statements of cash flows to reclassify operating expense payments made by the Hospital on behalf of UConn Medical Group (UMG) from capital and related financing activities to operating activities to conform to the current year presentation.

NOTE 2 – RECENTLY ADOPTED AND UPCOMING ACCOUNTING PRONOUNCEMENTS

RECENTLY ADOPTED ACCOUNTING PRONOUNCEMENT

The following GASB accounting pronouncements were adopted by the Hospital during fiscal year 2021, none of which had a material impact on its financial statements: GASB Statement No. 84, *Fiduciary Activities* (GASB 84); GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period* (GASB 89); GASB Statement No. 90, *Majority Equity Interests* (GASB 90); GASB Statement No. 93, *Replacement of Interbank Offered Rates* (GASB 93); and GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans* (GASB 97).

UPCOMING ACCOUNTING PRONOUNCEMENTS

The Hospital is considering the impact on its financial statements of the following upcoming GASB accounting pronouncements: GASB Statement No. 87, *Leases* (GASB 87) effective for reporting periods beginning after June 15, 2021, in accordance with GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance* (GASB 95); GASB Statement No. 91, *Conduit Debt Obligations* (GASB 91) effective for reporting periods beginning after December 15, 2021, in accordance with GASB 95; GASB Statement No. 92, *Omnibus 2020* (GASB 92) effective for fiscal years beginning after June 15, 2021 and

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**NOTE 2 – RECENTLY ADOPTED AND UPCOMING ACCOUNTING PRONOUNCEMENTS
(CONTINUED)**

UPCOMING ACCOUNTING PRONOUNCEMENTS (CONTINUED)

reporting periods thereafter, in accordance with GASB 95; GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* (GASB 94) effective for fiscal years beginning after June 15, 2022 and all reporting periods thereafter; and GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* (GASB 96) effective for fiscal years beginning after June 15, 2022 and all reporting periods thereafter.

NOTE 3 – HYPOTHECATION

In accordance with State Statute, the Hospital can borrow from the State up to 90% of its net patient accounts receivables and contract and other receivables to fund operations. As of June 30, 2021 and 2020, the Hospital had not drawn down any funds under the hypothecation. As of June 30, 2021 and 2020, the Hospital had available amounts of \$47,630,465 and \$43,516,784, respectively, under the State Statute.

NOTE 4 – CHARITY CARE

The Hospital maintains records to identify and monitor the level of charity care it provides. These records include the amount of charges forgone for services and supplies furnished under its charity care policy, the estimated cost of those services and supplies, and equivalent service statistics. During 2021 and 2020, the Hospital provided charity care services of \$3,075,486 and \$1,085,950, respectively. The increase in charity care for fiscal year 2021 is attributed to more patients without insurance as a result of unemployment during the COVID-19 pandemic, as well as an increase in undocumented patients. The estimated cost of these services was \$881,434 and \$319,812, respectively, for the years ended June 30, 2021 and 2020. No net patient service revenue was recorded for these services; however, expenses associated with these services are included in operating expenses in the statements of revenues, expenses, and changes in net position.

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NOTES TO FINANCIAL STATEMENTS

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NOTE 5 – NET PATIENT SERVICE REVENUES

Patient service revenues reported net of allowances for the years ended June 30 were:

	2021	2020
Gross patient service revenues	\$ 1,342,597,608	\$ 1,130,278,872
Less contractual allowances and provision for bad debt	(886,037,519)	(727,693,856)
Net patient service revenues	\$ 456,560,089	\$ 402,585,016

SIGNIFICANT CONCENTRATIONS

The Hospital has agreements with third-party payors that provide for payments to the Hospital at amounts different from the Hospital's established rates. The most significant of these arrangements are with Medicare and Medicaid. Concentrations of total net patient service revenues and associated year-end patient accounts receivable for these programs are shown in the table below.

	Medicare		Medicaid	
	2021	2020	2021	2020
Net patient service revenues	33%	34%	21%	21%
Patient accounts receivable	27%	23%	11%	9%

Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. The Hospital believes that it is in compliance with all applicable laws and regulations. Compliance with such laws and regulations can be subject to future government review and interpretation, as well as significant regulatory action including fines, penalties, and exclusion from the Medicare and Medicaid programs. Changes in the Medicare and Medicaid programs and the reduction of funding levels could have an adverse impact on the Hospital.

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NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 5 – NET PATIENT SERVICE REVENUES (CONTINUED)

SIGNIFICANT CONCENTRATIONS (CONTINUED)

MEDICARE

Inpatient acute care services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system based on clinical, diagnostic, and other factors. The Hospital's classification of patients under the Medicare program and the appropriateness of their admission are subject to an independent review by a peer review organization under contract with the Hospital.

Services to Medicare beneficiaries are paid based on a Prospective Payment System (PPS) based on the classification of each case into a Diagnostic-Related Group (DRG). Inpatient psychiatric services are also reimbursed via a PPS system established for inpatient psychiatric patients based on pre-determined hospital specific per diems.

The Hospital is reimbursed for Direct Graduate Medical Education (GME) and Medicare Bad Debts at an interim rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicare fiscal intermediary. The Hospital's Medicare cost reports have been settled by the Medicare fiscal intermediary through fiscal year 2018.

MEDICAID

Inpatient services rendered to Medicaid program beneficiaries admitted prior to January 1, 2015 were reimbursed, in part, under the Tax Equity and Fiscal Responsibility Act (TEFRA) reimbursement methodology, which provides for a cost-based reimbursement subject to a maximum target rate amount per discharge. Beginning January 1, 2015, Medicaid converted to an APR DRG Prospective Payment Methodology. The Hospital was reimbursed at an interim rate prior to January 1, 2015 with final settlement determined after submission of annual cost reports. Payments for inpatient services for patients admitted after January 1, 2015, have settlement distributions for GME and Case Mix Index withholds only. Outpatient services rendered to patients are reimbursed based on Medicaid Ambulatory Payment Classifications (APC). The Hospital's Medicaid cost reports have been audited by the Medicaid fiscal intermediary through 2015.

In both fiscal years 2021 and 2020, the Hospital recorded \$8.2 million in supplemental revenue from the Department of Social Services (DSS), which is included in net patient service revenues in the statements of revenues, expenses and changes in net position.

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NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 5 – NET PATIENT SERVICE REVENUES (CONTINUED)

SIGNIFICANT CONCENTRATIONS (CONTINUED)

COMMERCIAL INSURANCE AND MANAGED CARE

The Hospital has agreements with certain commercial insurance carriers and Health Maintenance Organizations (HMOs) to provide medical services to subscribing participants. In addition, the HMOs make fee-for-service payments to the Hospital for certain covered services based upon discounted fee schedules.

CONTRACT MANAGEMENT SYSTEM

Effective January 1, 2021, the Hospital implemented the EPIC Contract Management (ECM) system. ECM nets gross billings down to the expected net realizable amount at the time of billing based on the Hospital's loaded contracts. Previously, the Hospital valued patient accounts receivable manually on a monthly basis using historical payment rates and recorded contractual allowances based on provider remittances and explanation of benefits statements. This change did not have a material impact on the Hospital's financial statements.

ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS

The Hospital's estimation of the allowance for uncollectible accounts is based primarily on the type and age of the patient accounts receivable and the effectiveness of the Hospital's collection efforts. The Hospital's policy is to reserve a portion of all self-pay receivables, including amounts due from the uninsured and amounts related to co-payments and deductibles, as these charges are recorded. On a monthly basis, the Hospital reviews its accounts receivable balances, the effectiveness of the Hospital's reserve policies, and various analytics to support the basis for its estimates. These efforts primarily consist of reviewing the following:

- Revenue and volume trends by payor, particularly the self-pay components;
- Changes in the aging and payor mix of accounts receivable, including increased focus on accounts due from the uninsured and accounts that represent co-payments and deductibles due from patients;
- Various allowance coverage statistics.

The Hospital regularly performs hindsight procedures to evaluate historical write-off and collection experience throughout the year to assist in determining the reasonableness of its process for estimating the allowance for uncollectible accounts.

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NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 6 – CONTRACT AND OTHER REVENUES

The Hospital enters into contracts with external entities including hospitals, pharmacies, and other patient care entities. Other miscellaneous revenues, including revenues related to the provision of staff and pharmacy supply services, are included in contract and other revenues in the statements of revenues, expenses, and changes in net position.

The Hospital has contracts to provide rental space and nursing resources to Connecticut Children’s Medical Center (CCMC) in its operation of the Neonatal Intensive Care Unit (NICU) on the Hospital’s campus. During the year ended June 30, 2021, revenue related to the contract with CCMC’s NICU for rental space and nursing resources totaled \$2,354,695 and \$15,261,526, respectively. During the year ended June 30, 2020, revenue related to the contract with CCMC’s NICU for rental space and nursing resources totaled \$2,263,312 and \$15,506,419, respectively.

The Hospital’s 340B discount program utilizes certain features of a 1992 act by the U.S. federal government that requires drug manufacturers to provide outpatient drugs to eligible healthcare organizations at significantly reduced prices. The 340B drug contract came about as a result of changes in the 340B regulations that now allow qualified hospitals to contract with outside pharmacies to provide 340B priced drugs to the Hospitals’ outpatients. The Hospital now partners with area pharmacies to allow them to fill such prescriptions for outpatients. For the years ended June 30, 2021 and 2020, revenue related to the 340B contract totaled \$32,300,068 and \$31,591,176, respectively.

In fiscal year 2021, the Hospital’s 340B pharmacy entered into a new contract with UHPSI related to certain pharmaceutical sales under the 340B program. For the year ended June 30, 2021, revenue related to the 340B UHPSI contract totaled \$8,821,684.

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NOTES TO FINANCIAL STATEMENTS

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NOTE 7 – COVID-19 RELIEF

The CARES Act was passed to mitigate the impact of the economic downturn set in motion by the global COVID-19 pandemic. Congress allocated funding to provide financial relief during the COVID-19 pandemic to be allocated mainly through the Department of Health and Human Services (HHS). The Hospital qualified for both targeted and general distributions for the years ended June 30, 2021 and 2020. The Hospital received funding from three different rounds, or tranches of funding. The first tranche was based on previous Medicare payments and totaled approximately \$6.5 million. The second tranche was based on total revenue from the Medicare Cost Report and totaled approximately \$2.1 million. The final payment received in fiscal 2020 was received under the Safety Net distribution and totaled approximately \$7.2 million. In fiscal 2021, the Hospital received additional CARES Act funding from the High Impact Areas “Hot Spot” Target Distribution allocation in the amount of \$12.5 million. The allocation was based on the total number of COVID-19 positive patient admissions treated for the targeted second “Hot Spot” distribution during the period of January 1, 2020 to June 10, 2020. Criteria and reporting requirements for the Provider Relief Funding have been finalized by HHS. Hospital management believes that the eligibility requirements have been met for the complete amount received based on increased operating expenses and lost revenues. As such, the Hospital recognized the funds received as non-operating revenues in the 2021 and 2020 statements of revenues, expenses, and changes in net position.

Certain of the COVID-19 relief programs require that the funds be utilized for lost revenues and COVID-19-related costs, and place limitations on the amounts that hospitals can collect from COVID-19 patients. Management's estimates of the amount of revenues recognized in fiscal 2020 are complete, as the regulations associated with that time frame were finalized in July 2021. Management's estimates of the amount of revenues recognized in fiscal year 2021 are pending reconciliation for submitted documentation and, therefore, could change materially in the future. Any future adjustments to these estimates will be reported in the earnings of future periods.

On September 17, 2020, the Hospital received approximately \$45.3 million under the Medicare Advance program. As of June 30, 2021, this amount is included in due to third-party payors on the statement of net position. In September 2021, the Hospital began repayment on funds received. The recoupment is scheduled to be achieved via Medicare withholding 25% of payments for the first eleven months and 50% of payments for the remaining six months. The advance was interest free; however, if amounts are not fully recouped using this methodology, there will be a 4% interest rate charged on any outstanding advances not repaid at the end of the recoupment period.

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NOTES TO FINANCIAL STATEMENTS

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NOTE 8 – CAPITAL AND INTANGIBLE ASSETS, NET

Capital and intangible assets at June 30 consist of the following:

	2021	2020
Land	\$ 183,137	\$ 183,137
Construction in progress (estimated costs to complete of \$3.0 million and \$1.9 million at June 30, 2021 and 2020, respectively)	1,323,555	2,366,136
Buildings	403,107,002	398,991,857
Equipment	75,272,857	82,648,115
Computer software	57,632,478	57,060,942
Capital leases	17,355,291	17,358,788
Total capital and intangible assets	554,874,320	558,608,975
Less: accumulated depreciation and amortization	226,570,493	211,331,642
Capital and intangible assets, net	\$ 328,303,827	\$ 347,277,333

Activity for the year ended June 30, 2021 is as follows:

	2020	Additions	Deductions	2021
Land	\$ 183,137	\$ --	\$ --	\$ 183,137
Construction in progress	2,366,136	3,077,772	(4,120,353)	1,323,555
Buildings	398,991,857	4,115,145	--	403,107,002
Equipment	82,648,115	1,417,510	(8,792,768)	75,272,857
Computer software	57,060,942	571,536	--	57,632,478
Capital leases	17,358,788	--	(3,497)	17,355,291
	\$ 558,608,975	\$ 9,181,963	\$ (12,916,618)	\$ 554,874,320

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NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 8 – CAPITAL AND INTANGIBLE ASSETS, NET (CONTINUED)

Activity for the year ended June 30, 2020 is as follows:

	2019	Additions	Deductions	2020
Land	\$ 183,137	\$ --	\$ --	\$ 183,137
Construction in progress	1,036,502	3,320,859	(1,991,225)	2,366,136
Buildings	397,090,426	1,901,431	--	398,991,857
Equipment	84,275,965	1,351,295	(2,979,145)	82,648,115
Computer software	58,157,753	180,572	(1,277,383)	57,060,942
Capital leases	<u>16,264,244</u>	<u>1,094,544</u>	<u>--</u>	<u>17,358,788</u>
	<u>\$ 557,008,027</u>	<u>\$ 7,848,701</u>	<u>\$ (6,247,753)</u>	<u>\$ 558,608,975</u>

Related information on accumulated depreciation and amortization for the years ended June 30, 2021 and 2020 is as follows:

	2020	Additions	Deductions	2021
Buildings	\$ 118,598,130	\$ 10,084,282	\$ --	\$ 128,682,412
Equipment	62,157,579	6,719,924	(8,726,725)	60,150,778
Computer software	16,700,715	6,013,780	--	22,714,495
Capital leases	<u>13,875,218</u>	<u>1,151,087</u>	<u>(3,497)</u>	<u>15,022,808</u>
	<u>\$ 211,331,642</u>	<u>\$ 23,969,073</u>	<u>\$ (8,730,222)</u>	<u>\$ 226,570,493</u>

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FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 8 – CAPITAL AND INTANGIBLE ASSETS, NET (CONTINUED)

	2019	Additions	Deductions	2020
Buildings	\$ 108,088,981	\$ 10,509,149	\$ --	\$ 118,598,130
Equipment	57,986,212	7,054,673	(2,883,306)	62,157,579
Computer software	11,612,900	6,365,198	(1,277,383)	16,700,715
Capital leases	<u>12,863,003</u>	<u>1,012,215</u>	<u>--</u>	<u>13,875,218</u>
	<u>\$ 190,551,096</u>	<u>\$ 24,941,235</u>	<u>\$ (4,160,689)</u>	<u>\$ 211,331,642</u>

In 2021, the Hospital received transfers of \$2.6 million from UConn Health to support the Dermatology Clinic renovation project. During 2020, the Hospital did not receive any transfers related to projects.

NOTE 9 – LONG-TERM LIABILITIES AND LEASES

Activity related to capital leases and other long-term liabilities for the years ended June 30, 2021 and 2020 is as follows:

	June 30, 2020 Balance	Additions	Deductions	June 30, 2021 Balance	Amounts due within 1 year
Capital lease obligation - Payments including interest at 1.92% began November 2016 and continue until October 2021, collateralized by financed equipment	\$ 576,189	\$ --	\$ (430,757)	\$ 145,432	\$ 145,432
Capital lease obligation - Payments including interest at 1.88% began January 2017 and continue until December 2021, collateralized by financed equipment	125,669	--	(83,385)	42,284	42,284
Capital lease obligation - Payments including interest at 3.00% began March 2019 and continue until February 2025, collateralized by financed equipment	1,728,846	--	(350,393)	1,378,453	361,050
Capital lease obligation - Payments including interest at 1.62% began October 2019 and continue until September 2024*, collateralized by financed equipment	799,674	--	(158,908)	640,766	182,941
Capital lease obligation - Payments including interest at 1.58% began November 2019 and continue until October 2024*, collateralized by financed equipment	<u>147,568</u>	<u>--</u>	<u>(28,354)</u>	<u>119,214</u>	<u>32,769</u>
Total Capital Leases	<u>3,377,946</u>	<u>--</u>	<u>(1,051,797)</u>	<u>2,326,149</u>	<u>764,476</u>
Other Long-Term Liabilities					
Accrued compensated absences	16,857,486	11,272,081	(9,788,230)	18,341,337	7,496,104
Pension liabilities	382,719,634	101,627,908	(50,117,463)	434,230,079	--
OPEB liabilities	<u>546,723,069</u>	<u>109,095,359</u>	<u>(27,143,951)</u>	<u>628,674,477</u>	<u>--</u>
Total Other Long-Term Liabilities	<u>946,300,189</u>	<u>221,995,348</u>	<u>(87,049,644)</u>	<u>1,081,245,893</u>	<u>7,496,104</u>
Total Long-Term Liabilities	<u>\$ 949,678,135</u>	<u>\$ 221,995,348</u>	<u>\$ (88,101,441)</u>	<u>\$ 1,083,572,042</u>	<u>\$ 8,260,580</u>

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NOTES TO FINANCIAL STATEMENTS

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NOTE 9 – LONG-TERM LIABILITIES AND LEASES (CONTINUED)

	June 30, 2019			June 30, 2020	Amounts due
	Balance	Additions	Deductions	Balance	within 1 year
Capital lease obligation - Payments including interest at 1.92% began November 2016 and continue until October 2021, collateralized by financed equipment	\$ 998,761	\$ --	\$ (422,572)	\$ 576,189	\$ 430,757
Capital lease obligation - Payments including interest at 1.88% began January 2017 and continue until December 2021, collateralized by financed equipment	207,503	--	(81,834)	125,669	83,385
Capital lease obligation - Payments including interest at 3.00% began March 2019 and continue until February 2025, collateralized by financed equipment	2,068,896	--	(340,050)	1,728,846	350,393
Capital lease obligation - Payments including interest at 1.62% began October 2019 and continue until August 2024*, collateralized by financed equipment	--	926,997	(127,323)	799,674	175,805
Capital lease obligation - Payments including interest at 1.58% began November 2019 and continue until September 2024*, collateralized by financed equipment	--	167,547	(19,979)	147,568	31,243
Total Capital Leases	<u>3,275,160</u>	<u>1,094,544</u>	<u>(991,758)</u>	<u>3,377,946</u>	<u>1,071,583</u>
Other Long-Term Liabilities					
Accrued compensated absences	19,104,290	11,463,217	(13,710,021)	16,857,486	7,698,814
Pension liabilities	305,945,549	118,171,222	(41,397,137)	382,719,634	--
OPEB liabilities	380,385,790	204,493,337	(38,156,058)	546,723,069	--
Total Other Long-Term Liabilities	<u>705,435,629</u>	<u>334,127,776</u>	<u>(93,263,216)</u>	<u>946,300,189</u>	<u>7,698,814</u>
Total Long-Term Liabilities	<u>\$ 708,710,789</u>	<u>\$ 335,222,320</u>	<u>\$ (94,254,974)</u>	<u>\$ 949,678,135</u>	<u>\$ 8,770,397</u>

* In fiscal year 2021, two GE leases were amended due to a COVID-19 restructure deferral payment agreement. Specifically, this agreement allowed for a one-month deferral of payments in fiscal year 2021, which extended the lease termination dates by one month.

Future minimum capital lease payments at June 30, 2021 are as follows:

<u>Year ending June 30,</u>	
2022	\$ 838,391
2023	649,843
2024	649,836
2025	<u>353,020</u>
Total minimum payments	2,491,090
Less: interest	<u>(164,941)</u>
Present value of capital leases	2,326,149
Less: current portion of capital leases	<u>(764,476)</u>
Noncurrent capital leases	<u>\$ 1,561,673</u>

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NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 9 – LONG-TERM LIABILITIES AND LEASES (CONTINUED)

The Hospital also participates in operating lease agreements under UConn Health for which its departments are allocated expenses based on the square footage occupied. Total rent expense for the years ended June 30, 2021 and 2020 was \$8,765,080 and \$8,822,222, respectively, which is included in internal contractual support expense and outside and other purchased services expense in the statements of revenues, expenses and changes in net position.

The Hospital leases space in the Outpatient Pavilion (OP) under a sublease from UConn Health. While the sublease is expected to be renewed on an annual basis, there is no written sublease that extends beyond a one-year period. UConn Health has leased the OP from the Finance Corporation, a related party through common ownership, under a direct financing lease that expires on March 31, 2040. The amount of rent expense that was charged to the Hospital related to the OP and based on square footage, which is included in the total rent expense disclosed above, was \$6,151,255 in both 2021 and 2020. Refer to note 11 for additional details regarding advances made by the Hospital to construct the OP.

The following is a schedule by year of existing future minimum lease payments under non-cancellable operating leases as of June 30, 2021, including rental commitments for space in the OP through the sublease with UConn Health and based on the assumption that the sublease will be extended annually through March 31, 2040:

<u>Year ending June 30,</u>	
2022	\$ 8,594,721
2023	8,393,746
2024	8,260,167
2025	7,618,961
2026	7,315,417
Thereafter	<u>90,714,129</u>
	<u>\$ 130,897,141</u>

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NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 10 – PENSION AND OPEB PLANS

Employees of the Hospital are eligible to participate in the SERS, a defined benefit pension plan that is administered by the State Employees' Retirement Commission; the ARP, a defined contribution plan administered by the State; or the TRS, a defined benefit plan administered by the Teacher's Retirement Board; collectively, the "plans". Through their participation in one of the above plans, employees are also enrolled in the SEOPEBP. Information on the plans' total funding status and progress, contributions required and trend information can be found in the State's Annual Comprehensive Financial Report available on the State's website. Information for the SERS and OPEB plans, in which the Hospital holds significant liabilities under GASB 68 and GASB 75, respectively, is presented below.

SERS PLAN DESCRIPTION

SERS is a single-employer defined benefit Public Employees' Retirement System (PERS) established in 1939 and governed by sections 5-152 to 5-192 of the Connecticut General Statutes. Employees are covered under one of five tiers. Tier I, Tier IIA, and Tier III are contributory plans, and Tier II is a non-contributory plan. Tier I Plan B participants contribute 2% or 5% of their pay, depending on their elections. Tier II Plan A and Tier III participants contribute 2% of their pay. The fifth tier is called the Hybrid Plan.

Individuals hired on or after July 1, 2011, otherwise eligible for the ARP, were eligible to convert to the Hybrid Plan by exercising a one-time option to buy in at the full actuarial cost. The deadline for this election was December 14, 2018. The Hybrid Plan has defined benefits identical to Tier II/IIA and Tier III for individuals hired on or after July 1, 2011, but requires employee contributions 3% higher than the contribution required from the Applicable Tier II/IIA/III Plan. An employee shall have the option, upon leaving State service, of accepting the defined benefit amount, or electing to receive a return of his/her contributions to the Hybrid Plan, plus a 5% employer match and 4% interest ("cash out option"). In the event the employee elects the cash out option, he/she shall permanently waive any entitlement he/she may have to health insurance as a retired State employee, unless he/she converts the cash out option to a periodic payment as would be required under the current ARP.

Members who joined the retirement system prior to July 1, 1984 are enrolled in Tier I. Tier I employees who retire at or after age 65 with 10 years of credited service, or at or after age 55 with 25 years of service, or at age 55 with 10 years of credited service with reduced benefits are entitled to an annual retirement benefit payable monthly for life, in the amount of 2% of the annual average earnings (which are based on the three highest years of service) over \$4,800 plus 1% of \$4,800 for each year of credited service. Tier II employees who retire at or after age 60 with 25 years of service, or at age 62 with 10 years of service, or at age 70 with 5 years of service, or at age 55 with 10 years of service with reduced benefits are entitled to 1.4% times

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NOTES TO FINANCIAL STATEMENTS

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NOTE 10 – PENSION AND OPEB PLANS (CONTINUED)

SERS PLAN DESCRIPTION (CONTINUED)

average salary at or below the breakpoint in the year of retirement, for each year of credited service. Tier III covers employees first hired on or after July 1, 2011. Tier III employees to retire at or after age 63 with 25 years of service, or at age 65 with 10 years of service, or at age 58 with 10 years of service with reduced benefits are entitled to 1.4% times average salary at or below the breakpoint in the year of retirement, for each year of credited service. All Tier I, Tier II, Tier IIA, and Tier III members are vested after ten years.

The 2011 State Employee Bargaining Agent Coalition (SEBAC) Agreement changed the benefit multiplier for the portion of the benefit below the breakpoint from 1.33% to 1.40%.

This change was made effective for all active members who retire on or after July 1, 2013 in Tier II, IIA, and III, and the Hybrid Plan.

A one-time decision was granted to members not eligible to retire by July 1, 2022 to elect to maintain the same normal retirement eligibility applicable to members eligible to retire before July 1, 2022. Employees who elected by July 1, 2013 to maintain their eligibility are required to make additional employee contributions for the length of their remaining active service with SERS. The additional contribution was up to 0.72% of pensionable earnings.

The pension liability recorded as of June 30, 2021 and 2020 was based on the June 30, 2020 and 2019 actuarial valuations, respectively.

CHANGES IN ASSUMPTIONS (SERS)

There were no changes to the actuarial assumptions since the prior measurement date.

CONTRIBUTIONS MADE (SERS)

The Hospital's SERS contribution is determined by applying a State-mandated percentage to eligible salaries and wages. The mandated total fringe benefit rate, which includes allocations for retiree health care costs, roll forwards, and other adjustments, was 64.14%, 59.99%, and 64.30% during fiscal years 2021, 2020, and 2019, respectively. The SERS contributions made compared to covered payroll is as follows:

	2021	2020	2019
Total Hospital payroll covered by SERS	\$ 87,511,966	\$ 80,544,936	\$ 65,848,032
Total Hospital SERS contributions	\$ 36,809,634	\$ 29,402,117	\$ 26,308,399
Contributions as a percentage of covered payroll	42.1%	36.5%	40.0%

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NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 10 – PENSION AND OPEB PLANS (CONTINUED)

PENSION LIABILITIES, PENSION EXPENSE, DEFERRED OUTFLOWS OF RESOURCES, AND DEFERRED INFLOWS OF RESOURCES (SERS)

GASB 68 requires the Hospital to recognize a net pension liability for the difference between the present value of the projected benefits for past service known as the Total Pension Liability (TPL) and the restricted resources held in trust for the payment of pension benefits, known as the Fiduciary Net Position (FNP).

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position of SERS and additions to/deductions from SERS fiduciary net position have been determined on the same basis as they are reported by SERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit term. Investments are recorded at fair value.

At June 30, 2021 and 2020, the Hospital recorded a SERS related liability of \$431.5 million and \$380.2 million, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020 and 2019, respectively, and the total pension liability used to calculate the net pension liability was determined based on the actuarial valuations performed as of June 30, 2020 and June 30, 2019, respectively, rolled forward based on plan experience. The Hospital's allocation of the net pension liability was based on the Hospital's percentage of total overall contributions to the plan during the 2020 and 2019 fiscal years, respectively. For the years ended June 30, 2020 and 2019, the Hospital's proportion of contributions was 1.82% and 1.67%, respectively.

For the years ended June 30, 2021 and 2020, the Hospital recognized SERS pension expense of \$85.1 million and \$69.5 million, respectively. The pension expense is reported in the Hospital's statements of revenues, expenses, and changes in net position as part of fringe benefits expense.

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NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 10 – PENSION AND OPEB PLANS (CONTINUED)

PENSION LIABILITIES, PENSION EXPENSE, DEFERRED OUTFLOWS OF RESOURCES, AND DEFERRED INFLOWS OF RESOURCES (SERS) (CONTINUED)

At June 30, 2021 and 2020, the Hospital reported deferred outflows of resources and deferred inflows of resources related to the SERS plan from the following sources:

	2021		2020	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
	<i>(in thousands)</i>			
Changes in proportionate allocation of pension expense	\$ 67,758	\$ --	\$ 64,323	\$ --
Hospital contributions subsequent to measurement date	36,810	--	29,402	--
Net difference between projected and actual earnings on pension plan investments	7,273	--	--	(905)
Difference between expected and actual experience	23,290	--	25,835	--
Changes in assumptions	11,494	--	24,960	--
	<u>\$ 146,625</u>	<u>\$ --</u>	<u>\$ 144,520</u>	<u>\$ (905)</u>

Differences between projected and actual investment earnings are amortized over a five-year, closed-end period beginning in the year in which the difference occurs and will be recognized as an increase (decrease) to fringe benefits. Differences in proportionate participation are amortized over the remaining estimated service life of plan employees, estimated at 5.50 and 5.58 years for the years ended June 30, 2021 and 2020, respectively.

Amortization of deferred amounts into expenses in future periods is as follows:

Year ending June 30,	Change in proportionate participation in SERS plan	Net difference between projected and actual earnings on pension plan investments	Difference between expected and actual experience	Change in assumptions
	<i>(in thousands)</i>			
2022	\$ 21,372	\$ 361	\$ 7,525	\$ 9,411
2023	17,840	2,311	6,252	1,245
2024	15,189	2,465	5,734	693
2025	10,614	2,136	3,285	248
2026	2,743	--	494	(103)
	<u>\$ 67,758</u>	<u>\$ 7,273</u>	<u>\$ 23,290</u>	<u>\$ 11,494</u>

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NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 10 – PENSION AND OPEB PLANS (CONTINUED)

PENSION LIABILITIES, PENSION EXPENSE, DEFERRED OUTFLOWS OF RESOURCES, AND DEFERRED INFLOWS OF RESOURCES (SERS) (CONTINUED)

The amortization of the aforementioned deferred inflows and deferred outflows increased fringe benefits expense by \$48,260,552 and \$40,111,289 during the years ended June 30, 2021 and 2020, respectively.

ACTUARIAL METHODS AND ASSUMPTIONS (SERS)

The total SERS pension liability in the June 30, 2020 and 2019 actuarial valuations was determined based on the results of an actuarial experience study for the period July 1, 2011 - June 30, 2015. The key actuarial assumptions are summarized below:

Inflation:	2.50%
Salary increases:	3.50% - 19.50%, including inflation
Investment rate of return:	6.90%, net of pension plan investment expense, including inflation

The RP-2014 White Collar Mortality Table projected to 2020 by Scale BB at 100% for males and 95% for females was used for the period after service retirement and for dependent beneficiaries.

DISCOUNT RATE (SERS)

The discount rate used to measure the total pension liability was the long-term expected rate of return of 6.90%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rates and that Hospital contributions will be made equal to the difference between the projected actuarially determined contribution and member contributions. Projected future benefit payments for all current plan members were projected through the year 2140.

EXPECTED RATE OF RETURN ON INVESTMENTS (SERS)

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

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NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 10 – PENSION AND OPEB PLANS (CONTINUED)

EXPECTED RATE OF RETURN ON INVESTMENTS (SERS) (CONTINUED)

The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity Fund	20%	5.6%
Developed Market Intl. Stock Fund	11%	6.0%
Emerging Market Intl. Stock Fund	9%	7.9%
Real Estate Fund	10%	4.5%
Private Equity	10%	7.3%
Alternative Investments	7%	2.9%
Core Fixed Income Fund	16%	2.1%
High Yield Bond Fund	6%	4.0%
Emerging Market Debt Fund	5%	2.7%
Inflation Linked Bond Fund	5%	1.1%
Liquidity Fund	<u>1%</u>	0.4%
	<u>100%</u>	

**UNIVERSITY OF CONNECTICUT HEALTH CENTER
JOHN DEMPSEY HOSPITAL (21002 FUND)**

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 10 – PENSION AND OPEB PLANS (CONTINUED)

CHANGES IN THE NET PENSION LIABILITY (SERS)

	2020 Pension Liability	2019 Pension Liability	2018 Pension Liability
	<i>(in thousands)</i>		
Beginning balance - pension liability	<u>\$ 601,533</u>	<u>\$ 479,671</u>	<u>\$ 448,944</u>
Changes for the year:			
Service cost	7,070	6,533	6,019
Interest	43,960	38,182	31,024
Changes of assumptions	3,786	20,408	6,770
Benefit payments, including refunds of member contributions	(38,750)	(33,890)	(27,530)
Change in proportionate allocation of pension liability	<u>54,937</u>	<u>90,629</u>	<u>14,444</u>
Net change in pension liability	<u>71,003</u>	<u>121,862</u>	<u>30,727</u>
Ending balance - pension liability (a)	<u>\$ 672,536</u>	<u>\$ 601,533</u>	<u>\$ 479,671</u>
	2020	2019	2018
	Fiduciary Net Position	Fiduciary Net Position	Fiduciary Net Position
	<i>(in thousands)</i>		
Beginning balance - fiduciary net position	<u>\$ 221,285</u>	<u>\$ 175,631</u>	<u>\$ 162,744</u>
Changes for the year:			
Contributions - employer	29,402	26,308	20,231
Contributions - employee	3,506	8,153	2,719
Net investment income	5,380	11,849	12,280
Benefit payments, including refunds of member contributions	(38,750)	(33,890)	(27,530)
Administrative expenses	(14)	(12)	(5)
Other	--	62	(44)
Change in proportionate allocation of fiduciary net position	<u>20,209</u>	<u>33,184</u>	<u>5,236</u>
Net change in fiduciary net position	<u>19,733</u>	<u>45,654</u>	<u>12,887</u>
Ending balance - fiduciary net position (b)	<u>\$ 241,018</u>	<u>\$ 221,285</u>	<u>\$ 175,631</u>
Hospital's net pension liability - ending (a)-(b)	<u>\$ 431,518</u>	<u>\$ 380,248</u>	<u>\$ 304,040</u>

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NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 10 – PENSION AND OPEB PLANS (CONTINUED)

*SENSITIVITY OF THE HOSPITAL'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY TO
CHANGES IN THE DISCOUNT RATE (SERS)*

The following table presents the Hospital's proportionate share of the net pension liability as of June 30, 2021 calculated using the discount rate of 6.90%, as well as the proportionate share of the net pension liability using a 1.00% increase or decrease from the current discount rate:

	1% Decrease (5.90%)	Discount Rate (6.90%)	1% Increase (7.90%)
Hospital's proportionate share of the net pension liability	\$ 512,675,863	\$ 431,518,127	\$ 363,691,810

TEACHERS' RETIREMENT SYSTEM

The Hospital has a limited number of participants in the TRS.

As of June 30, 2021 and 2020, the Hospital recorded the following amounts in the financial statements related to the TRS:

	2021	2020
	<i>(in thousands)</i>	
Deferred outflows of resources	\$ 1,559	\$ 1,773
Deferred inflows of resources	83	62
Pension liability	2,712	2,471

ALTERNATE RETIREMENT PLAN

The Hospital also participates in the ARP, a defined contribution plan administered through a third-party administrator, Prudential Financial, Inc. The State Employees' Retirement Commission has the authority to supervise and control the operation of the ARP, including the authority to make and amend rules and regulations relating to the administration of the ARP.

All unclassified employees, not already in a pension plan, of a constituent unit of the State system of higher education and the central office staff of the Department of Higher Education, are eligible to participate in the ARP. Participants must contribute 5% of eligible compensation each pay period, while the State will contribute an amount up to 7.25% of the participant's eligible compensation for fiscal years 2021 and 2020, via a charge recouped from the Hospital.

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NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 10 – PENSION AND OPEB PLANS (CONTINUED)

ALTERNATE RETIREMENT PLAN (CONTINUED)

Participant and State contributions are both 100% vested immediately. For fiscal years 2021 and 2020, charges to the Hospital for ARP were approximately \$8.4 million and \$8.3 million, respectively. The liabilities as of June 30, 2021 and 2020 were approximately \$622,000 and \$589,000, respectively.

Upon separation from service, retirement, death or divorce (for alternate payee under a Qualified Domestic Relations Order), if the participant is age 55 or over and has more than 5 years of plan participation, a participant or designated beneficiary can withdraw a partial or lump cash payment, rollover to another eligible retirement plan or IRA, or receive installment payments or annuity payments.

Other ARP provisions are described in Title 5 – State Employees, Chapter 66 – State Employees’ Retirement Act of the Connecticut General Statutes.

POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

In addition to the pension benefits, the State provides postemployment health care and life insurance benefits to Hospital employees in accordance with State Statutes Sections 5-257(d) and 5-259(a). When employees retire, the State may pay up to 100% of their health care insurance premium cost (including dependents’ coverage) based on the plan chosen by the employee. In addition, the State pays 100% of the premium cost for a portion of the employee's life insurance continued after retirement. The amount of life insurance continued at no cost to the retiree is determined by a formula based on the number of years of State service that the retiree had at the time of retirement.

GENERAL INFORMATION ABOUT THE SEOPEBP

Plan description – The State’s defined benefit OPEB plan, the SEOPEBP, provides OPEB benefits for qualifying employees in accordance with sections 5-257(d) to 5-259(a) of the Connecticut General Statutes. All of the Hospital’s employees participate in the SEOPEBP.

The plan is primarily funded on a pay-as-you-go basis. The contribution requirements of the State are established by and may be amended by the State legislature, or by agreement between the State and employee unions, upon approval by the State legislature. Costs are passed to the Hospital as part of its fringe benefit allocation, the rates for which are set each year by the State Comptroller’s office. Information on the SEOPEBP’s total funding status and progress,

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NOTES TO FINANCIAL STATEMENTS

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NOTE 10 – PENSION AND OPEB PLANS (CONTINUED)

GENERAL INFORMATION ABOUT THE SEOPEBP (CONTINUED)

contributions required and trend information can be found in the State's Annual Comprehensive Financial Report available on the State's website.

Benefits provided – The SEOPEBP provides health care and life insurance benefits to eligible retired State employees and their spouses.

Employees covered by benefit terms – Demographic data for individual State entities in the SEOPEBP is not readily available. At June 30, 2020 and 2019, the SEOPEBP was based on plan membership at June 30, 2019, covering the following:

Inactive employees or beneficiaries currently receiving benefit payments	77,141
Inactive employees entitled to but not yet receiving benefit payments	649
Active employees	<u>48,015</u>
Total covered employees	<u><u>125,805</u></u>

NET SEOPEBP LIABILITY

The Hospital's OPEB liability of \$628.7 million as of June 30, 2021 for its proportionate share of the net OPEB liability was measured as of June 30, 2020 based on an actuarial valuation that was rolled forward to June 30, 2021. The Hospital's OPEB liability of \$546.7 million as of June 30, 2020 for its proportionate share of the net OPEB liability was measured as of June 30, 2019 based on an actuarial valuation that was rolled forward to June 30, 2020. The Hospital's proportion of the net OPEB liability was based on the Hospital's percentage of total overall contributions to the plan. For the years ended June 30, 2020 and 2019, the Hospital's proportion of contributions was 2.67% and 2.64%, respectively.

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NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 10 – PENSION AND OPEB PLANS (CONTINUED)

ACTUARIAL METHODS AND ASSUMPTIONS (SEOPEBP)

The total OPEB liability in the June 30, 2020 and 2019 actuarial valuations was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation:	2.50%
Payroll growth rate:	3.50%
Salary increase:	3.25% to 4.50% as of June 30, 2020 and 3.25% to 19.50% as of June 30, 2019, varying by years of service and retirement system, including inflation
Discount rate:	2.38% as of June 30, 2020 and 3.58% as of June 30, 2019
Healthcare cost trends rates	
Medical	6.0% graded to 4.5% over 6 years
Prescription Drug	6.0% graded to 4.5% over 6 years
Dental	3.0%
Part B	4.5%
Administrative expense	3.0%
Retirees' share of benefit-related costs	Contributions, if required, are determined by plan, employee start date, and benefit type

The discount rate is a blend of long-term expected rate of return on OPEB Trust assets and a yield or index rate for 20-year, tax exempt general obligation municipal bonds with an average rate of AA/Aa or higher (2.21% as of June 30, 2020 and 3.50% as of June 30, 2019). The blending is based on the sufficiency of projected assets to make projected benefit payments.

Mortality rates for healthy personnel were based on the RP-2014 White Collar Healthy Annuitant Mortality Table projected to 2020 with Scale BB at 100% for males and 95% for females. For disabled employees, the RP-2014 Disabled Retiree Mortality Table at 65% for males and 85% for females was used.

The actuarial assumptions used in the June 30, 2020 and 2019 valuations were based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2015.

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NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 10 – PENSION AND OPEB PLANS (CONTINUED)

ACTUARIAL METHODS AND ASSUMPTIONS (SEOPEBP) (CONTINUED)

The COVID-19 pandemic is rapidly evolving and is having a significant impact on the US economy in 2021, and will likely continue to have an impact in the future. The actuarial results do not include the impact of the following:

- Direct or indirect effects of COVID-19 on short-term health plan costs;
- Changes in the market value of plan assets since June 30, 2020;
- Changes in the interest rates since June 30, 2020;
- Short-term or long-term impacts on mortality of the covered population;
- The potential for federal or state fiscal relief.

Each of the above factors could significantly impact the overall actuarial results.

CONTRIBUTIONS MADE (SEOPEBP)

The SEOPEBP contributions made to cover payroll is as follows:

	2021	2020	2019
Total Hospital payroll covered by SEOPEBP	\$ 145,042,421	\$ 137,902,301	\$ 129,605,987
Total Hospital SEOPEBP contributions	\$ 23,651,207	\$ 23,159,710	\$ 19,903,427
Contributions as a percentage of covered payroll	16.3%	16.8%	15.4%

CHANGES IN THE NET OPEB LIABILITY

	2020	2019	2018
	Net OPEB	Net OPEB	Net OPEB
	Liability	Liability	Liability
	<i>(in thousands)</i>		
Beginning balance	<u>\$ 546,723</u>	<u>\$ 380,386</u>	<u>\$ 366,549</u>
Changes for the year:			
Service cost	25,896	22,421	19,867
Interest	21,549	19,490	14,986
Differences between expected and actual experience	(4,795)	(17,066)	--
Changes in assumptions or other inputs	59,440	90,342	(15,955)
Benefit payments	(16,640)	(15,686)	(14,285)
Change in proportionate allocation of OPEB liability	<u>(3,499)</u>	<u>66,836</u>	<u>9,224</u>
Net changes	<u>81,951</u>	<u>166,337</u>	<u>13,837</u>
Ending balance	<u>\$ 628,674</u>	<u>\$ 546,723</u>	<u>\$ 380,386</u>

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NOTES TO FINANCIAL STATEMENTS

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NOTE 10 – PENSION AND OPEB PLANS (CONTINUED)

*SENSITIVITY OF THE HOSPITAL'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY TO
CHANGES IN THE DISCOUNT RATE*

The following table presents the Hospital's proportionate share of the OPEB liability as of June 30, 2021 using the discount rate of 2.38%, as well as the proportionate share of the net OPEB liability using a 1.00% increase or decrease from the current discount rate:

	1% Decrease (1.38%)	Discount Rate (2.38%)	1% Increase (3.38%)
	(in thousands)		
Net OPEB Liability	\$ 739,504	\$ 628,674	\$ 539,581

*SENSITIVITY OF THE HOSPITAL'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY TO
CHANGES IN THE HEALTHCARE COST TREND RATES*

The following table presents the net OPEB liability of the Hospital, as well as what the Hospital's proportionate share of the net OPEB liability would be if it were calculated using health care cost trend rates that are 1% lower or 1% higher than the current health care cost trend rates:

	Healthcare Cost Trend Rates		
	1% Decrease	Current Valuation	1% Increase
	(in thousands)		
Net OPEB Liability	\$ 527,035	\$ 628,674	\$ 759,382

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NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 10 – PENSION AND OPEB PLANS (CONTINUED)

OPEB EXPENSE AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO OPEB

For the years ended June 30, 2021 and 2020, the Hospital recognized OPEB expense of \$61.2 million and \$43.5 million, respectively. At June 30, 2021 and 2020, the Hospital reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	2021		2020	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
	(in thousands)		(in thousands)	
Changes in proportion	\$ 65,781	\$ --	\$ 83,386	\$ --
Hospital contributions subsequent to measurement date	23,651	--	23,160	--
Changes in assumptions or other inputs - outflows	104,352	--	73,035	--
Changes in assumptions or other inputs - inflows	--	12,208	--	18,107
Net difference between projected and actual experience in total OPEB liability	--	14,512	--	13,796
Net difference between projected and actual earnings	1,240	--	--	119
	<u>\$ 195,024</u>	<u>\$ 26,720</u>	<u>\$ 179,581</u>	<u>\$ 32,022</u>

Hospital contributions subsequent to the measurement date totaling \$23.7 million reported as deferred outflows of resources will be recognized as a reduction of the OPEB liability in the year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in fringe benefits expense as follows:

<u>Year ending June 30,</u>	Change in proportionate participation in OPEB plan	Changes in assumptions or other inputs	Changes in assumptions or other inputs <i>(in thousands)</i>	Net difference between expected and actual experience in total OPEB liability	Net difference between projected and actual earnings on OPEB plan investments
2022	\$ 22,797	\$ 28,829	\$ (5,665)	\$ (4,213)	\$ 250
2023	20,799	28,829	(4,512)	(4,214)	354
2024	17,598	28,829	(1,930)	(4,214)	314
2025	4,368	15,330	(111)	(1,663)	322
2026	219	2,535	10	(208)	--
	<u>\$ 65,781</u>	<u>\$ 104,352</u>	<u>\$ (12,208)</u>	<u>\$ (14,512)</u>	<u>\$ 1,240</u>

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NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 10 – PENSION AND OPEB PLANS (CONTINUED)

EXPECTED RATE OF RETURN ON INVESTMENTS (SEOPEBP)

The target asset allocation and best estimate of arithmetic real rates of return for each major asset class in the SEOPEBP are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity Fund	20%	5.6%
Developed Market Intl. Stock Fund	11%	6.0%
Emerging Market Intl. Stock Fund	9%	7.9%
Real Estate Fund	10%	4.5%
Private Equity	10%	7.3%
Alternative Investments	7%	2.9%
Core Fixed Income Fund	16%	2.1%
High Yield Bond Fund	6%	4.0%
Emerging Market Debt Fund	5%	2.7%
Inflation Linked Bond Fund	5%	1.1%
Liquidity Fund	<u>1%</u>	0.4%
	<u>100%</u>	

NOTE 11 – RELATED PARTY TRANSACTIONS

The expenses reported in the accompanying statements of revenues, expenses, and changes in net position do not include undetermined amounts for salaries, services, and expenses provided to and received from UConn Health and other State agencies.

Effective for fiscal year 2020, UConn Health implemented the Home Office allocation, which allocated substantially all central administrative expenses to its separate business units. The amount charged to the separate business units may not necessarily result in the net costs that are to be incurred by the business units on a standalone basis. The Home Office allocation allocates costs based on several different methodologies depending on cost type. The methodologies used are consistent with Medicare cost reporting and other federal costing standards, and include allocations based on square footage occupied, employee full time equivalent (FTE) counts, as well as overall and total clinical cost breakouts. The Home Office allocation amounts are charged to business units each month based on operational results.

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NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 11 – RELATED PARTY TRANSACTIONS (CONTINUED)

Allocated expenses are grouped in their natural classification category for financial reporting purposes.

For the years ended June 30, 2021 and 2020, UConn Health also allocated COVID-19 response expenses to its business units, which are included in the Home Office allocations disclosed below. Expenses were reviewed for applicable business units and home office allocation methodology was applied for shared expenses.

For the years ended June 30, 2021 and 2020, these Home Office allocations resulted in the following expenses being recorded by the Hospital with an offsetting cash transfer back to UConn Health's Central Administrative Services business unit:

Expense Category	2021 Expenses Allocated	2020 Expenses Allocated
Salaries and Wages	\$ 19,207,589	\$ 17,251,046
Fringe Benefits	14,559,114	12,485,453
Internal Contractual Support	3,540,898	2,095,761
Utilities	4,773,773	6,058,199
Outside and Other Purchased Services	12,956,509	11,680,154
Insurance	491,457	1,793,753
Pharmaceutical/Medical Supplies	1,248,373	195,968
Repairs and Maintenance	5,349,933	5,249,298
Other Expenses	<u>2,597,786</u>	<u>763,240</u>
Total Expenses	<u>\$ 64,725,432</u>	<u>\$ 57,572,872</u>

For the years ended June 30, 2021 and 2020, the Hospital received net transfers from UConn Health of \$20.1 million and \$25.1 million, respectively. Fiscal year 2021 transfers from UConn Health included \$72.7 million and \$9.3 million related to fringe benefit support and working capital, respectively. These transfers in were offset by \$61.9 million in transfers to UConn Health for operational support during fiscal year 2021. In fiscal year 2020, UConn Health transferred \$65.0 million and \$10.2 million to the Hospital related to fringe benefit support and working capital, respectively. These transfers in were offset by \$50.1 million in transfers to UConn Health for operational support during fiscal year 2020. These transfers are included in transfers from/to UConn Health in the statements of revenues, expenses and changes in net position.

**UNIVERSITY OF CONNECTICUT HEALTH CENTER
JOHN DEMPSEY HOSPITAL (21002 FUND)**

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 11 – RELATED PARTY TRANSACTIONS (CONTINUED)

The Hospital's pension and OPEB liabilities (note 10) represent its pro-rata share of the State's overall liabilities and are not current commitments. The State finances pension and OPEB benefits on a pay-as-you go basis through allocated retirement plan rates, which are part of the Hospital's reported fringe benefit costs. The State charges the Hospital for these and other fringe benefits. During the years ended June 30, 2021 and 2020, the Hospital expensed \$243,895,101 and \$201,823,246, respectively, for employee fringe benefits. Related salary costs for 2021 and 2020 were \$185,133,029 and \$173,901,777, respectively. The amounts due to the State related to the fringe benefit programs as of June 30, 2021 and 2020 are included in the statements of net position.

As more fully described in note 12, UConn Health charges the Hospital with an annual premium for medical malpractice costs, which is determined annually by UConn Health. The Hospital is not liable beyond the annual premium, but may have future operational subsidies affected by the performance of the malpractice fund.

The Hospital provides medical services to Connecticut's incarcerated patients under UConn Health contracts with the State's Department of Corrections (DOC), including inpatient and outpatient care provided at Medicaid rates. Net patient service revenues related to these UConn Health contracts with the State's DOC totaled \$2,273,809 and \$3,008,185 for the years ended June 30, 2021 and 2020, respectively. The related DOC cases for the years ended June 30, 2021 and 2020 were 1,832 and 1,638, respectively.

At June 30, 2021 and 2020, the Hospital had a due from UMG balance of \$2,053,679 and \$194,548, respectively. The 2021 balance consisted primarily of patient deposits posted to a central clearing account in UMG that were owed back to the Hospital at year-end. A subsequent transfer was posted in fiscal year 2022 to move the funds from UMG to the Hospital.

**UNIVERSITY OF CONNECTICUT HEALTH CENTER
JOHN DEMPSEY HOSPITAL (21002 FUND)**

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 11 – RELATED PARTY TRANSACTIONS (CONTINUED)

As disclosed in note 1, the Finance Corporation performs critical services on behalf of the Hospital. These services include the acquisition, construction, and maintenance of clinical space, such as the OP building.

The Hospital also engages in transactions with UHPSI for pharmacy services. During fiscal years 2021 and 2020, the Hospital allocated pharmacy overhead revenue to UHPSI totaling approximately \$1.8 million and \$435,000, respectively. This was offset by charges for pharmaceuticals and supplies expenses totaling approximately \$38,000 and \$248,000, respectively. In fiscal year 2021, the Hospital allocated to UHPSI its proportional share of the institutional deposit with UConn Health's primary pharmaceutical supplier, AmerisourceBergen. The deposit was approximately \$2.1 million at June 30, 2021. During fiscal years 2021 and 2020, UHPSI repaid the Hospital \$3.0 million and \$0, respectively.

In fiscal year 2021, the Hospital's 340B pharmacy entered into a new contract with UHPSI related to certain pharmaceutical sales under the 340B program. For the year ended June 30, 2021, revenue related to the 340B UHPSI contract totaled approximately \$8.8 million. The amount due to the Hospital from UHPSI at June 30, 2021 was approximately \$7.5 million, which is included in the due from Finance Corporation on the statement of net position. The remaining \$1.3 million consisted of dispensing fees retained by UHPSI in accordance with the agreement.

During fiscal years 2021 and 2020, UHPSI repaid the Hospital \$3.0 million and \$0, respectively. The outstanding due from/(to) Finance Corporation and its subsidiaries was \$4.6 million and \$(187,000) at June 30, 2021 and 2020, respectively.

NOTE 12 – REPORTING OF THE MALPRACTICE FUND

UConn Health is self-insured with respect to medical malpractice risks. Estimated losses from asserted and unasserted claims identified under UConn Health's incident reporting system and an estimate of incurred but not reported claims are accrued by UConn Health based on actuarially determined estimates that incorporate UConn Health's past experience, as well as other considerations, including significant year-over-year increases in patient volumes, adverse judgements and/or settlements, if any, the nature of each claim or incident and relevant trend factors. The Hospital provides timely incident reporting to UConn Health to assist UConn Health in maintaining appropriate reserve balances.

**UNIVERSITY OF CONNECTICUT HEALTH CENTER
JOHN DEMPSEY HOSPITAL (21002 FUND)**

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 12 – REPORTING OF THE MALPRACTICE FUND (CONTINUED)

To the extent that claims for cases exceed current year premiums charged by UConn Health, UConn Health may petition the State to make up the difference. The Hospital is not responsible for amounts beyond the annual premium allocated by UConn Health. However, operational subsidies from the State and/or UConn Health may be affected by the performance of UConn Health's malpractice program.

At June 30, 2021 and 2020, UConn Health's Malpractice Fund had reserves of approximately \$41.7 million and \$9.4 million, respectively, and assets of approximately \$3.8 million and \$6.1 million, respectively. At June 30, 2021, UConn Health accrued for a verdict, as adjusted, rendered in June 2021, which UConn Health intends to vigorously appeal. Appeal documents were filed in September 2021.

NOTE 13 – SUBSEQUENT EVENTS

The Hospital has evaluated subsequent events through November 30, 2021, which represents the date the financial statements were available to be issued. No subsequent events requiring recognition or disclosure in the financial statements were identified, other than the Hospital beginning to repay funds received under the Medicare Advance program starting in September 2021, as disclosed in note 7.

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Joint Audit and Compliance Committee
University of Connecticut Health Center

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the University of Connecticut Health Center John Dempsey Hospital (21002 Fund) (the Hospital), which comprise the statement of net position as of June 30, 2021 and the related statements of revenues, expenses and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 30, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Hospital's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Hospital's internal control. Accordingly, we do not express an opinion on the effectiveness of the Hospital's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Hospital's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Hospital's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Hospital's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Marcum LLP

Hartford, CT
November 30, 2021

**UNIVERSITY OF CONNECTICUT HEALTH CENTER
JOHN DEMPSEY HOSPITAL (21002 FUND)**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

**SCHEDULE OF CHANGES IN JOHN DEMPSEY HOSPITAL'S
NET PENSION LIABILITY AND RELATED RATIOS –
STATE EMPLOYEES' RETIREMENT SYSTEM ONLY**

	2020	2019	2018	2017	2016	2015	2014
	<i>(dollars in thousands)</i>						
Total Pension Liability							
Service cost	\$ 7,070	\$ 6,533	\$ 6,019	\$ 6,524	\$ 4,024	\$ 3,537	\$ 2,662
Interest	43,960	38,182	31,024	30,636	26,310	23,387	18,508
Differences between expected and actual experience	--	--	--	(19,616)	9,654	--	--
Change of assumptions	3,786	20,408	6,770	--	61,962	--	--
Benefit payments, including refunds of member contributions	(38,750)	(33,890)	(27,530)	(25,205)	(21,691)	(18,886)	(14,510)
Change in proportionate allocation of pension liability	54,937	90,629	14,444	36,632	29,897	56,513	--
Net Change in Total Pension Liability	<u>71,003</u>	<u>121,862</u>	<u>30,727</u>	<u>28,971</u>	<u>110,156</u>	<u>64,551</u>	<u>6,660</u>
Total Pension Liability - Beginning	<u>601,533</u>	<u>479,671</u>	<u>448,944</u>	<u>419,973</u>	<u>309,817</u>	<u>245,266</u>	<u>238,606</u>
Total Pension Liability - Ending (a)	<u>\$ 672,536</u>	<u>\$ 601,533</u>	<u>\$ 479,671</u>	<u>\$ 448,944</u>	<u>\$ 419,973</u>	<u>\$ 309,817</u>	<u>\$ 245,266</u>
Fiduciary Net Position							
Contributions - employer	\$ 29,402	\$ 26,308	\$ 20,231	\$ 20,949	\$ 18,872	\$ 15,628	\$ 11,750
Contributions - employee	3,506	8,153	2,719	1,800	1,687	2,133	1,341
Net investment income	5,380	11,849	12,280	20,508	(1)	3,354	13,366
Benefit payments, including refunds of member contributions	(38,750)	(33,890)	(27,530)	(25,205)	(21,691)	(18,886)	(14,510)
Administrative expenses	(14)	(12)	(5)	(9)	(8)	--	--
Other	--	62	(44)	(5)	959	--	--
Change in proportionate allocation of fiduciary net position	20,209	33,184	5,236	11,609	11,731	22,343	--
Net Change in Fiduciary Net Position	<u>19,733</u>	<u>45,654</u>	<u>12,887</u>	<u>29,647</u>	<u>11,549</u>	<u>24,572</u>	<u>11,947</u>
Fiduciary Net Position - Beginning	<u>221,285</u>	<u>175,631</u>	<u>162,744</u>	<u>133,097</u>	<u>121,548</u>	<u>96,976</u>	<u>85,029</u>
Fiduciary Net Position - Ending (b)	<u>\$ 241,018</u>	<u>\$ 221,285</u>	<u>\$ 175,631</u>	<u>\$ 162,744</u>	<u>\$ 133,097</u>	<u>\$ 121,548</u>	<u>\$ 96,976</u>
Hospital's Net Pension Liability - Ending (a)-(b)	<u>\$ 431,518</u>	<u>\$ 380,248</u>	<u>\$ 304,040</u>	<u>\$ 286,200</u>	<u>\$ 286,876</u>	<u>\$ 188,269</u>	<u>\$ 148,290</u>
Hospital's Portion of SERS Net Pension Liability	1.81909%	1.66686%	1.40197%	1.35827%	1.24930%	1.13935%	0.92599%
Fiduciary Net Position as a Percentage of the Total Pension Liability	35.84%	36.79%	36.61%	36.25%	31.69%	39.23%	39.54%
Hospital's Covered-Employee Payroll	\$ 80,546	\$ 65,848	\$ 58,474	\$ 56,868	\$ 52,583	\$ 45,715	\$ 34,258
Hospital's Net Pension Liability as a Percentage of Covered-Employee Payroll	535.74%	577.46%	519.96%	503.27%	545.57%	411.83%	432.86%

**UNIVERSITY OF CONNECTICUT HEALTH CENTER
JOHN DEMPSEY HOSPITAL (21002 FUND)**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF PENSION CONTRIBUTIONS TO THE STATE EMPLOYEES' RETIREMENT SYSTEM ONLY

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
	<i>(dollars in thousands)</i>									
Contractually required contributions	\$ 36,810	\$ 29,402	\$ 26,308	\$ 20,231	\$ 20,949	\$ 18,920	\$ 15,714	\$ 11,750	\$ 9,812	\$ 8,578
Contributions in relation to the contractually required contribution	<u>36,810</u>	<u>29,402</u>	<u>26,308</u>	<u>20,231</u>	<u>20,949</u>	<u>18,762</u>	<u>15,628</u>	<u>11,750</u>	<u>9,798</u>	<u>8,578</u>
Contribution deficiency	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 158	\$ 86	\$ --	\$ 14	\$ --
Hospital's covered-employee payroll	\$ 87,512	\$ 80,545	\$ 65,848	\$ 58,474	\$ 56,868	\$ 52,583	\$ 45,715	\$ 34,258	\$ 30,600	\$ 29,722
Contributions as a percentage of covered-employee payroll	42.06%	36.50%	39.95%	34.60%	36.84%	35.68%	34.19%	34.30%	32.02%	28.86%

**UNIVERSITY OF CONNECTICUT HEALTH CENTER
JOHN DEMPSEY HOSPITAL (21002 FUND)**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

**SCHEDULE OF CHANGES IN JOHN DEMPSEY HOSPITAL'S
NET OPEB LIABILITY AND RELATED RATIOS**

	2020	2019	2018	2017
	<i>(dollars in thousands)</i>			
Net OPEB Liability				
Service cost	\$ 25,896	\$ 22,421	\$ 19,867	\$ 20,288
Interest	21,549	19,490	14,986	10,791
Differences between expected and actual experience	(4,795)	(17,066)	--	--
Changes of assumptions or other inputs	59,440	90,342	(15,955)	(10,783)
Benefit payments	(16,640)	(15,686)	(14,285)	(13,500)
Change in proportionate allocation of OPEB liability	<u>(3,499)</u>	<u>66,836</u>	<u>9,224</u>	<u>14,409</u>
Change in Net OPEB Liability	81,951	166,337	13,837	21,205
Net OPEB Liability - Beginning	<u>546,723</u>	<u>380,386</u>	<u>366,549</u>	<u>345,344</u>
Net OPEB Liability - Ending	<u>\$ 628,674</u>	<u>\$ 546,723</u>	<u>\$ 380,386</u>	<u>\$ 366,549</u>
Covered-Employee Payroll	\$ 137,902	\$ 129,606	\$ 127,204	\$ 125,044
Net OPEB Liability as a Percentage of Covered-Employee Payroll	455.88%	421.83%	299.04%	293.14%

**UNIVERSITY OF CONNECTICUT HEALTH CENTER
JOHN DEMPSEY HOSPITAL (21002 FUND)**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

**SCHEDULE OF JOHN DEMPSEY HOSPITAL'S PROPORTIONATE SHARE
OF THE NET OPEB LIABILITY**

	2020	2019	2018	2017	2016
	<i>(dollars in thousands)</i>				
The Hospital's proportion of the net OPEB liability	2.67%	2.64%	2.20%	2.11%	2.00%
The Hospital's proportionate share of the net OPEB liability	\$ 628,674	\$ 546,723	\$ 380,386	\$ 366,549	\$ 345,344
The Hospital's covered-employee payroll	\$ 137,902	\$ 129,606	\$ 127,204	\$ 125,044	\$ 123,476
The Hospital's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	455.88%	421.83%	299.04%	293.14%	279.69%
Plan fiduciary net position (assets)	\$ 1,537,194	\$ 1,196,008	\$ 849,889	\$ 542,342	\$ 340,618
Plan fiduciary total OPEB liability	\$ 25,078,100	\$ 21,878,399	\$ 18,114,287	\$ 17,904,922	\$17,583,045
Plan fiduciary net position as a percentage of the total OPEB liability	6.13%	5.47%	4.69%	3.03%	1.94%

**UNIVERSITY OF CONNECTICUT HEALTH CENTER
JOHN DEMPSEY HOSPITAL (21002 FUND)**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF JOHN DEMPSEY HOSPITAL'S OPEB CONTRIBUTIONS

	2021	2020	2019	2018	2017	2016
	<i>(dollars in thousands)</i>					
Contractually required contribution	\$ 23,651	\$ 23,160	\$ 19,903	\$ 17,668	\$ 14,090	\$ 12,189
Contributions in relation to the contractually required contribution	<u>23,651</u>	<u>23,160</u>	<u>19,903</u>	<u>17,668</u>	<u>14,090</u>	<u>12,189</u>
Contribution deficiency (excess)	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
JDH's covered-employee payroll	\$ 145,042	\$ 137,902	\$ 129,606	\$ 127,204	\$ 125,044	\$ 123,476
Contributions as a percentage of covered-employee payroll	16.31%	16.79%	15.36%	13.89%	11.27%	9.87%

**UNIVERSITY OF CONNECTICUT HEALTH CENTER
JOHN DEMPSEY HOSPITAL (21002 FUND)**

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – OPEB PLAN

FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

CHANGES OF BENEFIT TERMS

In the June 30, 2020 and 2019 actuarial valuations, there were no changes of benefit terms.

CHANGES OF ASSUMPTIONS

In the June 30, 2020 actuarial valuation, the discount rate was updated in accordance with GASB Statement No. 75 to 2.38% as of June 30, 2021. The trends for Medicare-eligible retiree costs were updated to reflect final negotiated changes in Medicare Advantage rates for calendar year 2022.

In the June 30, 2019 actuarial valuation, the discount rate was increased to 3.58% as of June 30, 2020 to more closely reflect the expected long-term rate of return. The demographic assumptions were updated to match the most recent valuations or experience studies.