

# **UConn HEALTH**

Financial Report  
For the Year Ended June 30, 2018

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# **INTRODUCTORY SECTION**

## **Letter of Transmittal**

Founded in 1881, the University of Connecticut (the “University”) serves as the state’s flagship for higher education, meeting the educational needs of undergraduate, graduate, professional, and continuing education students through the integration of teaching, research, and service. The University of Connecticut is a comprehensive institution of higher education which includes the University of Connecticut Health Center (“UConn Health”). Although governed by a single Board of Trustees, the University and UConn Health maintain separate budgets and are by statute separate entities for purposes of maintaining operating funds and State appropriations. UConn Health also has a Board of Directors to whom the Board of Trustees has delegated certain responsibility and authority. The financial statements contained herein represent the transactions and balances of UConn Health only.

The University’s Board of Trustees is vested by law with fiscal oversight of the University. The operational authority granted to the University builds upon the successful implementation of several pieces of legislation known as the Flexibility Acts, enacted in the early 1990’s. These statutory changes enabled the University to become responsible and accountable for its operational decisions independent of many of the previously imposed regulatory requirements. The University is now responsible for the budgetary allocation of its State appropriations, check-writing authority, human resource control, and purchasing authority, and with the advent of UCONN 2000 in 1995, management of capital activities, including projects for UConn Health starting in 2005.

While the University’s operational flexibility and capacity has grown, all of these activities also take place within a context of continuing vigilance. The financial statements contained in this report reflect budget execution results consistent with spending plans, operating and capital budgets approved by the University Board of Trustees. The Board of Trustees, through its Joint Audit and Compliance Committee, exercises oversight over all University financial reporting and processes and internal control systems, as well as direct engagement in the approval of independent auditing services to

augment the University’s internal audit capacity and the work performed by state auditors. An important component of external oversight, the Auditors of Public Accounts issue an Independent Auditors’ Report on the financial statements of UConn Health. They are responsible for auditing its financial operations and their opinion appears in this report.

UConn Health is an academic medical center composed of the School of Medicine, the School of Dental Medicine and their associated Education Clinics, John Dempsey Hospital, the UConn Medical Group, the University of Connecticut Finance Corporation (Finance Corporation) and Correctional Managed Healthcare (CMHC); which was terminated June 30, 2018. Established in 1961, UConn Health is dedicated to helping people achieve and maintain healthy lives and restoring wellness and health to the maximum attainable levels. In this quest, UConn Health will continuously enable students, professionals and agencies in promoting the health of Connecticut’s citizens. UConn Health will consistently pursue excellence and innovation in the education of health professionals; the discovery, dissemination and utilization of new knowledge; the provision of patient care; and the promotion of wellness.

With approximately 4,900 full time employees (FTE’s), UConn Health is one of Connecticut’s largest employers and an important contributor to the local and regional economy. UConn Health’s campus in Farmington is situated on 209 acres of wooded hilltop from which the skyline of Hartford, the capital of Connecticut, can be seen about eight miles to the east. (The University’s main campus is in Storrs, about 30 miles east of Hartford.) UConn Health’s campus includes 25 buildings totaling close to 2.8 million square feet.

On April 28, 2018, UConn Health installed the EPIC Medical Record/Revenue Cycle Management System (EPIC) in all the clinical locations. EPIC is a fully integrated Centers for Medicare and Medicaid Services (CMS) certified electronic health record system (EHR) and is the most widely used EHR in the U.S. It uses digital technologies to integrate patient medical information to ensure a highly personalized experience for UConn Health’s patients and helps clinician better coordinate medical care-safely

and securely. My UConn Health is the brand given to the EPIC System now used throughout UConn Health.

### **Educational Programs**

Dedicated to providing broad educational opportunities in the biomedical sciences, UConn Health offers degree programs in medicine (M.D.), dental medicine (D.M.D.), and biomedical science (Ph.D.); master's degree programs in public health and dental science; postdoctoral fellowships; residency programs providing specialty training for newly graduated physicians and dentists; and continuing education programs for practicing health care professionals. Combined degree programs, such as the M.D./Ph.D., D.M.D./Ph.D., Dental Clinical Specialty/Ph.D. and M.D./M.P.H. are also offered.

UConn Health is the only academic health center in the nation where a medical school was founded concurrently with a dental school, a circumstance which has led to strong links. Medical and dental students share an essentially common curriculum during the first two years of their four-year degree programs and study the basic medical sciences together. This experience provides UConn's dental students with an especially strong foundation in the biomedical sciences, reflected in the dental school's decision to award its graduates the D.M.D. (Doctor of Medical Dentistry).

Each year at UConn Health, approximately 400 students work toward the medical doctor's degree and 180 toward the doctor of medical dentistry degree. Admission to each school is highly competitive; both schools offer preferential consideration to qualified Connecticut residents in their admissions policies. School of Dental Medicine students have a long history of outstanding performance on the National Boards. In the years since UConn Health graduated its first students in 1972, 2,774 men and women have received the D.M.D. degree; 4,693 the M.D. degree.

Through a variety of residency programs, the School of Medicine provides postgraduate training for more than 600 newly graduated D.M.D. and M.D.s each year. These physicians come from all over the country to acquire

advanced skills in fields such as the surgical specialties, internal medicine, and primary care. Some of the residency training occurs on UConn Health's main campus, but much of it takes place in community hospitals in Greater Hartford, thereby extending UConn Health's positive impact on the region.

### **Research Programs**

Since UConn Health's inception, high-quality research programs have been part of the institution's fabric. This history has enabled UConn Health to recruit distinguished researchers with expertise in neuroscience, molecular biology, molecular pharmacology, biochemistry, cell physiology, toxicology, and endocrinology, among other fields. The Alcohol Research Center is one of only twenty such federally supported centers in the nation; the Connecticut Clinical Chemosensory Research Center, one of ten. In recent years, UConn Health has also become a leader in stem cell research. Clinical research is facilitated by the Lowell Weicker General Clinical Research Center and the Clinical Trials Unit. Research awards were over \$82.3 million in fiscal 2018.

### **Health Care Services**

Through John Dempsey Hospital (234 licensed beds, 186 staffed acute care beds), UConn Health provides specialized and routine inpatient and outpatient services, including comprehensive cardiovascular, cancer and musculoskeletal services, as well as, high risk maternity and neonatal intensive care. John Dempsey Hospital is home to the only Emergency Department in Connecticut's fast-growing Farmington Valley and contributes to the region's health in other ways. UConn Medical Group, one of the largest medical practices in Greater Hartford, offers primary care and services in more than 50 specialties.

While the hospital and faculty practice continue to have strong volume, the challenges of the health care marketplace (recruitment, increased competition, malpractice costs, and low reimbursement) are a continuing challenge. John Dempsey Hospital's financial health is also directly affected by its size, bed distribution, low reimbursement rate for services provided as part

of its public mission, and cost factors resulting from its status as a state entity.

### **Connecticut Health**

UConn Health faculty, staff, residents, and students participate in a variety of joint efforts to address public health and community health needs of citizens throughout our state. Under the umbrella of Connecticut Health, hundreds of projects have been developed in collaboration with other state agencies, city and town governments, community-based organizations and the public to serve the poor and uninsured by providing better medical care and health education. UConn Health is committed to finding new and effective ways to reach out to the public as part of UConn Health's ongoing effort to bring a better quality of life to all our citizens.

### **Economic Condition**

Connecticut's expenses exceed revenues at the State level, causing large and continuing overall budget deficits. The growth in expenses is largely due to the State's unfunded pension liability, debt service, and growth in other services. For the biennium fiscal years 2018 and 2019, the budget process was extremely difficult with the State Legislature not passing a budget bill until well into the prior fiscal year. After an initial budget was vetoed by the Governor, the biennial budget was approved by the State legislature and signed into law by the Governor. Republicans and Democrats came together to pass a budget in the final hours of the legislative session in May of 2018. The budget closed a \$380 million deficit in fiscal year 2018 at the State level budget, and made adjustments to the fiscal year 2019 budget. For UConn Health specifically, the bi-partisan fiscal year 2019 budget cut UConn Health by \$3.3 million compared to the Senate Bill passed in October of 2017. In June, an additional cut of \$575,000 was made to the fiscal year 2019 allotment. UConn Health will continue to focus on protecting academic excellence, delivering strong student support, providing excellent patient care, and supporting the research mission.

In November, the Office of Policy and Management presented a tentative budget for the fiscal years 2020 and 2021 to the Governor-elect. The tentative budget is intended to provide the incoming administration with estimates of expenditures and revenues as a starting point for the formulation of the governor's budget proposal

in February. The tentative appropriations of \$130.2 million for fiscal year 2020 and \$137.8 million for fiscal year 2021 are comparable to the amounts UConn Health requested in their budget request in September of 2018.

### **Awards and Acknowledgements**

At the intersection of its teaching, research and patient care mission, UConn Health continues to show innovative leadership through medical breakthroughs that create new standards in patient care, teaching and research. UConn Health is Connecticut's only public academic medical center and comprises UConn School of Medicine, School of Dental Medicine and John Dempsey Hospital on its 206-acre campus in Farmington. There are an additional eight clinical care community locations throughout the state.

UConn Health was first in the nation when they recently introduced a high-tech surgical microscope with augmented reality computer-generated digital imaging capabilities to visually assist surgeons during some of the most complex brain surgeries. With application from strokes and tumors to spine surgeries, the ARveo Augmented Reality microscope advances the care at UConn John Dempsey Hospital's state-of-the-art hybrid operating room. Opened in early 2018, the room features built-in, advanced imaging capabilities for minimally invasive and complex surgical procedures - resulting in better visualization for doctors, optimal outcomes for patients.

The world's first investigational gene therapy for potentially deadly glycogen storage disease (GSD) was administered to a patient at UConn Health. The novel gene therapy to treat the rare childhood genetic disorder that impacts the liver's storage and release of sugar was successfully given to the first human patient through a one-time, 30-minute infusion at UConn John Dempsey Hospital.

The Liaison Committee on Medical Education (LCME) accredited the University of Connecticut School of Medicine medical education program. The LCME is recognized by the U.S. Department of Education as the authority for the accreditation of medical education programs. The School of Medicine was deemed satisfactory in 92 of the 93 elements and compliant with all 12 standards of the accreditation criteria.

The John Dempsey Hospital at UConn Health earned The Joint Commission's Gold Seal of Approval® for accreditation by demonstrating compliance with The Joint Commission's national standards for health care quality and safety in hospitals. The accreditation award recognizes UConn Health's dedication to continuous compliance with The Joint Commission's state-of-the-art standards.

The Pat and Jim Calhoun Cardiology Center at UConn Health is on the *Target: Heart Failure<sup>SM</sup> Honor Roll* for meeting specific criteria that improve medication adherence, provides early follow-up care and coordination, and enhances patient education in order to reduce hospital readmissions and help patients improve their quality of life in managing this chronic condition. The Pat and Jim Calhoun Cardiology Center also received the *Get With The Guidelines® Heart Failure Gold Plus Quality Achievement Award*, which recognizes the hospital's commitment to ensuring heart failure patients receive the most appropriate treatment to speed recovery and reduce hospital readmissions.

UConn Health is now designated by the Pulmonary Hypertension Association (PHA) as a Pulmonary Hypertension Regional Clinical Program. By designating regional centers of excellence across the nation the PHA hopes to improve the overall quality of care and outcomes of pulmonary hypertension patients. UConn Health was identified and approved as a regional program due to its infrastructure and experience to best manage the disease. The accreditation runs

until May 2020 when an onsite reaccreditation review by the PHA will occur.

The UConn Musculoskeletal Institute is now designated a "Blue Distinction Center" for both spine surgery and total joint replacement. "Blue Distinction" is a designation from the BlueCross BlueShield Association recognizing health care facilities for their expertise in the safe, efficient, and cost-effective delivery of quality specialty care. UConn Health has been designated as a "Blue Distinction Center for Knee and Hip Replacement" for meeting nationally established quality care and outcomes criteria, and as a "Blue Distinction Center+ for Spine Surgery" for meeting those criteria, plus meeting cost measures that address the need for affordable health care.

Also, the new hospital tower at UConn John Dempsey Hospital, thanks to Bioscience CT and UConn Health investments, celebrated its two-year anniversary in May 2018. UConn Health also increased patient volumes, revenues, and market share. Its clinical care has grown to more than 667,000 outpatient appointments, 10,100 inpatients, 36,000 emergency room visits and more than 135,000 additional patient visits conducted at our community sites.

Respectfully Submitted,



Scott Jordan  
Executive Vice President for Administration &  
Chief Financial Officer  
University of Connecticut  
January 10, 2019



Jeffrey P. Geoghegan  
Chief Financial Officer  
UConn Health

**DIRECTORS AND FINANCIAL OFFICERS**  
**June 30, 2018**

**BOARD OF DIRECTORS**

**Members at  
Large**

Dr. Kenneth Alleyne	<i>Bloomfield</i>
Francis X. Archambault, Jr.	<i>Storrs</i>
Richard M. Barry	<i>Avon</i>
Cheryl A. Chase	<i>Hartford</i>
John F. Droney	<i>West Hartford</i>
Timothy A. Holt	<i>Glastonbury</i>
Wayne Rawlins	<i>Cromwell</i>

**Appointed by the Governor**

Kathleen D. Woods	<i>Avon</i>
Teresa M. Ressel	<i>New Canaan</i>
Joel Freedman	<i>South Glastonbury</i>

**Members Ex Officio**

Susan Herbst	<i>Storrs</i>
Robert S. Dakers	<i>Glastonbury</i>
Raul Pino	<i>Hartford</i>

**Appointed by Chairperson, Board of Trustees**

Sanford Cloud Jr, Chairperson	<i>Farmington</i>
Andy F. Bessette	<i>West Hartford</i>
Richard T. Carbray, Jr.	<i>Rocky Hill</i>

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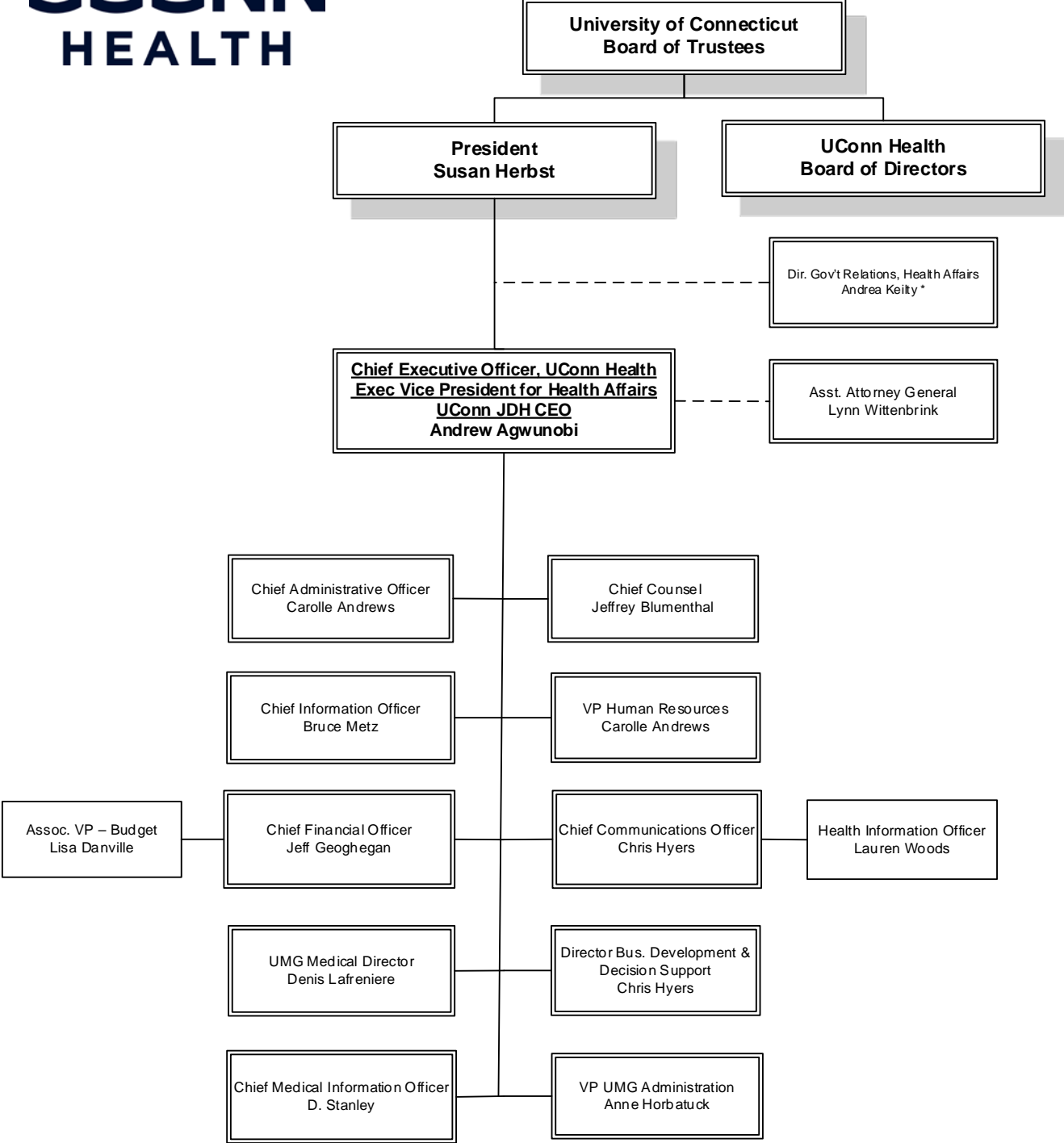
**FINANCIAL OFFICERS**

Scott A. Jordan, UConn Executive Vice President for Administration and Chief Financial Officer  
Jeffrey P. Geoghegan, UConn Health Chief Financial Officer  
Chad A. Bianchi, UConn Health Controller





# UConn HEALTH



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# **FINANCIAL SECTION**

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STATE OF CONNECTICUT



AUDITORS OF PUBLIC ACCOUNTS

JOHN C. GERAGOSIAN

STATE CAPITOL  
20 TRINITY STREET  
HARTFORD, CONNECTICUT 06106-1559

ROBERT J. KANE

**INDEPENDENT AUDITORS' REPORT**

Board of Directors of the  
University of Connecticut Health Center

**Report on Financial Statements**

We have audited the accompanying financial statements of the University of Connecticut Health Center (UConn Health), a component unit of the University of Connecticut system, which includes the University of Connecticut, UConn Health and the University of Connecticut Foundation, Inc. The accompanying financial statements, which consist of the statement of net position as of June 30, 2018 and the related statements of revenues, expenses and changes in net position and cash flows and for the year then ended, and the related notes to the financial statements, which collectively comprise UConn Health'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 audit. We did not audit the financial statements of the John Dempsey Hospital, which represented 39% of the assets of UConn Health as of June 30, 2018 and 39% of the revenues of UConn Health for the year then ended. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the John Dempsey Hospital, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 auditor's 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.

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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, based upon our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of UConn Health, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Emphasis of Matter**

As discussed in Note 1 to the financial statements, UConn Health adopted Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which resulted in UConn Health restating net position for the recognition of other postemployment benefit activity incurred prior to July 1, 2017. Also in Note 1 to the financial statements, UConn Health discussed the closure of its Correctional Managed Healthcare (CMHC) service line as of June 30, 2018. Our opinion is not modified with respect to these matters.

**Other Matters**

*Required Supplementary Information*

The accompanying Management Discussion and Analysis on pages 14 through 24 and the Required Supplemental Information on pages 53 through 56 is required by accounting principles generally accepted in the United States of America to supplement the basic financial statements. Such information, although not 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 audit 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 Information*

The introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Sincerely,



John C. Geragosian  
State Auditor  
December 28, 2018  
State Capitol  
Hartford, Connecticut



Robert J. Kane  
State Auditor

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## Management's Discussion and Analysis

### INTRODUCTION

The following discussion and analysis provide an overview of the financial position and activities of the University of Connecticut Health Center ("UConn Health") for the year ended June 30, 2018. 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.

Founded in 1881, the University of Connecticut (the "University") serves as the state's flagship for higher education, meeting the educational needs of undergraduate, graduate, professional, and continuing education students through the integration of teaching, research and service. The University of Connecticut is a comprehensive institution of higher education, which includes UConn Health.

The financial statements presented here represent the transactions and balances of UConn Health only. UConn Health offers medical and dentistry degrees and operates a physician/dentist practice and a teaching and research hospital. UConn Health's component parts are the School of Medicine, the School of Dental Medicine, and their associated Educational Clinics, UConn Medical Group, the Finance Corporation, Correctional Managed Healthcare (CMHC), and John Dempsey Hospital ("the Hospital"). UConn Health's enrollment in fiscal year 2018 was 411 students in the School of Medicine, 181 in the School of Dental Medicine, and 250 Graduate students, taught by over 500 faculty members. UConn Health finished fiscal 2018 with 4,900 FTE's. John Dempsey Hospital (JDH) has 186 staffed acute care beds. In fiscal year 2018, adjusted patient days (a measure of total hospital volume) were 116,386, a 2.2% increase from the prior year. During 2018, UConn Medical Group (UMG) had 667,009 unique patient visits, a 1.3% increase. The following Management's Discussion and Analysis (MD&A) is required supplemental information. Its purpose is to provide users of the basic financial statements with a narrative introduction, overview and analysis of those statements. It is designed to assist readers in understanding the accompanying financial statements required by GASB. This discussion, which is unaudited, includes an analysis of the financial condition and results of activities of

UConn Health for the fiscal year ended June 30, 2018, based on currently known facts, decisions, and conditions. As the MD&A presentation includes highly summarized information, it should be read in conjunction with the accompanying financial statements and related notes to the financial statements. The financial statements, notes to the financial statements, and this MD&A are the responsibility of management.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of Management's Discussion and Analysis and the financial statements. The basic financial statements (statement of net position, statement of revenues, expenses and changes in net position and statement of cash flows) present the financial position of UConn Health at June 30, 2018, and the results of operations and financial activities for the year then ended. These statements report information about UConn Health using accounting methods similar to those used by private-sector companies. The statement of net position include all of UConn Health's assets and liabilities. The statement 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 when cash is received or paid. This statement reports UConn Health's net assets and how they have changed. Net position (the difference between assets and liabilities) is one way to measure financial health or position. The statement of cash flows provides relevant information about each year's cash receipts and cash payments and classifies them as to operating, investing, noncapital financing and capital and related financing activities. The financial statements include notes that explain information in the financial statements and provide more detailed data.

### FINANCIAL HIGHLIGHTS

UConn Health's financial position at June 30, 2018, consisted of assets of \$1.35 billion and liabilities of \$2.75 billion. Net assets, which represent the residual interest in UConn Health's assets after liabilities are deducted, decreased \$1.14 billion in fiscal 2018 after capital appropriations, other

changes in net position and cumulative effect of implementing GASB 75.

The decrease in net position is primarily attributed to the adoption of GASB 75, which required a beginning balance adjustment of \$1.1 billion. Operating losses, including additional pension and other post-employment benefit expenses (OPEB) recorded in accordance with GASB 68 and GASB 75 requirements, were partially offset by Capital Appropriations and non-operating revenues including State Appropriations. Expenses associated with Capital Appropriations will be borne in the future through increased depreciation expenses.

The financial statements contained herein show an operating loss of \$399.8 million for the year ending June 30, 2018 (fiscal year 2018). The measure more indicative of normal and recurring activities is Net Income Before Other Changes in Net Position, which includes revenue from State Appropriations. Additions to capital assets are, in a large part, funded by capital appropriations from the state and issuance of UCONN 2000 bond funds (included in the Other Changes in Net Position above), which are not included as revenues in this measurement. However, depreciation expense on those assets is included as an expense in calculating operating income, so a loss under this measurement is expected. UConn Health experienced a loss before Other Changes in Net Position of \$123.8 million in fiscal year 2018.

Some sources of recurring operating and non-operating revenues increased in 2018, including patient service revenue and contract and other operating revenue. These categories are expected to have slight increases in 2019. State support, including state funded capital appropriations, increased 14.5% in fiscal 2018. Decreases in state support are expected in the upcoming fiscal year due to ongoing efforts by the state to reduce expected budget shortfalls. The 2019 budget reduced the amount of block grant appropriations to UConn Health to \$123.0 million. In addition, we have already received an additional lapse reduction of \$3.9 million in fiscal year 2019. UConn Health has submitted a biennial budget request for 2020-2021 for \$130.1 million and \$137.4 million, respectively.

## STATEMENTS OF NET POSITION

The summary statements of net position below present the financial position of UConn Health at the end of the fiscal years 2018 and 2017; it includes all

assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position of UConn Health. Net position represents assets plus deferred outflows, less liabilities and deferred inflows. Assets represent what is owned by or what is owed to UConn Health. Assets and liabilities are generally measured using current values. One notable exception is capital assets, which are stated at historical cost less an allowance for depreciation. A deferred outflow of resources represents the consumption of net assets by UConn Health that is applicable to a future reporting period, while a deferred inflow of resources is an acquisition of net assets by UConn Health that is applicable to a future reporting period. UConn Health's net position is the residual value in UConn Health's assets and deferred outflows, after liabilities and deferred inflows are deducted. The change in net position is an indicator of whether the overall financial condition has improved or deteriorated during the year.

The total assets of UConn Health increased by \$52.7 million, or 4.1%, over the prior year. The increase was primarily attributable to increases in Property, Plant and Equipment, which is the result of continued capital expansion at UConn Health including the new EHR My UConn Health used throughout UConn Health.

Due from affiliates increased by \$23.9 million from 2017. This change occurs as UConn Health continues spending on construction related to UConn 2000 construction initiatives.

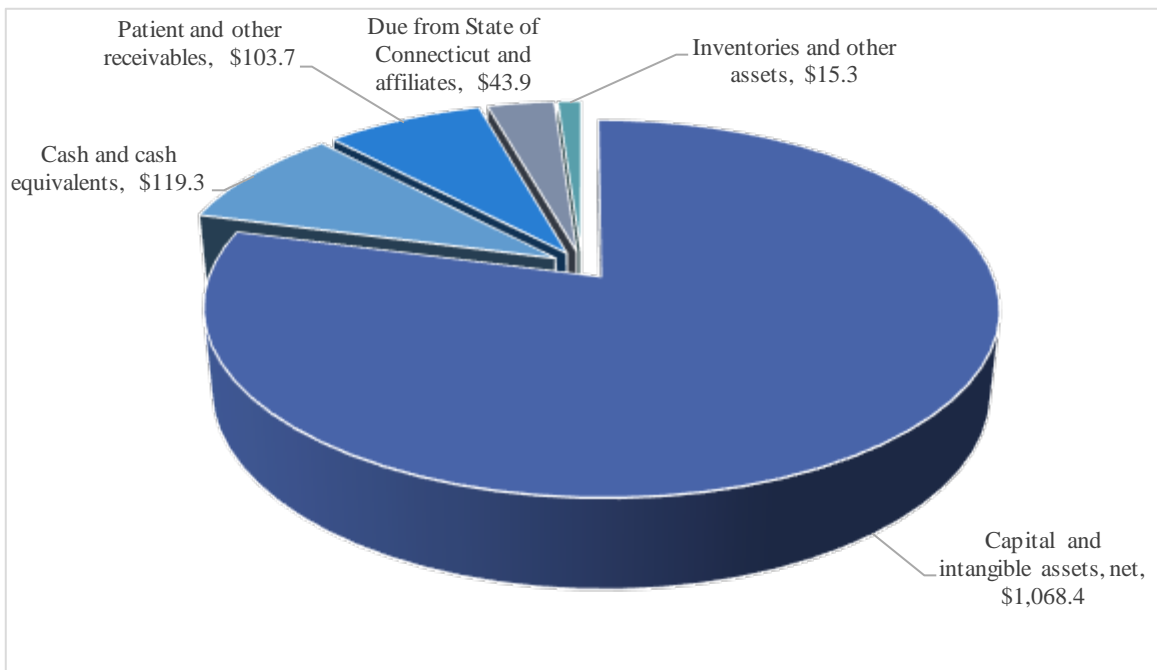
Total liabilities increased by \$1.13 billion or 69.4% from 2017. The driver of the increase was the addition of \$1.2 billion in OPEB liability due primarily to the adoption of GASB 75. The combination of the increase in total assets of \$52.7 million and total liabilities of \$1.13 billion, offset by the net increase of \$65.6 million in deferred inflows/outflows and the cumulative effect of implementing GASB 75 yielded a decrease in total net position of \$1.14 billion.

Deferred outflows of resources decreased \$35.2 million and deferred inflows of resources increased \$30.4 million mainly due to pension and OPEB related adjustments, including changes in assumptions, increases from differences between expected versus actual experience, and investment losses offset by a decrease of amortization of changes in proportion.

The following table shows a Condensed Schedule of Net Position at June 30 (\$ in millions):

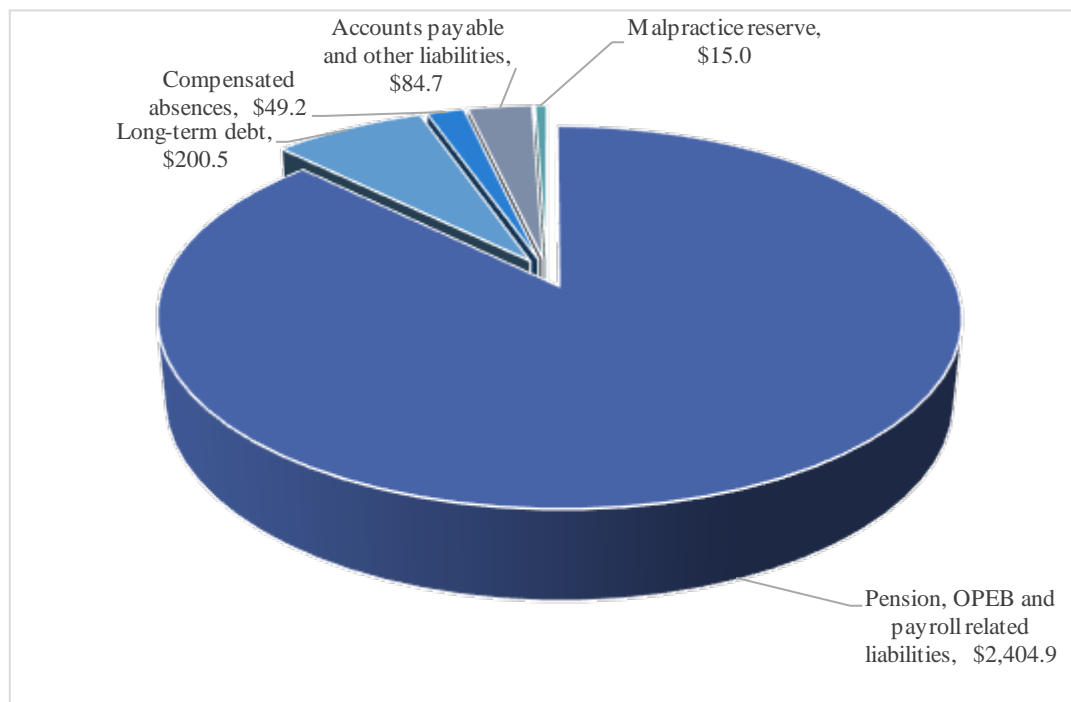
	<u>2018</u>	<u>2017</u>	<u>\$ Change</u>	<u>% Change</u>
<b>Assets:</b>				
Current Assets	\$ 276.2	\$ 240.2	\$ 36.0	15.0%
Capital and intangible assets, net	1,068.4	1,030.4	38.0	3.7%
Other noncurrent assets	6.0	27.3	(21.3)	-78.0%
<b>Total Assets</b>	<u>1,350.6</u>	<u>1,297.9</u>	<u>52.7</u>	<u>4.1%</u>
<b>Deferred outflows of resources</b>	<u>429.3</u>	<u>464.5</u>	<u>(35.2)</u>	<u>-7.6%</u>
<b>Liabilities</b>				
Current Liabilities	148.0	141.8	6.2	4.4%
Noncurrent liabilities	2,606.3	1,484.1	1,122.2	75.6%
<b>Total Liabilities</b>	<u>2,754.3</u>	<u>\$ 1,625.9</u>	<u>\$ 1,128.4</u>	<u>69.4%</u>
<b>Deferred inflows of resources</b>	<u>40.6</u>	<u>10.2</u>	<u>30.4</u>	<u>298.0%</u>
<b>Net Postion:</b>				
Net Investment in capital assets	867.9	823.3	44.6	5.4%
Restrcited nonexpendable	0.1	0.1	-	0.0%
Restricted expendable	38.0	37.0	1.0	2.7%
Unrestricted	(1,921.0)	(734.1)	(1,186.9)	161.7%
<b>Total Net Position</b>	<u>(1,015.0)</u>	<u>126.3</u>	<u>(1,141.3)</u>	<u>-903.6%</u>

The following graph shows total assets of \$1.35 billion by major category as of June 30, 2018 (\$ in millions):





The following graph shows total liabilities of \$2.75 billion by major category as of June 30, 2018 (\$ in millions):



### **Net Position**

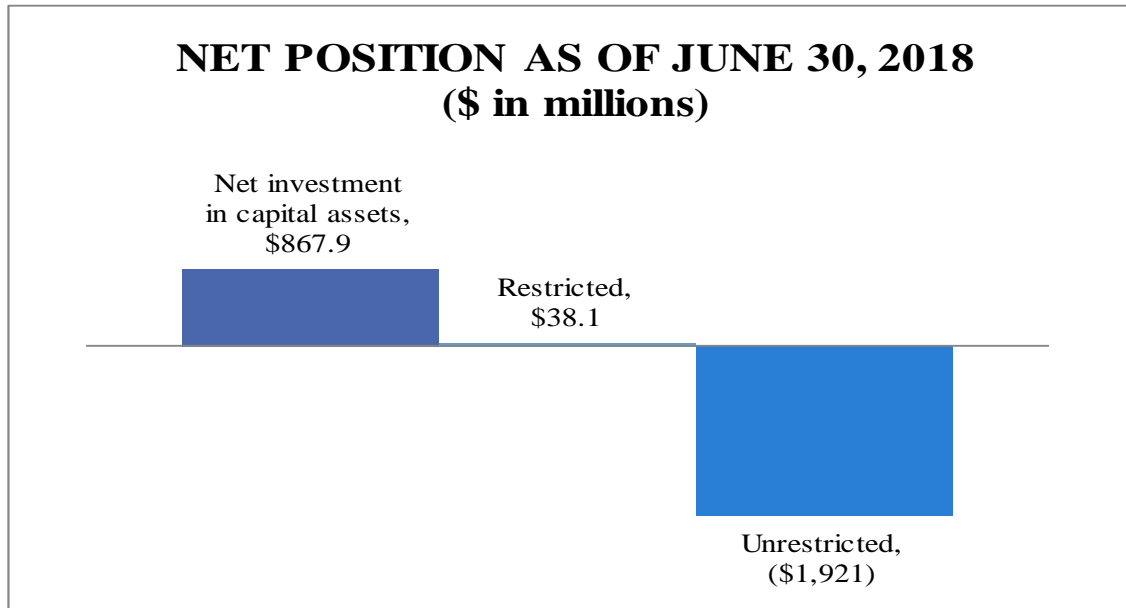
Net position is divided into three major categories. The first category, net investment in capital assets, represents UConn Health's equity in property and equipment. The second category, restricted net position, is subdivided into nonexpendable and expendable. The corpus of restricted nonexpendable resources is only available for investment purposes and is included with investments on UConn Health's Statement of Net Position. Expendable restricted net position is available for expenditure by the institution. However, it must be spent for purposes determined by donors and/or external entities that have placed time or purpose restrictions on the use of the assets. The final category is unrestricted net position, representing funds available to UConn Health for any lawful purpose of the institution. Generally, unrestricted funds are internally assigned to academic, clinical and research programs, capital programs, retirement of debt, and auxiliary enterprise activities. The Statement of Net Position presents assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position of UConn Health as of the end of the fiscal year. The Statement of Net Position is a point in time financial statement and is used as a measure of the financial condition of UConn Health. This statement

presents a snapshot concerning assets, classified as current (expected to be available for use within one year) and noncurrent (expected to be available beyond one year), liabilities, categorized as current (expected to mature and due within one year), and noncurrent (expected to mature and due after one year), and net position.

Assets represent what is owned by or what is owed to UConn Health, including payments made to others before a service was received. Assets are recorded at their current value except for property and equipment, which is recorded at historical cost net of accumulated depreciation and amortization. Liabilities represent what is owed to others or what has been received from others prior to services being provided by UConn Health. A deferred outflow of resources represents the consumption of net assets by UConn Health that is applicable to a future reporting period, whereas, a deferred inflow of resources is an acquisition of net assets by UConn Health that is applicable to a future reporting period.

UConn Health's net position is the residual value in UConn Health's assets and deferred outflows after liabilities and deferred inflows are deducted. Changes in net position over time are a relative indicator of UConn Health's financial ability.

The following graph shows net position by major category:



## STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

The Statement of Revenues, Expenses, and Changes in Net Position presents either an increase or decrease in net position based on revenues received, the expenses paid, and any other gains and losses recognized by UConn Health. Revenues and expenses are classified as operating, non-operating, or other changes in net position according to definitions prescribed by GASB.

Generally, operating revenues are earned when providing goods and services to the various customers of UConn Health. Operating expenses are incurred in the normal operation of UConn Health and represent those expenses paid to acquire or produce the goods and services provided in return for operating revenues. Operating expenses also include the provision for allocated depreciation and amortization of property and equipment. The

difference between operating revenues and expenses is the operating income or loss.

By its very nature, a state funded institution does not receive tuition and fees revenue, research awards or clinical program revenue sufficient to support its operations. Non-operating revenues are revenues received for which goods and services are not exchanged. These revenues are essential to the continued provision of programs and services by UConn Health. Significant recurring sources of non-operating revenues utilized in balancing the operating loss each year include appropriations from the State of Connecticut (State) for general operations and investment income.

Other changes in net position are composed of capital appropriations and losses on disposal.

The statements of revenues, expenses and changes in net position present UConn Health's results of operating and non-operating activities. A summary of UConn Health's revenues, expenses and changes in net assets for the years ended June 30, 2018 and 2017 is presented below:

Operating revenues:	<u>2018</u>	<u>2017</u>	<u>\$ Change</u>	<u>% Change</u>
	(\$ in millions)			
Student tuition and fees (net of scholarship allowances)	\$ 18.6	\$ 17.5	\$ 1.1	6.4%
Patient services	580.7	539.8	40.9	7.6%
Federal grants and contracts	50.8	58.1	(7.3)	-12.5%
Nonfederal grants and contracts	29.3	29.0	0.3	1.1%
Contract and other operating revenues	127.2	114.3	12.9	11.3%
Total operating revenues	<u>806.6</u>	<u>758.7</u>	<u>47.9</u>	<u>6.3%</u>
Operating expenses:				
Instruction	180.0	169.1	10.9	6.5%
Research	56.1	59.4	(3.3)	-5.6%
Patient services	747.6	713.3	34.3	4.8%
Academic support	19.4	19.2	0.2	1.2%
Institutional support	112.1	82.2	29.9	36.4%
Operations and maintenance of plant	38.2	37.3	0.9	2.5%
Depreciation and amortization	52.6	52.1	0.5	0.9%
Student aid	0.4	0.2	0.2	100.0%
Total operating expenses	<u>1,206.4</u>	<u>1,132.8</u>	<u>73.6</u>	<u>6.5%</u>
Operating Loss	<u>(399.8)</u>	<u>(374.1)</u>	<u>(25.7)</u>	<u>6.9%</u>
Nonoperating revenues (expenses):				
State appropriations	279.5	278.2	1.3	0.5%
Gifts	5.7	4.1	1.6	39.9%
Investment income (net of investment expense)	0.7	0.1	0.6	0.0%
Interest on capital asset - related debt	(9.9)	(10.2)	0.3	-3.0%
Net nonoperating revenues	<u>276.0</u>	<u>272.2</u>	<u>3.8</u>	<u>1.4%</u>
Loss before other changes in net position	<u>(123.8)</u>	<u>(101.9)</u>	<u>(21.9)</u>	<u>21.5%</u>
Other changes in net position:				
Capital appropriations	88.8	43.4	45.4	104.7%
Loss on disposal	(3.1)	(1.0)	(2.1)	212.6%
Net other changes in net position	<u>85.7</u>	<u>42.4</u>	<u>43.3</u>	<u>102.2%</u>
Increase in net position	<u>(38.1)</u>	<u>(59.5)</u>	<u>21.4</u>	<u>-36.0%</u>
Net position-beginning of year (as previously stated)	126.3	185.8	(59.5)	-32.0%
Cumulative effect of implementing GASB 75	(1,103.2)	-	(1,103.2)	0.0%
Net position-beginning of year	<u>(976.9)</u>	<u>185.8</u>	<u>(1,162.7)</u>	<u>-625.9%</u>
Net position-end of year	<u>\$ (1,015.0)</u>	<u>\$ 126.3</u>	<u>\$ (1,141.3)</u>	<u>-903.4%</u>

**Revenue**

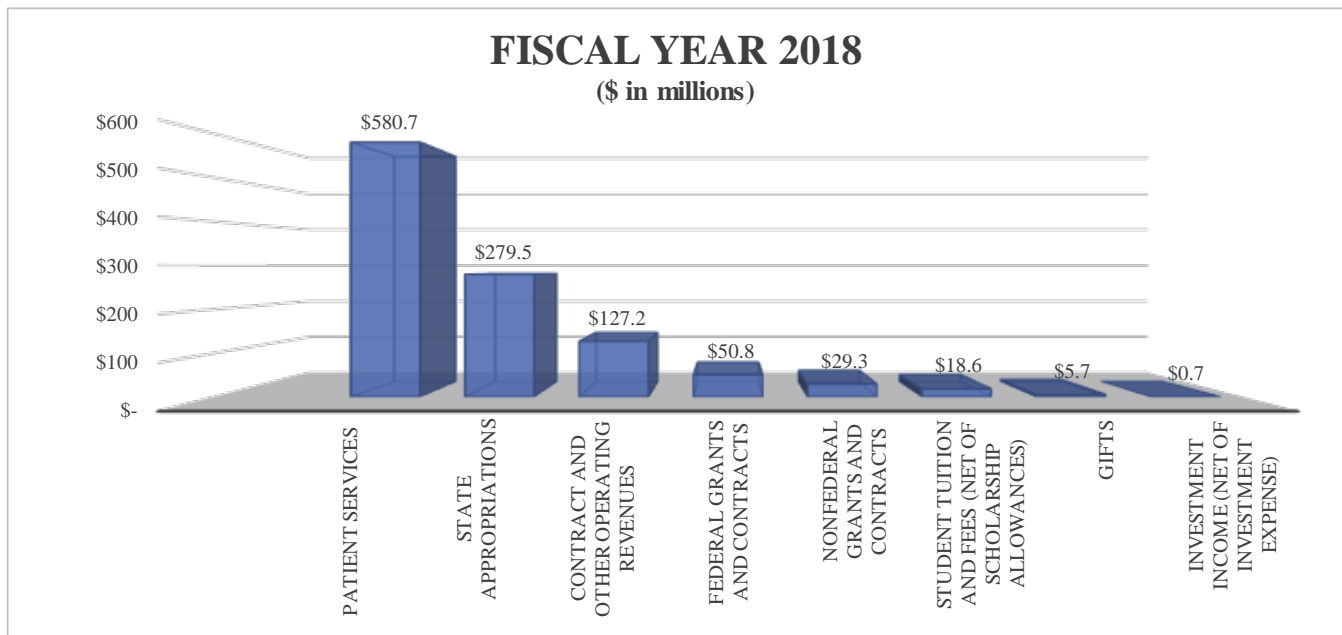
Revenue highlights for the year ending June 30, 2018, including operating and non-operating revenues, presented on the Statements of Revenues, Expenses, and Changes in Net Position are as follows:

The largest source of revenue was patient service revenue. Net Patient service revenue increased \$40.9 million or 7.6% over prior year. Prior to eliminations the increase in net patient service revenue for John Dempsey Hospital was \$31.0 million. Increases in John Dempsey Hospital reflect higher surgical and outpatient volumes and strategic rate increases throughout the Hospital’s lines of service. The UConn Medical Group’s net revenue increased \$7.8 million.

UMG’s increases reflect changes in patient mix and UMG’s focus on contracted rates. More detailed information about UConn Health’s patient revenue is presented in note 4 of the financial statements.

Correctional Managed Health Care program revenue increased by \$790,000 compared to prior year. The increase was due to a mix of operational and close out costs associated with the program. Additional information on the dissolution of CMHC can be found in note 1 of the financial statements.

The State Appropriation (including In Kind Fringe Benefits), which is included in non-operating revenues, totaled \$279.5 million. This represents a .5% increase over the prior year.



**Expenses**

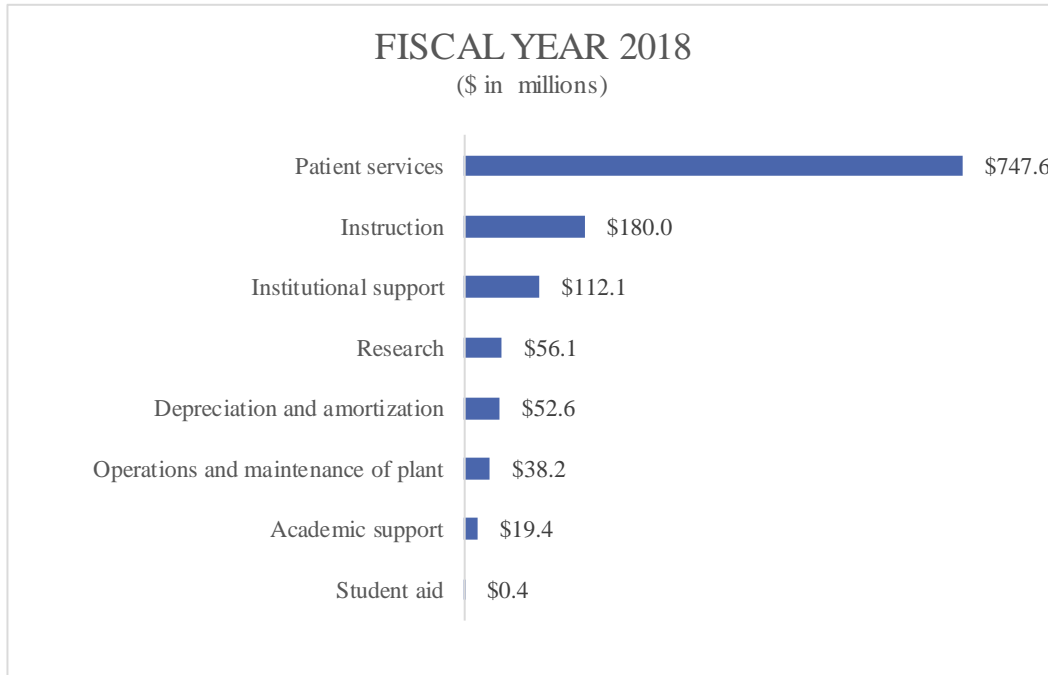
Highlights of expenses including operating and non-operating expenses presented on the Statements of Revenues, Expenses and Changes in Net Position are as follows:

Patient service expense is the largest expense category for UConn Health; it accounts for 62.0% of total operating expenses. It increased by \$34.3 million or 4.8% over the prior year. The increase

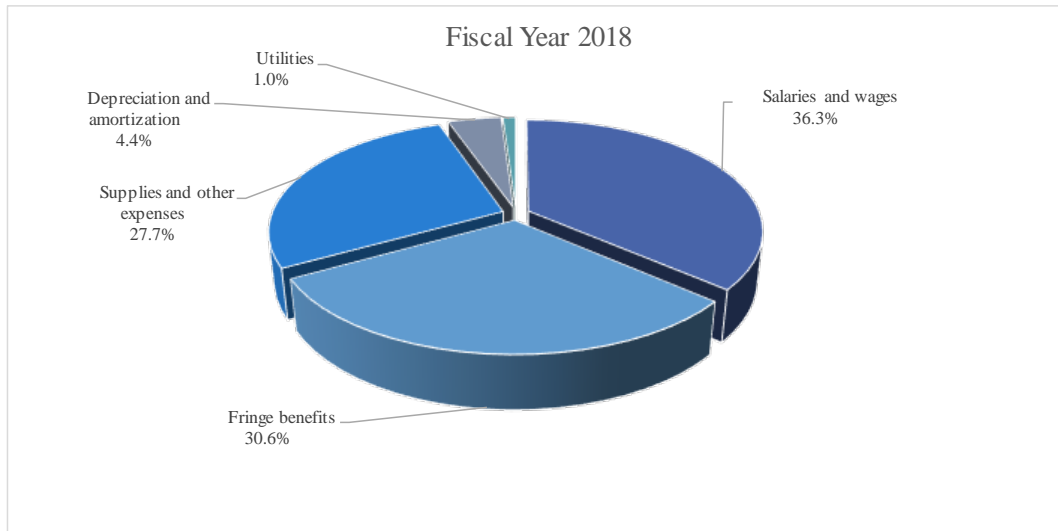
was driven by expenses to support the additional clinical volume in JDH and UMG.

Depreciation and amortization expenses, which comprise about 4.4% of total expenses, grew to \$52.6 million from \$52.1 million reported in fiscal 2017. The increase was primarily due to increases in depreciable assets, including the new EHR system, the New Hospital Tower and the continued depreciation of Outpatient Pavilion.

The following graph shows the functional expenses of UConn Health (\$ in millions):



UConn Health's operating expenses by natural classification are presented below:



## STATEMENTS OF CASH FLOWS

The Statement of Cash Flows presents detailed information about the cash activity of UConn Health during the year. The first section of this Statement, Cash Flows from operating activities, will always be different from the operating loss amount on the Statement of Revenues, Expenses, and Changes in Net Position. The difference results from non-cash items such as depreciation and amortization expense and the use of the accrual basis of accounting in preparing the Statement of Revenues, Expenses and Changes in Net Position. The Statement of Cash Flows, on the other hand, shows cash inflows and outflows without regard to accruals.

The Statement of Cash Flows has four additional sections. The second section consists of cash flows from investing activities showing the purchases,

proceeds, and interest provided from investing activities. The third section reflects cash flows from non-capital financing activities including State Appropriation, debt transactions, gifts, and other non-operating revenues and expenses. The fourth section shows cash flows from capital and related financing activities. The final section is a reconciliation of the operating loss shown on the Statement of Revenues, Expenses and Changes in Net Position to net cash used in operating activities.

The Statements of Cash Flows below provides additional information about UConn Health'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, 2018 and 2017, is as follows:

	(\$ in millions)			
	2018	2017	\$ Change	% Change
Cash received from operations	\$ 804.0	\$ 758.5	\$ 45.5	6.0%
Cash expended for operations	(902.3)	(862.5)	(39.8)	4.6%
Net cash used in operating activities	(98.3)	(104.0)	5.7	-5.5%
Net cash provided by investing activities	0.7	0.1	0.6	600.0%
Net cash provided by noncapital financing activities	136.9	140.1	(3.2)	-2.3%
Net cash used in capital and related financing activities	(25.7)	(30.5)	4.8	-15.7%
Net increase/(decrease) in cash and cash equivalents	13.6	5.7	7.9	138.6%
Cash and cash equivalents, beginning of the year	105.7	100.0	5.7	5.7%
Cash and cash equivalents, end of the year	\$ 119.3	\$ 105.7	\$ 13.6	12.9%

## CAPITAL

Capital assets, net of accumulated depreciation, consisted of the following (\$ in millions):

	2018	2017	\$ Change	% Change
Land	\$ 13.5	\$ 13.5	\$ (0.0)	0.0%
Construction in Progress	313.7	329.4	(15.7)	-4.8%
Buildings and Building Improvements	597.2	607.6	(10.4)	-1.7%
Equipment	71.8	66.8	5.0	7.5%
Computer Software	70.5	10.8	59.7	552.8%
Capital Leases	1.7	2.3	(0.6)	-26.1%
Capital assets, net	\$ 1,068.4	\$ 1,030.4	\$ 38.0	3.7%

Construction in progress decreased approximately \$15.7 million driven by continued progress on

UCONN 2000 construction initiatives and UConn Health's EHR system build.

As mentioned above, the UConn 2000 program has had a dramatic impact on our campus. This is the third phase of the program also known as 21st Century UCONN, which provides for improvements to facilities at the University and UConn Health. UConn Health is scheduled to receive \$812.9 million over the life of this program. UConn Health received \$88.8 million capital appropriations during 2018 from the UCONN 2000 bond issuance.

During 2017, UConn Health received \$16 million from the State Bond Commission for UConn Health's EHR, bringing the total received to \$41 million. No additional funding was received in 2018.

UConn Health's fiscal 2019 capital funding requests will be considered for funding by the senior executive committee of UConn Health on an individual basis.

## **DEBT ACTIVITIES**

UConn Health did not enter into any new debt agreements in 2018. JDH and Finance Corporation met all of their debt service requirements during 2018 including required payments on capital leases and mortgage payments for the Outpatient Pavilion and UConn Musculoskeletal Institute (formerly the Medical Arts and Research Building).

## **CORRECTIONAL MANAGED HEALTHCARE (CMHC)**

On June 30, 2018, the agreement between the State Department of Correction (DOC) and UConn Health for inmate medical care lapsed. Both parties had previously agreed not to pursue an extension of the existing agreement. As a result, UConn Health dissolved its Correctional Managed Healthcare (CMHC) program as of year-end. As part of the agreement between DOC and UConn Health, substantially all unionized staff were transferred to DOC to allow them to continue to provide medical services. DOC then contracted with UConn Health starting July 1, 2018, to provide certain essential services such as pharmacy, supply stocking, and human resource support. These agreements were generally for six month durations with extension provisions. The goal of these contracts was to allow DOC time to assess its operations and determine which services it wished to bid out. UConn Health remains committed to fulfilling DOC's patient care needs through these new contracts and will evaluate

potential bid responses for continuation of services as applicable.

The dissolution of CMHC will not have an impact on UConn Health's profitability. For the current year, UConn Health recorded a charge related to the certain dissolution costs as noted in note 1.

## **BIOSCIENCE CONNECTICUT**

Progress on the construction work related to the Bioscience Connecticut initiative continued. The construction of the corridor connecting the University Tower to the Main Building, which was the final phase of the John Dempsey Hospital University Tower project, was completed in November, 2016. The Main Building Lab Renovations – Phase 2 was completed in March, 2017. The Academic Building Addition and Renovation project is in the final phase and all work was completed in October 2017. Phase 1 of the Clinical Building Renovations is nearing final completion, and Phase 2 work began in September 2017. The final phases of work are scheduled to be complete at the end of fiscal 2019.

## **FISCAL YEAR 2019 OUTLOOK**

UConn Health is looking towards 2019 as a year of opportunity. Our campus appearance and facilities have been transformed by the State's Bioscience Connecticut initiative. Our stunning new Outpatient Pavilion and University Tower position UConn Health to compete aggressively to be the provider of choice not only in the Farmington Valley but throughout Connecticut. Our EPIC implementation, My UConn Health, provides our clinicians and patients cutting edge technology and ability to access and coordinate patient care across the state and country.

Research, education, and patient care remain the cornerstones of our mission. Each of these areas share in the uncertainty surrounding both local and national government and funding opportunities.

The competition for researchers and grants remains intense. Even with our collaboration with Jackson Laboratories, attracting top talent, and the funding opportunities that come with them, can be difficult and expensive.

Clinically, healthcare reform and shifting regional and national dynamics continue to change the way hospitals serve their communities. As a result UConn Health is exploring the possibility of public private partnership and has issued a solicitation of interest to the broad healthcare market, making the upcoming year a critical year in this exploration. Our primary objective is to create financial stability for the organization and address market consolidation in a way that strengthens our teaching and research enterprises by generating additional funding.

Concurrently, we continue to work on strengthening our operations and ability to compete in the marketplace on a standalone basis. Should we decide that a suitable partnership is not presently available, UConn Health remains committed to increasing our patient volume and adapting our care offerings to changing population demographics, needs, and treatment demands. Management believes our new facilities, growth in our faculty and consistent consumer marketing provides UConn Health with the resources it needs to compete effectively. Additionally, we continue to pursue additional opportunities to improve revenue cycle related operations, and as a result anticipate a reevaluation of clinical business.

Continued economic pressures within the State of Connecticut are not expected to improve and may still worsen causing some instability in the predictability of State support across UConn Health. Leadership remains diligent on continued cost reduction work while protecting quality. Provisions of the SEBAC 2017 agreement, including a bargained one-time payment to SEBAC members and certain employment protections, will increase the pressure to contain costs. Additional cuts in State support, beyond those in the original biennial budget, are possible depending on how the State plans to balance its budget for 2019.

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

#### **CONTACTING UCONN HEALTH'S FINANCIAL MANAGEMENT**

This financial report provides the reader with a general overview of UConn Health'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.



# **FINANCIAL STATEMENTS**

**UCONN HEALTH**  
**STATEMENT OF NET POSITION**  
**As of June 30, 2018**

	<b>2018</b>
	(\$ in thousands)
<b>ASSETS</b>	
<b>Current Assets</b>	
Cash and cash equivalents	\$ 118,794
Patient receivables, net	57,227
Contract and other receivables	33,733
Construction escrow account	529
Due from Affiliates (Note 12)	35,385
Due from State of Connecticut	6,870
Inventories	11,531
Prepaid expenses	12,185
Total current assets	276,254
<b>Noncurrent Assets</b>	
Restricted cash and cash equivalents	472
Other assets	3,733
Due from State of Connecticut	1,746
Capital and intangible assets, net	1,068,437
Total noncurrent assets	1,074,388
Total assets	\$ 1,350,642
Deferred Outflows of Resources Pension (Note 11)	\$ 339,994
Deferred Outflows of Resources OPEB (Note 11)	\$ 89,256

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

**UCONN HEALTH**  
**STATEMENT OF NET POSITION (continued)**  
**As of June 30, 2018**

	<b>2018</b>
	(\$ in thousands)
<b>LIABILITIES</b>	
<b>Current Liabilities</b>	
Accounts payable and accrued liabilities	\$ 55,656
Due to State of Connecticut	7,576
Accrued salaries	27,014
Compensated absences - current portion (Note 10)	18,462
Due to third party payors	19,831
Due to Affiliates (Note 14)	8,302
Unearned revenues	932
Malpractice reserve (Note 10)	3,285
Long-term debt - current portion (Note 10)	6,906
Total current liabilities	147,964
<b>Noncurrent Liabilities</b>	
Malpractice reserve (Note 10)	11,696
Compensated absences - net of current portion (Note 10)	30,717
Pension Liability (Note 11)	1,161,870
OPEB Liability (Note 11)	1,208,426
Long-term debt - net of current portion (Note 10)	193,617
Total noncurrent liabilities	2,606,326
Total liabilities	\$ 2,754,290
Deferred Inflows of Resources Pension	\$ 10,196
Deferred Inflows of Resources OPEB	\$ 30,359
<b>NET POSITION</b>	
Net investment in capital assets	\$ 867,913
Restricted for	
Nonexpendable	
Scholarships	61
Expendable	
Research	(127)
Loans	523
Capital projects	37,660
Unrestricted	(1,920,983)
Total net position	\$ (1,014,953)

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

**UCONN HEALTH**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**For the Year Ended June 30, 2018**

	<b>2018</b>
	(\$ in thousands)
<b>OPERATING REVENUES</b>	
Student tuition and fees (net of scholarship allowances of \$5,964)	\$ 18,613
Patient services (net of charity care of \$422)	580,697
Federal grants and contracts	50,748
Nonfederal grants and contracts	29,337
Contract and other operating revenues	127,188
Total operating revenues	806,583
<b>OPERATING EXPENSES</b>	
<b>Educational and General</b>	
Instruction	179,948
Research	56,102
Patient services	747,637
Academic support	19,322
Institutional support	112,126
Operations and maintenance of plant	38,223
Depreciation and amortization	52,637
Student aid	364
Total operating expenses	1,206,359
Operating loss	(399,776)
<b>NONOPERATING REVENUES (EXPENSES)</b>	
State appropriations	279,513
Gifts	5,706
Investment income	654
Interest on capital asset - related debt	(9,909)
Net nonoperating revenues	275,964
Loss before other changes in net position	(123,812)
<b>OTHER CHANGES IN NET POSITION</b>	
Capital appropriations	88,806
Loss on Disposal	(3,092)
Net Other Changes in Net Position	85,714
Decrease in net position	(38,098)
<b>NET POSITION</b>	
Net position-beginning of year (as previously stated)	126,332
Cumulative effect of implementing GASB 75 (see note 1)	(1,103,187)
Net position-beginning of year as restated	(976,855)
Net position-end of year	\$ (1,014,953)

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

**UCONN HEALTH**  
**STATEMENT OF CASH FLOWS**  
**For the Year Ended June 30, 2018**

	<b>2018</b>
	(\$ in thousands)
<b>Cash flows from operating activities:</b>	
Cash received from patients and third-party payors	\$ 582,668
Cash received from tuition and fees	18,613
Cash received from grants, contracts and other revenue	202,674
Cash paid to employees for personal services and fringe benefits	(563,072)
Cash paid for other than personal services	(339,143)
Net cash used in operating activities	(98,260)
<b>Cash flows from investing activities:</b>	
Interest received	654
Net cash provided by investing activities	654
<b>Cash flows from noncapital financing activities:</b>	
State appropriations	131,183
Gifts	5,706
Net cash provided by noncapital financing activities	136,889
<b>Cash flows from capital and related financing activities:</b>	
Additions to property and equipment	(97,441)
Capital appropriations	86,257
Interest paid	(9,922)
Net proceeds/(repayment) from long-term debt	(4,626)
Net cash used in capital and related financing activities	(25,732)
Net increase in cash and cash equivalents	13,551
Cash and cash equivalents at beginning of year	105,715
Cash and cash equivalents at end of year	\$ 119,266

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

**UCONN HEALTH**  
**STATEMENT OF CASH FLOWS (Continued)**  
**For the Year Ended June 30, 2018**

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	<b>2018</b>
	(\$ in thousands)
<b>Operating loss</b>	\$ (399,776)
<b>Adjustments to reconcile operating loss to net cash</b>	
Used in operating activities:	
Depreciation and amortization	52,637
Personal services and fringe benefits In Kind from State	148,331
<b>Changes in assets and liabilities:</b>	
Patients receivables, net	(5,546)
Contract and other receivables	(3,478)
Due from DOC	10,909
Inventories	249
Third party payors	(3,392)
Prepaid expenses	(5,539)
Other assets	(753)
Accounts payable and accrued liabilities	7,640
Due to State of Connecticut	7,197
Due to Affiliates	8,302
Accrued salaries	(579)
Pension liabilities and related deferred outflows/inflows	99,350
Compensated absences	(2,815)
Deferred revenue	(1,121)
Malpractice reserve	(9,876)
<b>Net cash used in operating activities</b>	\$ (98,260)

**Schedule of Non-Cash Financing Transactions**

Mortgage proceeds held by Trustee in construction escrow account	\$ (1,950)
Accruals of expenses related to construction in progress	\$ 75
Loss on disposal of capital and intangible assets	\$ (3,092)

# **NOTES TO FINANCIAL STATEMENTS**

**UCONN HEALTH**  
**Notes to Financial Statements**  
**For the Years Ended June 30, 2018**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Related Entities**

The University of Connecticut Health Center (“UConn Health”) is a part of a comprehensive institution of higher education, the University of Connecticut (the “University”). Although governed by a single Board of Trustees, UConn Health and the University maintain separate budgets and are by statute separate entities for purposes of maintaining operating funds and State Appropriations. UConn Health also has a Board of Directors to whom the Board of Trustees has delegated certain responsibility and authority. These financial statements represent transactions and balances of UConn Health for the year ended June 30, 2018, which includes the School of Medicine, School of Dental Medicine, UConn Medical Group (UMG), Finance Corporation, Correctional Managed Healthcare (CMHC), Dental Clinics (the “Primary Institution”) and John Dempsey Hospital (the “Hospital”). UConn Health offers medical and dentistry degrees as well as Ph.D.’s in the biomedical sciences and operates a physician/dentist practice and a teaching and research hospital. There is also an affiliated entity that supports the mission of UConn Health: The University of Connecticut Foundation Inc. (the “Foundation”). The Foundation raises funds to promote, encourage, and assist education and research at the University, including UConn Health.

**Correctional Managed Healthcare**

On June 30, 2018, the agreement between the State Department of Corrections (DOC) and UConn Health to facilitate both outpatient and inpatient medical care for Connecticut’s incarcerated population through UConn Health’s Correctional Managed Healthcare (CMHC) expired. Both parties had previously agreed not to pursue an extension of this agreement. Instead, UConn Health and DOC agreed to transfer unionized staff from CMHC to DOC. DOC then signed certain agreements with UConn Health for the provision of services on an interim basis while it evaluated which services it would manage itself or put out to bid.

UConn Health closed the Correctional Managed Healthcare service line as of June 30, 2018. In doing so, UConn Health incurred certain costs related to the separation of non-transferred staff as well as certain closeout costs for the program. As a result, UConn Health recorded a one-time charge of \$5.3 million related to the closure of the program. Future CMHC expenses, to the extent they were incurred before June 30, 2018, will be borne by UConn Health. The reduction in employees should favorably impact UConn Health’s GASB 68 and 75 liabilities in future periods. The full extent of this adjustment cannot be reasonably estimated at this time.

**Basis of Presentation**

UConn Health’s financial statements are prepared using the economic resources measurement focus and in accordance with all relevant Governmental Accounting Standards Board (GASB) pronouncements.

In June 2015, GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this Statement is to identify, in the context of the current governmental financial reporting environment, the hierarchy of accounting principles generally accepted in the United States of America (GAAP). UConn Health adopted this Statement for the year ended June 30, 2016.

In February 2015, GASB issued Statement No. 72, *Fair Value Measurement and Application*. This Statement addresses accounting and financial reporting issues related to fair value measurements. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. UConn Health adopted this Statement for the year ended June 30, 2016.

UConn Health adopted GASB issued Statement No. 67, *Financial Reporting for Pension Plans*, and Statement No. 68, *Accounting and Financial*



*Reporting for Pensions.* GASB 67 pertains to financial reporting by state and local government pension plans, effective for plan years beginning after June 15, 2013. GASB 68 addresses new accounting and financial reporting requirements for governmental employers that provide their employees with pension benefits administered through a qualified trust and was effective for UConn Health beginning July 1, 2014. This statement establishes standards for measuring and recognizing pension liabilities, deferred outflows of resources, deferred inflows of resources, and expenses.

Under GASB 68, UConn Health reports its proportionate share of the collective pension amounts related to the State Employees' Retirement System and the Teachers' Retirement System in its stand-alone financial statements. This statement also requires more extensive note disclosure and required supplementary information (RSI) related to pensions.

In addition, UConn Health adopted GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, effective simultaneously with the provisions of GASB 68. This Statement amends GASB 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability.

In June 2015, GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. The provisions of this Statement are effective for financial statements with periods beginning after June 15, 2016. Adoption of this standard did not have a material impact on UConn Health's financial statements.

In June 2015, GASB issued 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other

postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. The provisions of this Statement became effective for financial statements with periods beginning after June 15, 2016 and the adoption of this standard did not have a material impact on UConn Health's financial statements.

**Recently Adopted Accounting Pronouncements**

In 2018, UConn Health adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions*, which required additional disclosures and the reporting of UConn Health's proportionate share of the net liabilities related to its participation in the State's postemployment benefit plans on the statements of net position and requires supplementary information about the postemployment liabilities. This statement is effective for fiscal years beginning after June 15, 2017.

As the State Employee OPEB Plan (SEOPEBP) did not have a practical way to provide each of its component units with all of the information needed to fully restate their prior period financial statements, UConn Health has elected to apply the "cumulative effect" method, as permitted by GASB 75, by restating beginning net position as of July 1, 2017. The implementation of this standard resulted in an adjustment to reduce UConn Health's beginning net position by \$1.1 billion as of July 1, 2017.

The cumulative effect of applying GASB 75 is reported as a restatement of beginning net position. The following table shows the impact of the cumulative effect method of adopting and implementing GASB 75 on beginning net position.

	2018
	(\$ in thousands)
Net Position, beginning of period, July 1, 2017 (as previously stated)	\$ 126,332
Cumulative effect of adopting GASB 75	(1,149,638)
Deferred outflows	46,451
Net Position, beginning of period, July 1, 2017 (as re-stated)	<u>\$ (976,855)</u>

### **Upcoming Accounting Pronouncements**

In June 2017, GASB issued Statement No. 87, *Leases*. The objective of this Statement is to improve accounting and financial reporting for leases by governments. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The provisions of this statement are effective for reporting periods beginning after December 15, 2019. UConn Health is currently evaluating the impact this standard will have on its financial statements.

### **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, deferred inflows and outflows of resources and disclosure of contingent assets and liabilities 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.

### **Proprietary Fund Accounting**

UConn Health utilizes the proprietary fund method of accounting whereby revenue and expenses are recognized on the accrual basis. All revenues and expenses are subject to accrual.

### **Basis of Presentation**

All significant intra-agency transactions have been eliminated in the presentation of the Consolidated Financial Statements. Additional information about eliminations may be found in the supplemental schedules.

### **Operating and Non-operating revenues:**

UConn Health breaks out revenues between operating and non-operating based on the nature of the transaction as being either an exchange or non-exchange transaction. Exchange transactions principally include services provided by UConn Health to the community. Non-exchange transactions include State Appropriations, Gifts, Loss on disposal of property and equipment, and Investment Returns.

### **Cash and Cash Equivalents:**

UConn Health considers all funds that have not been board or otherwise designated and which are held on its behalf by the State of Connecticut to be cash.

### **Construction Escrow Account:**

Funds related to the financing of the Outpatient Pavilion are placed into the Construction Escrow account upon advancement from the lender. UConn Health does not have immediate access to these funds and must submit receipts and other prescribed documentation in order to apply for reimbursement of construction expenses from the fund.

### **Due from Affiliate and Due to Affiliate**

Due from affiliate includes the unspent portion of general obligation bond proceeds allocated to UConn Health for capital projects that are administered by the University of Connecticut. Due from/to affiliate includes payables to the University of Connecticut resulting from cost-reimbursement arrangements for shared operating activities.

### **Accounts Receivable and Net Patient Service Revenues**

Net patient service revenues are reported at the estimated net realizable amounts from patients, third-party payers, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payers. 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.

### **Investments and Investment Income**

The State of Connecticut has established various funds to account for the operations of UConn Health. These funds include the University Health Center Operating Fund (Fund 12018), the University Health Center Research Foundation Fund (Fund 12023), the University Health Center Hospital Fund (Fund 21002) and the UConn Health Malpractice Fund (Fund 35015). Grants and contracts for research and related retained overhead recoveries are accounted for in the Research Foundation Fund. The Malpractice Fund accounts for assets set aside annually as part of the Health Center's self-insurance for malpractice claims. The Operating Fund acts as a "General Fund" for UConn Health, accounting for all operations not accounted for elsewhere.

Unrestricted Research Foundation Fund and Malpractice Fund assets in excess of immediate cash

needs are invested in the State of Connecticut Short-Term Investment Fund (STIF). Most restricted Research Foundation Fund assets are not invested, though there are certain exceptions including gift accounts and funds invested at the request of sponsoring organizations. Local student activity funds controlled by UConn Health are also invested in STIF; these funds are minimal in amount.

The STIF, which was established and is operated under Sections 3-27a through 3-27i of the General Statutes, provides State agencies, funds, political subdivisions and others with a mechanism for investing at a daily-earned rate with interest from day of deposit to day of withdrawal. STIF participants have daily access to their account balances. Underlying investments of the STIF are mainly in money market instruments.

Though Operating Fund participation in STIF is not significant, UConn Health earns interest on Operating Fund cash balances through the State Treasurer's interest credit program. Under this program, the Treasurer pays UConn Health STIF equivalent interest on the average daily cash balance held in the Operating Fund each quarter. Additionally, interest is paid on monies transferred from UConn Health's civil list funds into the direct disbursement account used to process checks issued directly to vendors by UConn Health. Though the balance in this account may include assets of the Operating, Research Fund and Hospital Funds, all interest earned is credited to the Operating Fund. The Hospital Fund does not participate in STIF or, other than described above, the Treasurer's interest credit program.

Investment Income also includes amounts received from endowments.

### **Inventories**

Consumable supplies are expensed when received with the exception of certain central inventories. Cost of the inventory is determined on a moving average basis for the Central Warehouse, and on a first-in, first-out basis for the others. Pharmacy inventory is valued at market which approximates cost due to high turnover rates for institutional pharmaceuticals.

### **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 have an estimated useful life of 5 to 50 years and equipment has an estimated useful life of 2 to 25 years.

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 primary project stage, application development state, or post-implementation state, 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 years to 10 years. During the year ended June 30, 2018, My UConn Health electronic health system was placed in service with total capitalized costs of approximately \$68.0 million. Capitalized computer software costs are included with capital assets on the statements of net position. Reference is made in note 9 for the gross costs capitalized and the accumulated amortization of capitalized computer costs.

### **Impairment of Long-Lived Assets**

UConn Health 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 2018, UConn Health replaced its electronic health record system (EHR) with EPIC. My UConn Health is the UConn Health brand given to EPIC. My UConn Health replaced the Siemens and NextGen systems which were written off in the current fiscal year. The loss on disposal was \$2.4 million. As of June 30, 2018, UConn Health continues to utilize its legacy patient revenue systems and therefore, did not record any impairment losses.

### **Medical Malpractice**

Health care providers and support staff of the UConn Health 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 have been charged against UConn Health's malpractice self-insurance fund. Effective July 1, 1999, UConn Health developed a methodology by which it could allocate malpractice costs between the Hospital, UMG, and Dental practices. For the year ended June 30, 2018, these costs are included in the statement of revenues, expenses and changes in net position.

### **Compensated Absences**

UConn Health'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. All other compensated absences are accrued at 100% of their balance. Compensated absences have been allocated between current and noncurrent based on historical information.

### **Pension Liabilities**

In accordance with GASB 68, UConn Health 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 benefits 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 have 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. Employer 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.

### **OPEB Liabilities**

Individuals who are employed by UConn Health are eligible to participate in the State's group health plan and are also eligible to continue benefits upon retirement.

For this purpose, plan member contributions are recognized in the period in which the contributions are due. Employer 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.

UConn Health recorded its proportionate share of the net OPEB liability during the year ended June 30, 2018.

### **Deferred Outflows of Resources and Deferred Inflows of Resources**

UConn Health reports its proportionate share of collective deferred outflows of resources or collective deferred inflows of resources related to its defined-benefit pension and OPEB plans. Differences between expected and actual experience in the measurement of the total pension liability and OPEB liability, 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 benefits and OPEB benefits. The net differences between projected and actual earnings on pension and OPEB plan investments are reported as deferred outflows or deferred inflows and are recognized over the average remaining service lives of the plan participants. Contributions to the pension and OPEB plan from UConn Health subsequent to the measurement date of the net pension liability and before the end of the reporting period are reported as a deferred outflow of resources related to pensions and OPEB.

### **Regulatory Matters**

The Hospital is required to file semi-annual and annual operating information with the State of Connecticut Office of Health Strategy (OHS) formerly Office of Health Care Access ("OHCA"), and is required to file annual cost reports with Medicare and Medicaid.

## 2. CASH DEPOSITS AND INVESTMENTS

Statement No. 40 of the GASB requires governmental entities to disclose credit risk associated with cash deposits and investment balances, and investment policies applied to mitigate such risks, especially as it relates to uninsured and unregistered investments for which the securities are held by the broker or dealer, or by its trust department or agent, but not in UConn Health's name.

UConn Health's cash and cash equivalents, current and noncurrent, balance was \$119,266,272, as of June 30, 2018, included the following:

	<u>2018</u>
Cash maintained by State of Connecticut Treasurer	\$ 76,565,749
Invested in State of Connecticut Short-Term Investment Fund	42,514,761
Deposits with Financial Institutions and Other	176,407
Currency (Change Funds)	<u>9,355</u>
Total cash and cash equivalents	119,266,272
Less: current balance	<u>118,794,080</u>
Total noncurrent balance	<u>\$ 472,192</u>

Collateralized deposits are protected by Connecticut statute. Under this statute, any bank holding public deposits must at all times maintain, segregated from its other assets, eligible collateral in an amount equal to at least a certain percentage of its public deposits. The applicable percentage is determined based on the bank's risk-based capital ratio – a measure of the bank's financial condition. The collateral is kept in the custody of the trust department of either the pledging bank or another bank in the name of the pledging bank. Portions of the bank balance of the State of Connecticut were insured by the Federal Deposit Insurance Corporation or collateralized. As a State agency, UConn Health benefits from this protection, though the extent to which the deposits of an individual State agency such as UConn Health are protected cannot be readily determined.

### Short-Term Investment Fund (STIF)

STIF is a money market investment pool in which the State, municipal entities, and political subdivisions of the State are eligible to invest. The State Treasurer is authorized to invest monies of STIF in United States government and agency obligations, certificates of deposit, commercial paper, corporate bonds, saving accounts, bankers' acceptances, repurchase agreements, asset-backed

securities, and student loans. For financial reporting purposes, STIF is considered to be "cash equivalents" in the statements of net position.

UConn Health's cash management investment policy authorizes UConn Health to invest in the State Treasurer's Short Term Investment Fund, United States Treasury bills, United States Treasury notes and bonds, United States Government Agency obligations, banker's acceptances, certificates of deposit (including EURO Dollars), commercial paper, money market funds, repurchase agreements and savings accounts. The \$42,514,761 invested in the State of Connecticut Investment Pool is invested by the State Treasurer in its Short-term Investment Fund and had a Standard and Poor's rating of AAAM during fiscal year 2018.

Certain funds are held by outside fiscal agents and are not under the direct control of UConn Health. Accordingly, the assets of these funds are not included in the financial statements. The fair value amount of these funds was \$2,556,035 as of June 30, 2018. Investment income earned on these assets is transferred to UConn Health in accordance with the applicable trust agreement. Income received from those sources was \$17,059 the year ended June 30, 2018.

## 3. HYPOTHECATION

Individual components of UConn Health are allowed to borrow from the State on the basis of their net patient receivables and contract and other receivables to fund operations. These units include John Dempsey Hospital and the UConn Medical Group. John Dempsey Hospital is allowed to borrow from the State at up to 90% of its receivables. UConn Medical Group is allowed to borrow at up to 70% of its receivables. As of June 30, 2018, the Hospital and UMG had the following draws and availability under the State statute:

	<u>2018</u>	
	<u>John Dempsey Hospital</u>	<u>UConn Medical Group</u>
<b>Amount Drawn under Hypothecation</b>	\$ -	5,622,734
<b>Remaining amounts available under Hypothecation</b>	\$ 53,524,046	815,913

#### 4. NET PATIENT SERVICE REVENUE

UConn Health provides health care services primarily to residents of the region. Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. UConn Health believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. While no such regulatory inquiries are outstanding, 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 UConn Health.

UConn Health has agreements with third-party payers that provide for payments at amounts different from its established rates. These third party payers include Medicare, Medicaid and certain commercial insurance carriers and Health Maintenance Organizations. Additionally, under the Correctional Managed Health Care Program, UConn Health provides medical, dental and psychiatric care to the inmates incarcerated at the State's correctional facilities. This program is funded from the State's General Fund through the Department of Correction.

Patient service revenue for UConn Health is as follows:

	<u>2018</u>
John Dempsey Hospital	
Gross patient services revenue	\$ 1,083,127,982
Less allowances	664,371,947
Less bad debts	<u>20,009,230</u>
	398,746,805
UConn Medical Group	
Gross patient services revenue	250,898,128
Less allowances	152,599,202
Less bad debts	<u>1,398,240</u>
	96,900,686
Correctional Managed Health Care	79,661,517
All other	<u>11,725,169</u>
	587,034,177
Eliminations	<u>(6,337,176)</u>
	\$ <u>580,697,001</u>

(Amounts above include internal transactions eliminated on the face of the statements. Additional information is

provided in the Supplemental Information at the end of these statements)

#### 5. CHARITY CARE

The Hospital and Physician Practice maintain 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 2018, the Hospital and Physician Practice provided charity care services of \$367,843 and \$54,612, respectively. The cost basis of these services for the Hospital was \$167,274. The cost basis of UMG charity care services was undetermined. All related expenses are included in operating expenses.

#### 6. ENDOWMENTS

UConn Health designated the Foundation as manager of UConn Health's endowment funds. The Foundation makes spending allocation distributions to UConn Health for each participating endowment. The distribution is spent by UConn Health in accordance with the respective purposes of the endowments and with the policies and procedures of UConn Health. Additional information is presented in note 14.

#### 7. RESIDENCY TRAINING PROGRAM

UConn Health's School of Medicine Residency Training Program provides area hospitals with the services of interns and residents. Participating hospitals remit payments to UConn Health, in accordance with an established rate schedule, for services provided. UConn Health, in turn, funds the Capital Area Health Consortium, Inc., which coordinates the payment of payroll and the provision of related fringe benefits to the interns and residents, under a contractual arrangement. Amounts remitted or owed by participating hospitals for payments made to interns and residents, and amounts paid or due under contract to the Capital Area Health Consortium, Inc., are reflected in the accompanying financial statements as current unrestricted revenues and expenditures, respectively.

UConn Health's School of Dental Medicine also operates its Residency Training Program through the Consortium. Dental Residents work in local dental clinics honing their skills while providing services to traditionally underserved populations.

## 8. CONTINGENCIES

UConn Health is a party to various legal actions arising in the ordinary course of its operations. While it is not feasible to predict the ultimate outcome of these actions, it is the opinion of management that the resolution of these matters will not have a material effect on UConn Health's financial statements.

## 9. CAPITAL AND INTANGIBLE ASSETS

Capital and intangible assets at June 30, 2018, consisted of the following:

	<u>2018</u>
Land	\$ 13,537,051
Construction in Progress	313,664,871
Buildings	936,323,483
Equipment	261,742,204
Computer Software	92,405,911
Capital Leases	<u>14,084,244</u>
	1,631,757,764
Less accumulated depreciation	<u>563,320,310</u>
Capital and intangible assets, net	<u>\$ 1,068,437,454</u>

UConn Health's fine art collection is capitalized on the statement of net position. This collection is included in equipment in the Primary Institution and totaled \$1,246,698 at June 30, 2018. Plant and equipment activity and related information on accumulated depreciation for UConn Health for the year ended June 30, 2018 was as follows:

	<u>2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>2018</u>
<u>Property and equipment:</u>				
Land	\$ 13,537,051	-	-	\$ 13,537,051
Construction in Progress	329,428,817	56,165,867	(71,929,813)	313,664,871
Buildings and Building Improvements	921,799,316	19,026,961	(4,502,794)	936,323,483
Equipment	249,111,074	23,099,219	(10,468,089)	261,742,204
Computer Software	38,818,559	67,379,004	(13,791,652)	92,405,911
Capital Leases	14,084,244	-	-	14,084,244
Total property and equipment	<u>1,566,779,061</u>	<u>165,671,051</u>	<u>(100,692,348)</u>	<u>1,631,757,764</u>
<u>Less accumulated depreciation:</u>				
Buildings and Building Improvements	314,150,457	29,067,991	(4,100,827)	339,117,621
Equipment	182,339,141	17,717,335	(10,074,281)	189,982,195
Computer Software	28,036,493	5,353,129	(11,495,029)	21,894,593
Capital Leases	11,827,379	498,522	-	12,325,901
Total accumulated depreciation	<u>536,353,470</u>	<u>52,636,977</u>	<u>(25,670,137)</u>	<u>563,320,310</u>
<u>Net property and equipment:</u>				
Land	13,537,051	-	-	13,537,051
Construction in Progress	329,428,817	56,165,867	(71,929,813)	313,664,871
Buildings and Building Improvements	607,648,859	(10,041,030)	(401,967)	597,205,862
Equipment	66,771,933	5,381,884	(393,808)	71,760,009
Computer Software	10,782,066	62,025,875	(2,296,623)	70,511,318
Capital Leases	2,256,865	(498,522)	-	1,758,343
Total capital assets, net	<u>\$ 1,030,425,591</u>	<u>\$ 113,034,074</u>	<u>(75,022,211)</u>	<u>\$ 1,068,437,454</u>

Construction in progress at June 30, 2018, represents accumulated costs for various UConn Health construction projects. UConn Health has entered into various contractual arrangements related to

these projects. Upon completion, the cost of the project is transferred to the appropriate investment in property and equipment category and depreciation will commence.

During 2018, UConn Health placed My UConn Health in service, which had total capitalized hardware and software costs of approximately \$68.0 million representing the cost of the system that met

the criteria for capitalization from the inception of the project. The My UConn Health system is being depreciated over 10 years and related hardware is being depreciated between 3 to 10 years.

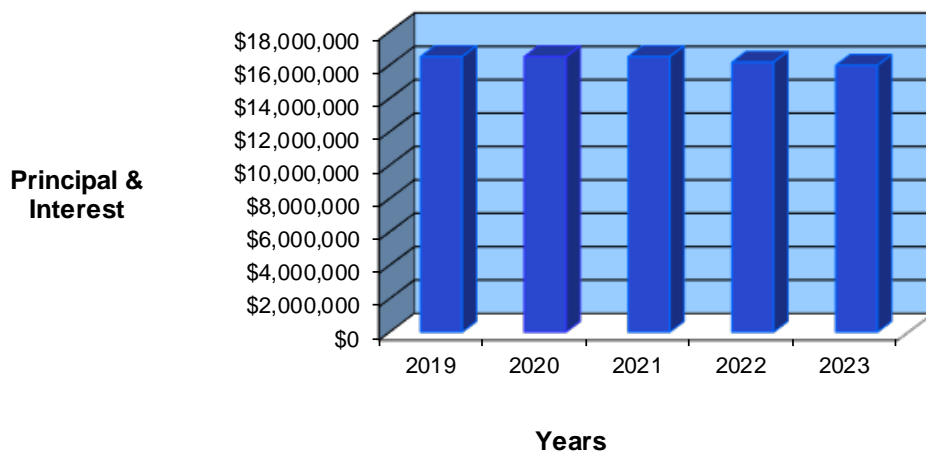
## 10. LONG-TERM LIABILITIES

Long-term liability activity for the years ended June 30, 2018 was as follows:

	June 30, 2017			June 30, 2018	
	Balance	Additions	Reductions	Balance	Amounts due within 1 year
<b>Long-Term debt:</b>					
Capital Leases John Dempsey Hospital	2,186,599		(485,482)	1,701,117	494,853
Mortgage Agreements Primary Institution	204,913,696		(6,090,659)	198,823,037	6,411,004
Total Long-Term Debt	207,100,295		(6,576,141)	200,524,154	6,905,857
<b>Malpractice reserve</b>	24,857,000		(9,876,000)	14,981,000	3,285,000
<b>Compensated absences</b>	51,993,744	29,830,669	(32,645,767)	49,178,646	18,461,664
<b>Total Long - Term Liabilities</b>	\$ 283,951,039	\$ 29,830,669	\$ (49,097,908)	\$ 264,683,800	\$ 28,652,521

Estimated cash basis interest and principal requirements for the long-term debt (including the full amounts payable for the Outpatient Pavilion) for the next five years and thereafter are as follows:

### Long-Term Debt Requirement



Year	Long-Term Debt
2019	16,508,114
2020	16,508,114
2021	16,508,114
2022	16,173,569
2023	15,985,039
Thereafter	236,865,201
Totals	\$ 318,548,151

All assets subject to capital lease agreements are included in property and equipment on the

accompanying Statement of Net Position; depreciation on these assets included in depreciation



in the accompanying Statement of Revenues, Expenses, and Changes in Net Position (see note 9). Loans related to these capital lease agreements are included in long-term debt on the accompanying Statement of Net Position.

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 based on actuarially determined estimates that incorporate UConn Health's past experience as well as other considerations, including the nature of each claim or incident and relevant trend factors. The scope of UConn Health's assessment for establishing budgets for malpractice costs encompasses physicians, dentists, and all other UConn Health health care providers, and support staff.

UConn Health is involved in litigation claiming a substantial amount of damages arising in the ordinary course of business. Specifically, claims alleging malpractice have been asserted against UConn Health and are currently in various stages of litigation. Costs associated with these known claims, including settlements, as well as any new claims arising during the course of business will be paid from the malpractice fund.

Pursuant to Public Act No. 09-3, to the extent that claims for cases exceed current year premiums budgeted by UConn Health, UConn Health may petition the State to make up any difference. 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, 2018, UConn Health Malpractice Fund had actuarial reserves of approximately \$15 million and assets of approximately \$7.4 million.

## **11. RETIREMENT PLAN AND OTHER POST EMPLOYMENT BENEFITS**

### **State Retirement Systems**

The University sponsors two defined benefit plans administered through the State: the State Employees' Retirement System (SERS) and the Connecticut Teachers' Retirement System (TRS); and the Alternate Retirement Plan which is a defined contribution plan. Through employee participation

in one of the above plans, employees are also enrolled in the State of Connecticut State Employee OPEB Plan (SEOPEBP). SERS, TRS and SEOPEBP do not issue stand-alone financial reports but are reported as fiduciary funds within the State's Comprehensive Annual Financial Report (CAFR). Financial reports are available on the website of the Office of the State Comptroller at [www.osc.ct.gov](http://www.osc.ct.gov). Information for the SERS and OPEB plans, in which UConn Health holds significant liabilities under GASB 68 and GASB 75, respectively, is presented below.

### **State Employees' Retirement System (SERS)**

*Pension plan* - SERS is a single-employer defined-benefit plan that covers substantially all of the State's full-time employees who are not eligible for another State sponsored retirement plan. SERS is administered by the State Comptroller's Retirement Division under the direction of the State Employees Retirement Commission. As of June 30, 2018, SERS consisted of five plans: Tier I, Tier II, Tier IIA, Tier III, and the Tier IV Hybrid Plan. In accordance with GASB 68, UConn Health must report for its participation in SERS as if it were a cost-sharing employer plan.

*Benefits provided* - SERS was established by the Connecticut General Assembly for the purpose of providing retirement, disability, and death benefits along with annual cost-of-living adjustments (COLAs) to plan members and their beneficiaries. Generally, the monthly pension benefit is calculated in accordance with a basic formula, which takes into consideration average salary, credited service, and age at retirement. Further details on plan benefits, COLAs, and other plan provisions are described in Sections 5-152 to 5-192 of the State General Statutes.

*Contributions* - The contribution requirements are established and may be amended by the State legislature subject to the contractual rights established by collective bargaining. Tier I Plan B regular and Hazardous Duty members are required to contribute two percent and four percent of their annual salary, respectively, up to the Social Security Taxable Wage Base plus five percent above that level; Tier I Plan C members are required to contribute five percent of their annual salary; Tier II Plan Hazardous Duty members are required to contribute four percent of their annual salary; Tier IIA and Tier III Plans regular and Hazardous Duty

members are required to contribute two percent and five percent of their annual salary, respectively.

Individuals hired on or after July 1, 2011, who are otherwise eligible for the Alternate Retirement Plan are also eligible to become members of the Tier IV Hybrid Plan. The Hybrid Plan has defined benefits identical to Tiers II, IIA, and III for individuals hired on or after July 1, 2011, but requires employee contributions three percent higher than the contribution required from the applicable Tier II, IIA, or III Plan. The State is required to contribute at an actuarially determined rate. Transfers to the Tier IV Hybrid plan is made via a one time, irrevocable election that must be made by December 14, 2018.

UConn Health makes contributions on behalf of the employees, through a fringe benefit charge assessed by the State. These amounts are expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. UConn Health's contributions (exclusive of CMHC) were \$52.2 million for fiscal year 2018.

In 2018, provisions under collective bargaining agreements were amended for existing SERS plans by revising certain factors including employee contribution rates and COLAs. A Tier IV plan was also placed into effect for employees hired on or after the effective date. These changes were effective July 1, 2017.

*Proportionate share of collective Net Pension Liability (NPL* - The total pension liability (TPL)) used to calculate the collective NPL was determined based on the annual actuarial funding valuation report as of June 30, 2017. UConn Health's proportion of the collective NPL was based on UConn Health's share of contributions relative to total contributions made to the respective pension plans. Based on this calculation, UConn Health's proportion of SERS was 5.50 percent at the measurement date of June 30, 2017.

At June 30, 2018, UConn Health reported liabilities of \$1.2 billion for its proportionate share of the SERS collective NPL.

*Actuarial assumptions* - For SERS, the RP-2014 White Collar Mortality Table projected to 2020 by scale BB at 100 percent for males and 95 percent for females is used for the period after service retirement

and for dependent beneficiaries. The RP-2014 Disabled Retiree Mortality Table at 65 percent for males and 85 percent for females is used for the period after disability.

The TPL was based on actuarial study for the period July 1, 2011–June 30, 2015 for SERS using the following key assumptions:

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

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 weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class as of the June 30, 2017 measurement date are summarized in the following table:

Asset Class	Target	Long-term
	Allocation	Expected Real Rate of Return
Large Cap U.S. Equities	21.00%	5.80%
Developed Non-U.S. Equities	18.00%	6.60%
Emerging Market (Non-U.S.)	9.00%	8.30%
Real Estate	7.00%	5.10%
Private Equity	11.00%	7.60%
Alternative Investments	8.00%	4.10%
Fixed Income (Core)	8.00%	1.30%
High Yield Bonds	5.00%	3.90%
Emerging Market Bond	4.00%	3.70%
Inflation Linked Bonds	5.00%	1.00%
Cash	4.00%	0.40%
<b>Total</b>	<b>100.00%</b>	

*Discount rate* - The discount rate used to measure the TPL at June 30, 2017 was the long-term rate of return of 6.9%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and that employer 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 2136.

Based on those assumptions, SERS's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL and a municipal bond rate was not used in determining the discount rate.

*Sensitivity analysis* - The following table presents UConn Health's proportionate share of the collective NPL calculated using the discount rate of 6.9%, as well as what UConn Health's proportionate share of the collective NPL would be if it were calculated using a discount rate that is 1-percentage-point lower (5.9%) or 1-percentage-point higher (7.9%) than the current rate (amounts in thousands):

1% Decrease (5.9%)	Current Discount Rate (6.9%)	1% Increase (7.9%)
\$1,340,779	\$1,159,362	\$ 933,362

*Pension plan fiduciary net position.* Detailed information about the fiduciary net position of the SERS pension plan is available in the State's CAFR for the fiscal year ended June 30, 2017.

### **Connecticut Teachers' Retirement System (TRS)**

*Pension plan* - TRS is a cost-sharing multiple-employer defined-benefit plan covering any teacher, principal, Superintendent, or supervisor engaged in service of public schools in the State. Employees previously qualified for TRS continue coverage during employment with UConn Health, and do not participate in any other offered retirement plans. TRS is governed by Chapter 167a of the State General Statutes, as amended through the current session of the State Legislature, and is administered by the Teachers' Retirement Board.

*Benefits provided* - TRS provides retirement, disability, and death benefits, and annual COLAs to plan members and their beneficiaries. Generally, monthly plan benefits are based on a formula in combination with the member's age, service, and the average of the highest three years of paid salaries. Further information on TRS plan benefits, COLAs, and other plan provisions are described in Sections 10-183b to 10-183ss of the State General Statutes.

*Contributions* - The contribution requirements are established and may be amended by the State legislature. Plan members are required to contribute 6.0% of their annual salary. According to Section 10-183z of the State General Statutes, a special funding situation requires the State to contribute 100.0% of employer's contributions on behalf of its municipalities at an actuarially determined rate. However, a special funding situation does not apply to UConn Health because it is an agency of the State and is not a separate non-employer contributing entity. Therefore, like SERS, UConn Health makes contributions on behalf of these employees, through a fringe benefit charge assessed by the State. UConn Health's TRS contributions for the year ended June 30, 2018, was \$280,091.

*Proportionate share of collective Net Pension Liability (NPL)* - The total pension liability (TPL) used to calculate the collective NPL was determined based on the annual actuarial funding valuation report as of June 30, 2017. UConn Health's proportion of the collective NPL was based on UConn Health's share of contributions relative to total contributions made to the respective pension

plans. Based on this calculation, UConn Health's proportion of the TRS was .019 percent at the measurement date of June 30, 2017.

*Actuarial assumptions* - TRS mortality rates were based on the RPH-2014 White Collar Table with employee and annuitant rates blend from ages 50 to 80, projected to the year 2020 using the BB improvement scale, and further adjusted to grade in increases (five percent for females and either percent for males) to rates over age 80 for the period after service retirement and for dependent beneficiaries as well as for active members. The RPH-2014 Disabled Mortality Table projected to 2017 with Scale BB is used for the period after disability retirement.

The TPL was based on an actuarial study for the period July 1, 2010 – June 30, 2015 for TRS, using the following key actuarial assumptions:

Inflation	2.75%
Salary increases, including inflation	3.25% – 6.50%

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 weighting the expected future real rates of return by the target asset allocation percentage and adding expected inflation. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class as of the June 30, 2017 measurement date are summarized in the following table:

Asset Class	Target Allocation	Long-term
		Expected Real Rate of Return
Large Cap U.S. Equities	21.00%	5.80%
Developed Non-U.S. Equities	18.00%	6.60%
Emerging Markets (Non-U.S.)	9.00%	8.30%
Real Estate	7.00%	5.10%
Private Equity	11.00%	7.60%
Alternate Investment	8.00%	4.10%
Fixed Income (Core)	7.00%	1.30%
High Yield Bonds	5.00%	3.90%
Emerging Market Bond	5.00%	3.70%
Inflation Linked Bonds	3.00%	1.00%
Cash	6.00%	0.40%
<b>Total</b>	<b>100.00%</b>	

*Discount rate* - The discount rate used to measure the TPL was 8.0%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that State contributions will be made at the actuarially determined rates in future years. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity analysis* - The following presents UConn Health's proportionate share of the collective NPL calculated using the discount rate of 8.0%, as well as what the UConn Health's proportionate share of the collective NPL would be if it were calculated using a discount rate that is 1-percentage-point lower (7.0%) or 1-percentage-point higher (9.0%) than the current rate (amounts in thousands):

1% Decrease (7.0%)	Current Discount Rate (8.0%)	1% Increase (9.0%)
\$ 3,139	\$ 2,508	\$ 1,974

*Pension plan fiduciary net position* - Detailed information about the fiduciary net position of the TRS pension plan is available in the State's CAFR for the fiscal year ended June 30, 2017.

*Deferred outflows and deferred inflows of resources related to pensions* - At June 30, 2018, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (amounts in thousands):

	<u>SERS</u>	<u>TRS</u>	<u>Total</u>
<b><u>Deferred Outflows of Resources</u></b>			
Changes in assumptions	\$ 177,642	\$ 239	\$ 177,881
Changes in proportion and differences between UConn Health contributions and proportionate share of contributions	80,877	1,071	81,948
Net differences between projected and actual earnings on pension plan investments	-	34	34
UConn Health contributions subsequent to the measurement date	52,171	280	52,451
Difference between expected and actual experience	27,678	2	27,680
Total Deferred Outflows	<u>\$ 338,368</u>	<u>\$ 1,626</u>	<u>\$ 339,994</u>
<b><u>Deferred Inflows of Resources</u></b>			
Changes in proportion and differences between UConn Health contributions and proportionate share of contributions	7,982	-	7,982
Net differences between projected and actual earnings on pension plan investments	2,214	-	2,214
Difference between expected and actual experience	-	-	-
Total Deferred Inflows	<u>10,196</u>	<u>-</u>	<u>10,196</u>

The \$52.5 million in deferred outflows relating to contributions made subsequent to the measurement date will be recognized as a reduction of the collective NPL in the reporting year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows (amounts in thousands):

<b>Fiscal</b>			
<b>Year</b>	<b>SERS</b>	<b>TRS</b>	<b>Total</b>
2019	80,953	345	81,298
2020	85,232	365	85,597
2021	68,355	331	68,686
2022	37,900	195	38,095
2023	3,561	155	3,716
Thereafter	-	6	6
Total	<u>\$ 276,001</u>	<u>\$ 1,397</u>	<u>\$ 277,398</u>

### **Alternate Retirement Plan**

*Defined Contribution Plan* - UConn Health also sponsors the Alternate Retirement Plan (ARP), a defined contribution plan administered through a third-party administrator, Prudential Financial, Inc. The Connecticut State Employees Retirement Commission has the authority to supervise and control the operation of the plan including the authority to make and amend rules and regulations relating to the administration of the plan.

All unclassified employees not already in a pension plan of a constituent unit of the State system of higher education or the central office staff of the Department of Higher Education are eligible to participate in ARP. Participants must contribute five percent of eligible compensation each pay period and their employer must contribute an amount equal to seven percent of the participant's eligible compensation. UConn Health contributes its employer share through a fringe benefit charge assessed by the State. Participant and employer contributions are both 100 percent vested immediately. For fiscal year 2018, UConn Health's employer contributions to ARP were \$31.2 million. The commission has the authority to supervise and control the operation of the plan including the authority to make and amend rules and regulations relating to the administration of the plan.

Upon separation from service, retirement, death or divorce (including alternate payee under a Qualified Domestic Relations Order), if you are age 55 or over and have 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.

**Post-Employment Benefits other than Pension**

In addition to the pension benefits, the State provides post-retirement health care and life insurance benefits to UConn Health 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, State of Connecticut State Employee OPEB Plan (SEOPEBP), provides OPEB benefits for employees of the State who are receiving benefits from a qualifying State-sponsored retirement system. This plan is administered by the State Comptroller’s Healthcare Policy and Benefits Division under the direction of the State Employees Retirement Commission.

*Benefits provided* - SEOPEBP provides healthcare and life insurance benefits to eligible retired State employees and their spouses as well as life insurance benefits to employees when they retire. The State may pay up to 100 percent of the healthcare insurance premium cost for eligible retirees. In addition, the State pays 100 percent of the premium cost for a portion of the employees’ 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. Plan benefits, and other plan provisions are described in sections 5-27 and 5-259 of the State General Statutes. Further information regarding plan changes affecting employees retiring on or after October 2, 2017, are described in the SEBAC 2017 agreement.

*Employees covered by benefit terms* - Demographic data for individual State entities in the OPEB plan are not readily available. At June 30, 2017, SEOPEBP in total covered the following:

Inactive employees or beneficiaries currently receiving benefit payments	74,579
Inactive employees entitled to but not yet receiving benefit payments	256
Active employees	<u>49,538</u>
Total covered employees	<u><u>124,373</u></u>

*Contributions* – SEOPEBP is primarily funded on a pay-as-you-go basis. The contribution requirements of the plan members and the State are established and may be amended by the State legislature, or by agreement between the State and employees unions, upon approval by the State legislature. Current active employees contribute a percentage of their salary into the Retiree Health Care Trust Fund (RHCF) for pre-funding of OPEB benefits. Employees hired prior to July 1, 2017, contribute 3% of their salary for a period of 10 years or until retirement, whichever is sooner. In accordance with the SEBAC 2017 agreement, employees hired on or after July 1, 2017, contribute 2% of their salary for 15 years. Contributions are refundable to employees that leave State employment prior to completing 10 years of service.

Similar to pension, UConn Health contributes to SEOPEBP on behalf of its employees by applying fringe benefit rates assessed by the State to eligible salaries and wages for participants in each retirement plan. This amount is expected to finance retiree healthcare service costs and fund the matching employer portion that is equal to the amount contributed by employees to the RHCF each year beginning on July 1, 2017. UConn Health’s rate of actual contributions as a percentage of covered payroll was 13.1% and the total amount contributed to the plan was \$48.1 million for the fiscal year ended June 30, 2018.

*Proportionate share of collective net OPEB liability (NOL) and collective OPEB expense.* The collective net OPEB liability was measured as of June 30, 2017, and the total OPEB liability (TOL) used to calculate the collective net OPEB liability was determined by an actuarial valuation as of that date. Changes in assumptions that affected the measurement of the TOL since the prior measurement date of June 30, 2016 were due to an increase in the discount rate. In addition, demographic assumptions, per capita health costs, administrative costs, contributions and adjustments to future trends were also updated.

At June 30, 2018, UConn Health reported a liability of \$1,208.4 million for its proportionate share of the collective net OPEB liability. UConn Health's proportion of the collective NOL was based on UConn Health's share of contributions relative to total contributions made to SEOPEBP. Based on this calculation, UConn Health's proportion was 7.0%, which was an increase of .3% from its proportion measured as of June 30, 2016.

#### Changes in the Net OPEB Liability

	<u>Net OPEB Liability</u>
	(\$ in thousands)
Balance at June 30, 2016	\$ 1,149,638
Changes for the year:	
Service Cost	66,885
Interest	35,575
Changes in assumptions or other inputs	(35,550)
Benefit payments	(44,507)
Other changes in proportionate share and Plan Fiduciary net position	<u>36,386</u>
Net changes	<u>58,789</u>
Balance at June 30, 2017	<u>\$ 1,208,427</u>

*Actuarial assumptions and other inputs* - The net OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Payroll growth rate:	3.5%
Salary increase:	3.25% to 19.5% varying by years of service
Discount rate:	3.68% as of June 30, 2017 and 2.96% as of June 2016

#### Healthcare cost trends rates

Medical *	6.5% graded to 4.5% over 7 years
Prescription Drug*	8.0% graded to 4.5% over 4 years
Dental and 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.

\*Short-term rates were altered to reflect changes from the SEBAC 2017 agreement.

*Discount rate* - The discount rate, 3.68%, 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 (3.58% as of June 30, 2017 and 2.85% as of June 30, 2016). 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 Mortality Table projected to 2020 by Scale BB at 100% for males and 95% for females. For disabled employees, the RP-2014 Disabled Mortality Table at 65% for males and 85% for females was used.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2011—June 30, 2016.

*Sensitivity of the net OPEB liability to changes in the discount rate* - The following presents the net OPEB liability of UConn Health, as well as what the UConn Health's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.68 percent) or 1- percentage-point higher (4.68 percent) than the current discount rate:

	<b>Discount</b>		
	<b>1% Decrease</b>	<b>Rate</b>	<b>1% Increase</b>
	<b>2.68%</b>	<b>3.68%</b>	<b>4.68%</b>
	(\$ in thousands)		
Net OPEB Liability	\$ 1,402,620	\$ 1,208,426	\$ 1,051,087

*Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates* - The following presents the net OPEB liability of UConn Health, as well as what UConn Health's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	<b>Healthcare Cost Trend Rates</b>		
	<b>Current</b>		
	<b>1% Decrease</b>	<b>Valuation</b>	<b>1% Increase</b>
	<b>2.68%</b>	<b>3.68%</b>	<b>4.68%</b>
	(\$ in thousands)		
Net OPEB Liability	\$ 1,038,493	\$ 1,208,426	\$ 1,423,709

*OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB* - For the year ended June 30, 2018, UConn Health recognized OPEB expense of \$48.0 million. At June 30, 2018, UConn Health reported deferred outflows

of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	(\$ in thousands)	
Changes in proportion	\$ 41,122	\$ -
UConn Health contributions subsequent to measurement date	48,134	-
Changes in assumptions or other inputs	-	28,992
Net difference between projected and actual earnings	-	1,367
Total	<u>\$ 89,256</u>	<u>\$ 30,359</u>

UConn Health contributions subsequent to the measurement date totaling \$48.1 million reported as deferred outflows of resources will be recognized as a reduction of the OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30:	Amount
(in thousands)	
2019	\$ 2,403
2020	2,403
2021	2,403
2022	2,403
2023	1,151
Therefore	-
Total	<u>\$ 10,763</u>

*Expected rate of return on investments* – 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
Large Cap U.S. Equities	21.00%	5.80%
Developed Non-U.S. Equities	18.00%	6.60%
Emerging Markets (Non-U.S.)	9.00%	8.30%
Real Estate	7.00%	5.10%
Private Equity	11.00%	7.60%
Alternate Investment	8.00%	4.10%
Fixed Income (Core)	8.00%	1.30%
High Yield Bonds	5.00%	3.90%
Emerging Market Bond	4.00%	3.70%
Inflation Linked Bonds	5.00%	1.00%
Cash	4.00%	0.40%
Total	<u>100.00%</u>	

## 12. BOND FINANCED ALLOTMENTS

UConn Health recognizes an asset when an allotment is processed for State general obligation bonds or when bonds are funded from UConn Health resources or issued under the UCONN 2000 program are sold.

In fiscal year 2002, the General Assembly of the State of Connecticut enacted and the Governor signed into law Public Act No. 02-3, An Act Concerning 21st Century UConn (Act), also known as Phase III. This Act amended Public Act No. 95-230 and extended the UCONN 2000 financing program.

The 21st Century UConn program was amended in fiscal year 2008, extending it an additional year to June 30, 2016, without any change in the total amount. In fiscal year 2010, the Act was amended again including a \$25 million reallocation from existing UCONN 2000 UConn Health allocations, and a \$207 million increase in UCONN 2000 debt service commitment authorizations for the UConn Health Network. This also extended the UCONN 2000 program two additional years to fiscal year 2018. In fiscal year 2011, the General Assembly enacted and the Governor signed Public Act No. 11-75, An Act Concerning the University of Connecticut Health Center, which increased the authorized project costs for UConn Health under Phase III. The Act, as amended, authorized additional projects for UConn Health.

As of June 30, 2018, approved projects had an allocated total of \$812.9 million. The Act also



requires UConn Health to contribute not less than \$69 million through operations, eligible gifts, or other sources towards new UConn Health construction.

In fiscal year 2017, the Governor proposed a budget deferring \$334.1 million in UCONN 2000 authorizations and extending the program three years. The total estimated cost for Phases I, II, and III under UCONN 2000 is \$4,619.3 million including \$825.9 for projects at UConn Health. These deferrals are not expected to have a material impact on UConn Health's ongoing projects.

In fiscal 2018, the University recorded total revenue of \$300 million as State debt service commitment for principal for the 2018 Series A bonds and Refunding Series A bonds which included \$88.8 million to finance projects for UConn Health. UConn Health reports revenues from these bonds as Capital Appropriations. As noted above, the current Phase III commitment to fund projects totals \$812.9 million for UConn Health. These bonds are general obligations of the University, for which its full faith and credit are pledged, and are payable from all assured revenues. The bonds are additionally secured by the pledge of and a lien upon the State Debt Service Commitment. The State Debt Service Commitment is the commitment by the State to pay an annual amount of debt service on securities issued as general obligations of the University. The University, consistent with the Act, is relying upon the receipt of the annual amount of the pledged State Debt Service Commitment for the payment of the bonds and, accordingly, is not planning to budget any of the other revenues for the payment of the bonds. The University therefore acts as custodian of the funds for UConn Health. A corresponding receivable, Due from Affiliates, is recorded for the unspent portion of the bonds, \$35.4 million, at June 30, 2018, in the Statement of Net Position.

In the June 2015 Special Session, the General Assembly of the State of Connecticut enacted and the Governor signed into law Public Act 15-01 (June Spec. Sess.), *An Act Authorizing and Adjusting Bonds of the State for Capital Improvements, Transportation, and Other Purposes*. This Public Act empowered the State Bond Commission to authorize the issuance of bonds of the State for specific purposes enumerated in the Act. Section 2(d)(5) of the Act authorized \$25 million of the proceeds of the bond sales to be allocated in fiscal

year 2016 for the purchase and implementation of an integrated electronic medical records system at The University of Connecticut Health Center ("UConn Health's EMR"), and Section 21(c)(4) of the Act authorized \$16 million of the proceeds of the bond sales to be allocated in fiscal year 2017 for UConn Health's EMR. The bill also introduced language effective July 1, 2015, that allows the University to revise, delete or add particular projects to finance implementation of UConn Health's EMR, thus giving the University the flexibility to reallocate existing UCONN 2000 authorizations to the project in future years. On February 1, 2017, pursuant to Public Act 15-1 (June Spec. Sess.), the State Bond Commission allocated funds to support the fiscal year 2017 installment of \$16 million for UConn Health's EMR. As of June 30, 2018, UConn Health had drawn all of the funding available via Public Act 15-01 and had drawn \$20.0 million against the revised UCONN 2000 authorizations noted above. Any additional remaining UCONN 2000 authorizations are included in the unspent portion of bond proceeds held as Due from Affiliates in the Statement of Net Position.

### 13. COMMITMENTS

On June 30, 2018, UConn Health had individual outstanding commitments exceeding \$300,000 in amount, totaling \$7,574,832. A portion of this amount was included in the June 30, 2018 accounts payable. Commitments above do not include any commitments arising from the administration of UCONN 2000 funds by the University on UConn Health's behalf. Such obligations would be paid directly from proceeds of current and future bond issuances.

UConn Health agreed to pay \$58,484,220 during the 2018-2019 fiscal year to the Capitol Area Health Consortium to cover the payment of payroll, related fringe benefits, and certain program expenses for interns and residents participating in the School of Medicine and Dental Medicine Residency Training Programs. These costs are to be funded by participating hospitals, which will remit payments to UConn Health, in accordance with an established rate schedule, for services provided. Dental Residency costs will be funded by the School of Dental Medicine.

UConn Health leases various building space under operating lease commitments, which expire at

various dates through fiscal year 2027. Expenses related to these leases was \$5,633,095 for the year ended June 30, 2018. Future minimum rental payments at June 30, 2018 under non-cancelable operating leases are approximately as follows:

<u>Year</u>	<u>Payments</u>
2019	4,006,750
2020	3,358,577
2021	2,759,405
2022	1,891,951
2023	1,415,098
Thereafter	<u>7,430,018</u>
Total	\$ <u>20,861,799</u>

#### 14. RELATED PARTY TRANSACTIONS

The University of Connecticut Foundation, Inc. (the “Foundation”) is a tax-exempt organization whose objective is the betterment of the University, including UConn Health. The Foundation is a consolidated part of the University and therefore an affiliated party. UConn Health has an agreement through the University to reimburse the Foundation for certain administrative services and the Foundation agreed to reimburse UConn Health for certain services performed and for operating expenses of the Foundation. The following transactions occurred between UConn Health and the Foundation during the year ended June 30, 2018:

	2018
Amount paid to the Foundation	\$ <u>14,906</u>
Amount paid to University for Foundation services*	\$ <u>945,000</u>
Amount received from the Foundation for personnel services and operating expenses	\$ <u>2,723,708</u>
Amount received from the Foundation from endowments and gifts	\$ <u>1,729,727</u>

\*Included in Due to Affiliate in the accompanying Statement of Net Position

In addition, UConn Health also directly engages in transactions with the University. Listed below are the material transactions with the University excluding payments for Foundation services. Not included in this list are certain cost share arrangements for shared services and transactions

related to UCONN 2000 for which notation has been made in note 12.

UConn Health and the University have collaborated to support economic development activities and to achieve successful outcomes for the Technology Park and Bioscience Connecticut initiatives. In accordance with an annual memorandum of agreement, UConn Health and the University are obligated to provide an equal share of funding for economic development activities. Per the agreement, the University manages the program’s budget and UConn Health reimburses the University for the majority of its share of funding obligations. In fiscal year 2018, UConn Health reimbursed the University \$706,000 for economic development activities during that period.

In addition, UConn Health and the University have entered into an agreement that supports a unified marketing initiative. This agreement leverages the internal staff, resources, and expertise of both entities to provide marketing support. UConn Health has agreed to reimburse the University a baseline sum for marketing services under this agreement. In accordance with the memorandum of understanding, UConn Health is obligated to reimburse the University \$4.2 million for its share of the marketing support. At June 30, 2018, UConn Health had \$1.9 million payable to the University for this agreement.

In fiscal year 2018, UConn Health and the University entered into an agreement to combine all services and supervision of personnel within the Police Department, Fire Department, Fire Marshall and Building Inspectors Office, Office of Emergency Management, and Communications Center, under the Division of Public Safety headquartered at the Storrs campus. In accordance with an annual memorandum of agreement, the University is fiscally responsible for all public safety costs covered by the agreed-upon budget and UConn Health is obligated to fund approximately half of those costs. In fiscal year 2018, UConn Health recorded a payable to the University for the \$5.0 million reimbursement for public safety services provided during the year.

Funds Paid to the	
University of Connecticut*	\$ <u>12,217,150</u>

\*A portion of this was included in Due to Affiliate in the accompanying Statement of Net Position

UConn Health is a component unit of the State of Connecticut. Through UConn Health, the State seeks to meet certain unmet needs in the community including the training and development of new doctors and dentists. The State supports UConn Health's mission primarily via two mechanisms: State Appropriations and the provision of In Kind benefits. State Appropriations represent amounts the State allows UConn Health to charge back directly to the State's General Fund. In Kind benefits take the form of forgone fringe benefit expense reimbursements related to salaries expensed on the General Fund. For the year ended June 30, 2018, the amounts of these benefits recognized were as follows:

State of Connecticut Appropriations	\$	102,683,263
Bioscience CT Appropriation		10,678,756
Worker Compensation Appropriation		4,320,856
Fringe Benefit Differential Sec 3-123i		<u>13,500,000</u>
Amount of General Fund Appropriations from State of Connecticut	\$	<u>131,182,875</u>
In Kind Fringe Benefits:		
Recognized through CMHC		53,755,214
Received elsewhere in Primary Institution		<u>94,575,340</u>
Total In Kind Fringe Benefits received from State of Connecticut:	\$	<u>148,330,554</u>
Total Appropriations and In Kind Fringe Benefits received from State of Connecticut	\$	<u>279,513,429</u>

## 15. OPERATING EXPENSES BY OBJECT

The table below details UConn Health's operating expenses by object for the year ended June 30, 2018.

### Operating Expenses by object for the Year Ended June 30:

		<u>2018</u>
Salaries and wages	\$	438,122,304
Fringe benefits		369,184,734
Supplies and other expenses		333,986,021
Utilities		12,428,844
Depreciation and amortization		<u>52,636,977</u>
Total	\$	<u>1,206,358,880</u>

## 16. SUBSEQUENT EVENTS

On October 22, 2018, UConn Health published a Solicitation of Interest seeking potential partners for the John Dempsey Hospital and University Medical Group (the "Clinical Group"). The Solicitation of Interest represents UConn Health's effort, as mandated by the General Assembly, to seek out partners who can help strengthen UConn Health's clinical offerings while adding overall financial stability to the whole of UConn Health. The original response date of December 3, 2018 was extended by one day to December 4, 2018, and the initial response period is now closed. UConn Health will be evaluating responses to determine its path forward over the next several months.

**REQUIRED  
SUPPLEMENTARY  
INFORMATION**

**UCONN HEALTH**  
**Required Supplementary Information**  
**For the Year Ended June 30, 2018**

**State Employees' Retirement System (SERS) and Teachers' Retirement System (TRS)**

**Schedule of UConn Health's Proportionate Share of Collective Net Pension Liability (NPL)**

Based on a valuation date lagging one year behind the fiscal year

(\$ in thousands)

Fiscal Year Ended June 30	SERS				TRS			
	2018	2017	2016	2015	2018	2017	2016	2015
Proportion of Collective NPL	5.50%	5.36%	5.29%	4.99%	0.019%	0.019%	0.0009%	0.0009%
Proportionate share of the collective NPL	\$ 1,159,362	\$ 1,230,753	\$ 873,351	\$ 799,061	\$ 2,508	\$ 2,646	\$ 1,042	\$ 963
UConn Health's covered employee payroll	\$ 205,188	\$ 200,050	\$ 184,762	\$ 167,523	\$ 834	\$ 762	\$ 573	\$ 384
Proportionate share of the collective NPL as a percentage of covered-employee payroll	565.02%	615.22%	472.69%	476.99%	300.72%	347.24%	181.85%	250.78%
Plan fiduciary net position as a percentage of the total pension liability	36.25%	31.69%	39.23%	39.54%	55.93%	52.26%	59.50%	61.56%

**Schedule of UConn Health Pension Contributions**

Based on contributions for the Fiscal Year Ended June 30,

(\$ in thousands)

For the year ended June 30	SERS				TRS			
	2018	2017	2016	2015	2018	2017	2016	2015
Contractually Required employer contribution	\$ 52,170	\$ 84,860	\$ 80,493	\$ 72,496	\$ 280	\$ 239	\$ 181	\$ 93
Actual UConn Health Contribution	52,170	84,860	80,493	72,496	280	239	237	201
Contribution deficiency/(excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (56)	\$ (108)
UConn Health's covered employee payroll	\$ 150,434	\$ 205,188	\$ 200,050	\$ 184,762	\$ 1,103	\$ 834	\$ 762	\$ 573
Actual UConn Health contributions as a percentage of covered employee payroll	34.68%	41.36%	40.24%	39.24%	25.39%	28.66%	31.10%	35.08%

**NOTES TO REQUIRED SCHEDULES**

This schedule is presented as required by accounting principles generally accepted in the United States of America, however, until a full 10-year trend is compiled, information is presented for those years available.

**Changes in Benefit Terms**

2018 – The SEBAC 2017 agreement included changes to benefit terms for existing SERS plans by revising certain factors including employee contribution rates and annual cost-of-living adjustments for members retiring after July 1, 2022. The agreement also implemented a new Tier IV Hybrid Plan.

**Other Factors**

2018 – The State's assessed fringe benefit rate attributable to TRS increased from 9.87% in fiscal year 2017 to 27.41% in fiscal year 2018, resulting in a material increase of UConn Health contributions to that plan.

2018 – The SERS contractually required employer contribution and covered payroll did not include CMHC.

**UCONN HEALTH**  
**Required Supplementary Information**  
**For the Year Ended June 30, 2018**

**SCHEDULE OF UCONN HEALTH'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY**

Based on a valuation date lagging one year behind the fiscal year

	2018
	<i>(\$ in Thousands)</i>
UConn Health's proportion of the net OPEB liability	6.96%
UConn Health's proportion of the net OPEB liability	\$ 1,208,427
UConn Health's covered-employee payroll	\$ 424,734
UConn Health's proportion share of the net OPEB liability as a percentage of its covered-employee payroll	284.51%
Plan fiduciary net position as a percentage of the total OPEB liability	3.03%

**SCHEDULE OF UCONN HEALTH'S OPEB CONTRIBUTION**

Based on contribution for the Fiscal Year Ended June 30,

	2018
	<i>(\$ in Thousands)</i>
Contractually required contribution	\$ 48,134
Contributions in relation to the contractually required contribution	\$ <u>48,134</u>
Contribution deficiency (excess)	<u><u>--</u></u>
UConn Health's covered-employee payroll	\$ 366,593
Contributions as a percentage of covered-employee payroll	13.13%

**NOTES TO REQUIRED SCHEDULES**

This schedule is presented as required by accounting principles generally accepted in the United States of America, however, until a full 10-year trend is compiled, information is presented for those years available.

2018 – The OPEB contractually required employer contribution and covered payroll did not include CMHC.

**Changes of Benefit Terms**

In the June 30, 2017 actuarial valuation, there were no change of benefit terms.

**Changes of Assumptions**

In the June 30, 2017 actuarial valuation, the discount rate was increased to more closely reflect the expected long-term rate of return. In the June 30, 2017 actuarial valuation, demographic assumptions were updated to match the most recent valuations or experience studies.

**UCONN HEALTH**  
**CONSOLIDATING STATEMENT OF NET POSITION**  
**As of June 30, 2018**

(\$ in thousands)	<b>2018</b>			
	Primary Institution	John Dempsey Hospital	Eliminations	Total
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash and cash equivalents	\$ 61,745	\$ 57,049	\$ -	\$ 118,794
Patient receivables, net	9,329	47,898	-	57,227
Contract and other receivables	22,161	11,572	-	33,733
Construction escrow account	529	-	-	529
Due from Affiliates (Note 12)	35,385	-	-	35,385
Due from State of Connecticut	6,870	-	-	6,870
Due from Primary Institution	-	10,155	(10,155)	-
Inventories	2,361	9,170	-	11,531
Prepaid expenses	4,986	7,199	-	12,185
Total current assets	<u>143,366</u>	<u>143,043</u>	<u>(10,155)</u>	<u>276,254</u>
<b>Noncurrent Assets</b>				
Restricted cash and cash equivalents	472	-	-	472
Other assets	2,930	803	-	3,733
Due from State of Connecticut	1,746	-	-	1,746
Capital and intangible assets, net	<u>682,078</u>	<u>386,359</u>	<u>-</u>	<u>1,068,437</u>
Total noncurrent assets	<u>687,226</u>	<u>387,162</u>	<u>-</u>	<u>1,074,388</u>
Total assets	<u>\$ 830,592</u>	<u>\$ 530,205</u>	<u>\$ (10,155)</u>	<u>\$ 1,350,642</u>
Deferred Outflows of Resources Pension	\$ 223,297	\$ 116,697	\$ -	\$ 339,994
Deferred Outflows of Resources OPEB	\$ 56,365	\$ 32,891	\$ -	\$ 89,256
<b>LIABILITIES</b>				
<b>Current Liabilities</b>				
Accounts payable and accrued liabilities	\$ 28,510	\$ 27,146	\$ -	\$ 55,656
Due to State of Connecticut	2,348	5,228	-	7,576
Accrued salaries	18,717	8,297	-	27,014
Compensated absences - current portion (Note 10)	11,173	7,289	-	18,462
Due to John Dempsey Hospital	10,155	-	(10,155)	-
Due to third party payors	-	19,831	-	19,831
Due to Affiliates (Note 12)	8,302	-	-	8,302
Unearned revenues	928	4	-	932
Malpractice reserve (Note 10)	3,285	-	-	3,285
Long-term debt - current portion (Note 10)	<u>6,411</u>	<u>495</u>	<u>-</u>	<u>6,906</u>
Total current liabilities	<u>89,829</u>	<u>68,290</u>	<u>(10,155)</u>	<u>147,964</u>
<b>Noncurrent Liabilities</b>				
Malpractice reserve (Note 10)	11,696	-	-	11,696
Compensated absences - net of current portion (Note 10)	18,589	12,128	-	30,717
Pension Liability (Note 11)	874,474	287,396	-	1,161,870
OPEB Liability (Note 11)	841,877	366,549	-	1,208,426
Long-term debt - net of current portion (Note 10)	<u>192,411</u>	<u>1,206</u>	<u>-</u>	<u>193,617</u>
Total noncurrent liabilities	<u>1,939,047</u>	<u>667,279</u>	<u>-</u>	<u>2,606,326</u>
Total liabilities	<u>\$ 2,028,876</u>	<u>\$ 735,569</u>	<u>\$ (10,155)</u>	<u>\$ 2,754,290</u>
Deferred Inflows of Resources Pension	\$ 10,196	\$ -	\$ -	\$ 10,196
Deferred Inflows of Resources OPEB	\$ 21,150	\$ 9,209	\$ -	\$ 30,359
<b>NET POSITION</b>				
Net investment in capital assets	\$ 483,255	\$ 384,658	\$ -	\$ 867,913
Restricted for				
Nonexpendable				
Scholarships	61	-	-	61
Expendable				
Research	(127)	-	-	(127)
Loans	523	-	-	523
Capital projects	37,660	-	-	37,660
Unrestricted	<u>(1,471,340)</u>	<u>(449,643)</u>	<u>-</u>	<u>(1,920,983)</u>
Total net position	<u>\$ (949,968)</u>	<u>\$ (64,985)</u>	<u>\$ -</u>	<u>\$ (1,014,953)</u>

**UCONN HEALTH**  
**CONSOLIDATING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET**  
**POSITION**  
**For the Year Ended June 30, 2018**

(\$ in thousands)	2018				Consolidated
	Primary Institution	John Dempsey Hospital	Total (Memo Only)	Eliminations	
<b>OPERATING REVENUES</b>					
Student tuition and fees, net	\$ 18,613	\$ -	\$ 18,613	\$ -	\$ 18,613
Patient services, net	188,287	398,747	587,034	(6,337)	580,697
Federal grants and contracts	50,748	-	50,748	-	50,748
Nonfederal grants and contracts	29,337	-	29,337	-	29,337
Contract and other operating revenues	133,948	40,829	174,777	(47,589)	127,188
Total operating revenues	<u>420,933</u>	<u>439,576</u>	<u>860,509</u>	<u>(53,926)</u>	<u>806,583</u>
<b>OPERATING EXPENSES</b>					
Educational and General					
Instruction	203,445	-	203,445	(23,497)	179,948
Research	56,102	-	56,102	-	56,102
Patient services	331,225	446,841	778,066	(30,429)	747,637
Academic support	19,322	-	19,322	-	19,322
Institutional support	112,126	-	112,126	-	112,126
Operations and maintenance of plant	38,223	-	38,223	-	38,223
Depreciation and amortization	32,580	20,057	52,637	-	52,637
Student aid	364	-	364	-	364
Total operating expenses	<u>793,387</u>	<u>466,898</u>	<u>1,260,285</u>	<u>(53,926)</u>	<u>1,206,359</u>
Operating loss	<u>(372,454)</u>	<u>(27,322)</u>	<u>(399,776)</u>	<u>-</u>	<u>(399,776)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>					
State appropriations	279,513	-	279,513	-	279,513
Gifts	5,706	-	5,706	-	5,706
Hospital transfer	(38,226)	38,226	-	-	-
Investment income, net	654	-	654	-	654
Interest on capital asset - related debt	(9,871)	(38)	(9,909)	-	(9,909)
Net nonoperating revenues	<u>237,776</u>	<u>38,188</u>	<u>275,964</u>	<u>-</u>	<u>275,964</u>
Loss before other changes in net position	<u>(134,678)</u>	<u>10,866</u>	<u>(123,812)</u>	<u>-</u>	<u>(123,812)</u>
<b>OTHER CHANGES IN NET POSITION</b>					
Capital appropriations	88,806	-	88,806	-	88,806
Loss on Disposal	(2,666)	(426)	(3,092)	-	(3,092)
Net Other Changes in Net Position	<u>86,140</u>	<u>(426)</u>	<u>85,714</u>	<u>-</u>	<u>85,714</u>
Decrease in net position	<u>(48,538)</u>	<u>10,440</u>	<u>(38,098)</u>	<u>-</u>	<u>(38,098)</u>
<b>NET POSITION</b>					
Net position-beginning of year (as previously stated)	(129,498)	255,830	126,332	-	126,332
Cumulative effect of implementing GASB 75 (see note 1)	<u>(771,932)</u>	<u>(331,255)</u>	<u>(1,103,187)</u>	<u>-</u>	<u>(1,103,187)</u>
Net position-beginning of year as restated	<u>(901,430)</u>	<u>(75,425)</u>	<u>(976,855)</u>	<u>-</u>	<u>(976,855)</u>
Net position-end of year	<u>\$ (949,968)</u>	<u>\$ (64,985)</u>	<u>\$ (1,014,953)</u>	<u>\$ -</u>	<u>\$ (1,014,953)</u>



# **STATISTICAL SECTION**

SCHEDULE OF REVENUES BY SOURCE

		For the Year Ended June 30,									
		(amounts in thousands)									
		2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
<b>Revenues:</b>											
Student tuition and fees (net of scholarship allowances)	\$	18,613	17,499	15,728	16,557	15,794	13,812	13,746	13,095	12,163	11,579
Patent services		580,697	539,777	532,876	512,960	450,315	432,032	429,546	422,094	405,660	413,226
Federal grants and contracts		507,448	581,448	59,529	57,920	62,527	60,651	56,904	60,127	59,358	60,479
Nonfederal grants and contracts		29,337	29,009	27,116	24,407	23,803	27,593	27,690	25,885	28,673	27,785
Contract and other operating revenues		127,188	114,284	108,017	109,324	106,771	102,574	93,730	71,694	58,791	52,018
Total operating revenues		806,583	758,717	743,266	721,168	659,210	636,662	621,616	592,895	564,454	565,087
State appropriations		279,513	278,211	289,287	280,645	266,139	213,371	202,997	225,268	218,484	208,531
Transfer from/(to) State and outside programs		-	-	-	-	-	-	1,312	(10,807)	(10,000)	-
Gifts		5,706	4,079	6,865	7,175	7,300	7,658	7,435	2,554	1,602	982
Investment income (net of investment expense)		654	104	141	176	93	124	101	134	2,506	5,885
Net nonoperating revenues		285,873	282,394	296,293	287,996	273,532	221,153	211,845	217,149	212,592	215,398
<b>Total Revenues</b>	<b>\$</b>	<b>1,092,456</b>	<b>1,041,111</b>	<b>1,039,559</b>	<b>1,009,164</b>	<b>932,742</b>	<b>857,815</b>	<b>833,461</b>	<b>810,044</b>	<b>777,237</b>	<b>780,485</b>
		For the Year Ended June 30,									
		(percent of total revenues)									
		2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
<b>Revenues:</b>											
Student tuition and fees (net of scholarship allowances)		1.7%	1.5%	1.6%	1.6%	1.7%	1.6%	1.7%	1.6%	1.6%	1.5%
Patent services		53.2%	51.3%	50.9%	50.9%	48.3%	50.4%	51.5%	52.1%	52.2%	52.9%
Federal grants and contracts		4.6%	5.6%	5.7%	5.7%	6.7%	7.1%	6.8%	7.4%	7.6%	7.7%
Nonfederal grants and contracts		2.7%	2.8%	2.6%	2.4%	2.6%	3.2%	3.3%	3.2%	3.7%	3.6%
Contract and other operating revenues		11.6%	11.0%	10.4%	10.9%	11.4%	11.9%	11.3%	8.9%	7.6%	6.7%
Total operating revenues		73.8%	72.9%	71.5%	71.5%	70.7%	74.2%	74.6%	73.2%	72.7%	72.4%
State appropriations		25.6%	27.8%	27.8%	28.5%	24.9%	24.4%	27.8%	27.8%	28.1%	26.7%
Transfer from/(to) State and outside programs		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.2%	-1.3%	-1.3%	0.0%
Gifts		0.5%	0.4%	0.7%	0.7%	0.8%	0.9%	0.9%	0.3%	0.2%	0.1%
Investment income (net of investment expense)		0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.3%	0.8%
Net nonoperating revenues		26.2%	27.1%	28.5%	28.5%	29.3%	25.8%	25.4%	26.8%	27.3%	27.6%
<b>Total Revenues</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

**SCHEDULE OF EXPENSES BY FUNCTION**

**For the Year Ended June 30,**

**(amounts in thousands)**

	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
<b>Expenses:</b>										
Instruction	\$ 179,948	\$ 169,130	\$ 168,299	\$ 163,703	\$ 152,618	\$ 141,182	\$ 129,217	\$ 129,793	\$ 126,206	\$ 115,261
Research	56,102	59,400	58,233	56,961	59,518	60,918	63,080	58,892	59,967	59,329
Patient services	747,637	713,342	648,071	607,435	581,558	522,825	506,720	492,788	464,366	471,209
Academic support	19,322	19,186	18,070	22,458	20,824	20,011	20,200	16,355	14,470	16,111
Institutional support	112,126	82,233	80,638	83,260	66,416	53,114	53,059	58,421	55,016	59,122
Operations and maintenance of plant	38,223	37,295	38,714	35,363	31,548	33,606	28,031	27,653	26,223	27,073
Depreciation and amortization	52,637	52,046	41,469	37,830	32,780	32,365	30,875	30,075	28,881	29,168
Student aid	364	194	84	32	50	136	165	416	480	659
Total operating expenses	<u>1,206,359</u>	<u>1,132,826</u>	<u>1,053,578</u>	<u>1,007,042</u>	<u>945,312</u>	<u>864,157</u>	<u>831,347</u>	<u>814,393</u>	<u>775,609</u>	<u>777,932</u>
Interest on capital asset - related debt	9,909	10,214	10,487	3,820	1,007	1,072	1,095	1,570	2,364	2,574
Total nonoperating expenses	<u>9,909</u>	<u>10,214</u>	<u>10,487</u>	<u>3,820</u>	<u>1,007</u>	<u>1,072</u>	<u>1,095</u>	<u>1,570</u>	<u>2,364</u>	<u>2,574</u>
<b>Total Expenses</b>	<b><u>\$ 1,216,268</u></b>	<b><u>\$ 1,143,040</u></b>	<b><u>\$ 1,064,065</u></b>	<b><u>\$ 1,010,862</u></b>	<b><u>\$ 946,319</u></b>	<b><u>\$ 865,229</u></b>	<b><u>\$ 832,442</u></b>	<b><u>\$ 815,963</u></b>	<b><u>\$ 777,973</u></b>	<b><u>\$ 780,506</u></b>

**For the Year Ended June 30,**

**(percent of total expenses)**

	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
<b>Expenses:</b>										
Instruction	14.8%	14.8%	15.8%	16.2%	16.1%	16.3%	15.5%	15.9%	16.2%	14.8%
Research	4.6%	5.2%	5.5%	5.6%	6.3%	7.1%	7.6%	7.2%	7.7%	7.6%
Patient services	61.5%	62.4%	60.9%	60.1%	61.5%	60.4%	60.9%	60.4%	59.7%	60.4%
Academic support	1.6%	1.7%	1.7%	2.2%	2.2%	2.3%	2.4%	2.0%	1.8%	2.1%
Institutional support	9.2%	7.2%	7.6%	8.2%	7.0%	6.1%	6.4%	7.2%	7.1%	7.6%
Operations and maintenance of plant	3.2%	3.3%	3.6%	3.5%	3.3%	3.9%	3.4%	3.4%	3.4%	3.5%
Depreciation and amortization	4.3%	4.5%	3.9%	3.8%	3.5%	3.8%	3.7%	3.7%	3.7%	3.7%
Student aid	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.1%
Total operating expenses	<u>99.2%</u>	<u>99.1%</u>	<u>99.0%</u>	<u>99.6%</u>	<u>99.9%</u>	<u>99.9%</u>	<u>99.9%</u>	<u>99.8%</u>	<u>99.7%</u>	<u>99.7%</u>
Interest expense	0.8%	0.9%	1.0%	0.4%	0.1%	0.1%	0.1%	0.2%	0.3%	0.3%
Total nonoperating expenses	<u>0.8%</u>	<u>0.9%</u>	<u>1.0%</u>	<u>0.4%</u>	<u>0.1%</u>	<u>0.1%</u>	<u>0.1%</u>	<u>0.2%</u>	<u>0.3%</u>	<u>0.3%</u>
<b>Total Expenses</b>	<b><u>100%</u></b>	<b><u>100%</u></b>	<b><u>100%</u></b>	<b><u>100%</u></b>	<b><u>100%</u></b>	<b><u>100%</u></b>	<b><u>100%</u></b>	<b><u>100%</u></b>	<b><u>100%</u></b>	<b><u>100%</u></b>

SCHEDULE OF EXPENSES BY NATURAL CLASSIFICATION

For the Year Ended June 30,

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
<b>Expenses:</b>										
Salaries and wages	\$ 438,122	\$ 444,948	\$ 452,363	\$ 430,988	\$ 418,305	\$ 403,159	\$ 391,890	\$ 371,149	\$ 363,741	\$ 374,301
Fringe benefits	369,185	331,533	264,911	239,288	223,850	180,323	128,613	162,684	151,534	143,393
Supplies and other expenses	333,986	291,166	282,218	286,170	258,778	237,013	266,778	229,952	217,425	215,290
Utilities	12,429	13,133	12,617	12,766	11,599	11,297	13,191	14,533	14,028	15,780
Depreciation and amortization	52,637	52,046	41,469	37,830	32,780	32,365	30,875	30,075	28,881	29,168
Total operating expenses	1,206,359	1,132,826	1,053,578	1,007,042	945,312	864,157	831,347	814,393	775,609	777,932
Interest on capital asset - related debt	9,909	10,214	10,487	3,820	1,007	1,072	1,095	1,570	2,364	2,574
Total nonoperating expenses	9,909	10,214	10,487	3,820	1,007	1,072	1,095	1,570	2,364	2,574
<b>Total Expenses</b>	<b>\$ 1,216,268</b>	<b>\$ 1,143,040</b>	<b>\$ 1,064,065</b>	<b>\$ 1,010,862</b>	<b>\$ 946,319</b>	<b>\$ 865,229</b>	<b>\$ 832,442</b>	<b>\$ 815,963</b>	<b>\$ 777,973</b>	<b>\$ 780,506</b>

(amounts in thousands)

For the Year Ended June 30,

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
<b>Expenses:</b>										
Salaries and wages	36.0%	38.9%	42.5%	42.6%	44.2%	46.6%	47.1%	46.2%	46.8%	48.0%
Fringe benefits	30.4%	29.0%	24.9%	23.7%	23.7%	20.8%	15.5%	19.9%	19.5%	18.4%
Supplies and other expenses	27.5%	25.5%	26.5%	28.3%	27.3%	27.4%	32.0%	28.2%	27.9%	27.6%
Utilities	1.0%	1.1%	1.2%	1.3%	1.2%	1.3%	1.6%	1.8%	1.8%	2.0%
Depreciation and amortization	4.3%	4.6%	3.9%	3.7%	3.5%	3.8%	3.7%	3.7%	3.7%	3.7%
Total operating expenses	99.2%	99.1%	99.0%	99.6%	99.9%	99.9%	99.9%	99.8%	99.7%	99.7%
Interest expense	0.8%	0.9%	1.0%	0.4%	0.1%	0.1%	0.1%	0.2%	0.3%	0.3%
Total nonoperating expenses	0.8%	0.9%	1.0%	0.4%	0.1%	0.1%	0.1%	0.2%	0.3%	0.3%
<b>Total Expenses</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

**SCHEDULE OF NET POSITION AND CHANGES IN NET POSITION**

**For the Year Ended June 30,**  
**(amounts in thousands)**

	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
Total revenues (from Schedule of revenues by source)	\$ 1,092,456	\$ 1,041,111	\$ 1,039,559	\$ 1,009,164	\$ 932,742	\$ 857,815	\$ 833,461	\$ 810,044	\$ 777,237	\$ 780,485
Total expenses (from schedule of expenses by natural classification and function)	1,216,268	1,143,040	1,064,065	1,010,862	946,319	865,229	832,442	815,963	777,973	780,506
Loss before other changes in net position	(123,812)	(101,929)	(24,506)	(1,698)	(13,577)	(7,414)	1,019	(5,919)	(736)	(21)
Capital appropriations	88,806	43,479	175,000	159,810	193,214	5,000	62,500	170	35,610	40,276
Loss on disposal	(3,092)	(989)	(695)	(3,902)	(573)	(2,978)	(7)	(482)	(38)	(281)
Net other changes in net position	85,714	42,490	174,305	155,908	192,641	2,022	62,493	(312)	35,572	39,995
Total changes in net position	(38,098)	(59,439)	149,799	154,210	179,064	(5,392)	63,512	(6,231)	34,836	39,974
Net position-beginning of year (as previously stated)	126,332	185,771	35,972	576,794	397,730	403,122	339,610	345,841	311,005	271,031
Cumulative effect of implementing GASB 68 and 71 (see note 1)	-	-	-	(695,032)	-	-	-	-	-	-
Cumulative effect of implementing GASB 75 (see note 1)	(1,103,187)	-	-	-	-	-	-	-	-	-
Net position-beginning of year as restated	(976,855)	185,771	35,972	(118,238)	397,730	403,122	339,610	345,841	311,005	271,031
<b>Net position, ending</b>	<b>\$ (1,014,953)</b>	<b>\$ 126,332</b>	<b>\$ 185,771</b>	<b>\$ 35,972</b>	<b>\$ 576,794</b>	<b>\$ 397,730</b>	<b>\$ 403,122</b>	<b>\$ 339,610</b>	<b>\$ 345,841</b>	<b>\$ 311,005</b>
Net investment in capital assets	\$ 867,913	\$ 823,325	\$ 734,480	\$ 579,241	\$ 405,672	\$ 335,015	\$ 301,969	\$ 277,865	\$ 243,088	\$ 216,044
Restricted for										
Nonexpendable										
Scholarships	61	61	61	61	61	61	61	61	61	61
Expendable										
Research	(127)	(8)	(876)	(139)	547	1,982	3,436	4,047	4,359	4,251
Loans	523	31	953	1,348	104	794	1,081	875	1,864	2,401
Capital projects	37,660	37,061	117,466	104,082	152,707	30,829	51,287	5,758	30,649	32,802
Unrestricted	(1,920,983)	(734,138)	(666,313)	(648,621)	17,703	29,049	45,288	51,004	65,820	55,446
<b>Total net position</b>	<b>\$ (1,014,953)</b>	<b>\$ 126,332</b>	<b>\$ 185,771</b>	<b>\$ 35,972</b>	<b>\$ 576,794</b>	<b>\$ 397,730</b>	<b>\$ 403,122</b>	<b>\$ 339,610</b>	<b>\$ 345,841</b>	<b>\$ 311,005</b>

SCHEDULE OF LONG-TERM DEBT

For the Year Ended June 30,  
(amounts in thousands)

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Bonds Payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Loans Payable	-	-	-	-	-	-	415	1,245	2,076	2,906
Capital Leases	1,701	2,187	-	-	-	472	1,087	1,087	2,318	4,302
Mortgage Agreement	198,823	204,914	210,700	216,198	168,024	62,889	17,281	18,097	29,630	30,712
<b>Total long-term debt</b>	<b>\$ 200,524</b>	<b>\$ 207,101</b>	<b>\$ 210,700</b>	<b>\$ 216,198</b>	<b>\$ 168,024</b>	<b>\$ 62,889</b>	<b>\$ 18,168</b>	<b>\$ 20,429</b>	<b>\$ 34,024</b>	<b>\$ 37,920</b>

FACULTY AND STAFF

For the Year Ended June 30,

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
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BARGAINING UNIT

Faculty	539.6	529.4	517.6	507.8	512.8	508.0	505.7	486.8	-	-
University Health Professionals	2,526.6	2,477.0	2,462.8	2,420.4	2,457.9	2,440.1	2,375.1	2,285.0	2,220.1	2,189.4
All Other	1,299.0	1,356.0	1,404.6	1,422.1	1,437.9	1,436.9	1,430.8	1,401.6	1,420.9	1,431.2
Total FTE's	4,365.2	4,362.4	4,385.0	4,350.3	4,408.6	4,385.0	4,311.6	4,173.4	3,641.0	3,620.6

EXEMPT

Faculty	55.2	56.2	56.8	60.6	61.5	60.5	60.1	57.8	54.5	56.7
Managerial	139.1	153.9	160.6	159.3	158.3	156.2	151.9	144.1	145.0	152.0
All Other	340.7	335.1	329.3	353.2	392.7	404.1	408.9	369.0	376.7	368.4
Total FTE's	535.0	545.2	546.7	573.1	612.5	620.8	620.9	570.9	1,067.2	1,084.1

TOTAL FTE'S

	4,900.2	4,907.6	4,931.7	4,923.4	5,021.1	5,005.8	4,932.5	4,744.3	4,708.2	4,704.7
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Notes to required schedules  
2018 - the FTE information includes CMHC

**SCHEDULE OF CAPITAL ASSET INFORMATION  
DETAIL FOR BUILDINGS ONLY - BY FUNCTION**

	For the Fiscal Year Ended June 30,									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
<b>Academic</b>										
Net assignable square feet (in thousands)	82	82	74	74	74	74	74	74	74	74
Number of buildings/major areas of Main Building*	2	2	1	1	1	1	1	1	1	1
<b>Research buildings</b>										
Net assignable square feet (in thousands)	456	456	456	435	435	435	442	442	442	442
Number of buildings/major areas of Main Building*	6	6	6	6	6	6	17	17	17	17
<b>Patient care buildings</b>										
Net assignable square feet (in thousands)	885	885	885	662	529	529	529	529	529	529
Number of buildings/major areas of Main Building*	6	6	6	6	8	8	8	8	8	8
<b>Administrative and support buildings</b>										
Net assignable square feet (in thousands)	865	865	873	769	769	698	179	179	179	179
Number of buildings/major areas of Main Building*	11	11	12	11	11	10	9	9	9	9
Total net assignable square feet (in thousands)	<u>2288</u>	<u>2288</u>	<u>2288</u>	<u>1940</u>	<u>1807</u>	<u>1736</u>	<u>1224</u>	<u>1224</u>	<u>1224</u>	<u>1224</u>
Number of buildings/major areas of Main Building*	<u>25</u>	<u>25</u>	<u>25</u>	<u>24</u>	<u>26</u>	<u>25</u>	<u>35</u>	<u>35</u>	<u>35</u>	<u>35</u>

**\* Notes**

The Main Building at UConn Health has commonly been understood and tracked by major areas assigned separate names and alphanumeric identifiers. These areas are counted as buildings here. Many buildings have more than one usage. For the purposes of this schedule, the buildings (or areas of the Main Building) are categorized according to their primary use. Parking garages are included under administrative and support buildings, and the parking is included in the NASF. Total NASF for G1, G2, and G3 = 695 (in thousands) Buildings 9 and 28 were incorporated into Building 8 in 2009. For the purposes of this schedule, they are considered to have always been part of Building 8.

**RVU'S AND DISCHARGES**

UMG - RVU's

2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
1,084,289	1,050,731	1,031,645	981,239	910,710	855,935	848,932	842,656	856,519	847,684

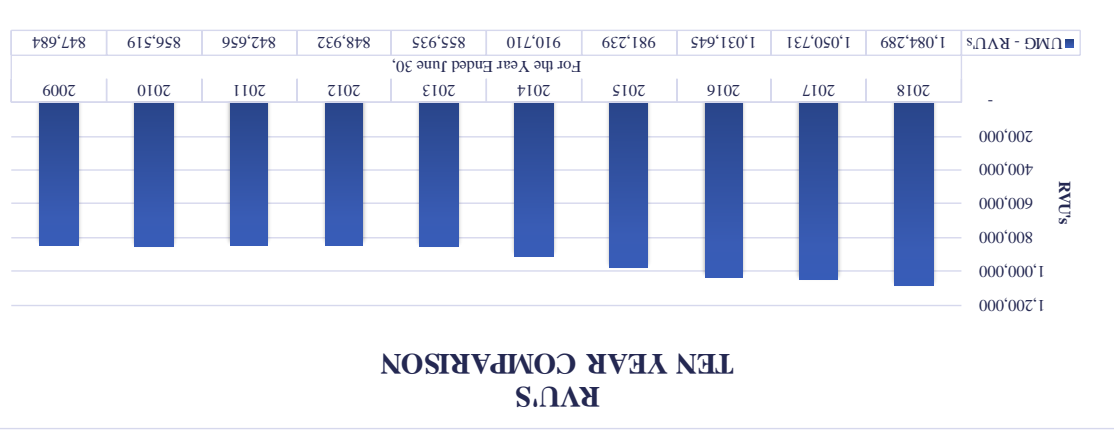
For the Year Ended June 30,

JDH - Adjusted Discharges

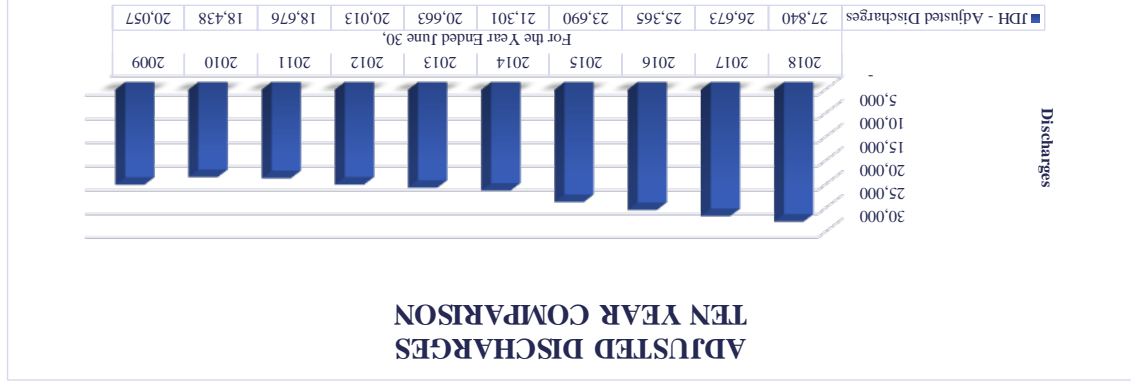
2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
27,840	26,673	25,365	23,690	21,301	20,663	20,013	18,676	18,438	20,057

For the Year Ended June 30,

**RVU'S  
TEN YEAR COMPARISON**



**ADJUSTED DISCHARGES  
TEN YEAR COMPARISON**





**DEMOGRAPHIC AND ECONOMIC STATISTICS**

State of Connecticut  
Last Ten Fiscal Years

Year	Personal Income as of June 30 (a)	Population at July 1 (a)	Per Capita Personal Income	Average Annual Unemployment Rate (b)
2018	\$ 265,636,709,000	3,588,236	\$ 74,030	4.5%
2017	251,389,254,000	3,568,714	70,443	4.8%
2016	252,249,206,000	3,586,640	70,330	5.5%
2015	240,602,679,000	3,591,282	66,996	6.1%
2014	232,600,172,000	3,596,922	64,666	7.1%
2013	222,984,316,000	3,598,628	61,964	8.1%
2012	224,252,008,000	3,593,857	62,399	8.4%
2011	215,220,960,000	3,589,072	59,966	9.1%
2010	205,145,596,000	3,576,676	57,356	8.8%
2009*	197,824,664,000	3,561,807	55,541	6.9%

(a) Source: U.S. Department of Commerce

(b) Source: Connecticut Department of Labor

\*Quarterly population not available. Annual population used 2009

**DEMOGRAPHIC AND ECONOMIC STATISTICS  
TOP TEN NONGOVERNMENTAL EMPLOYERS  
State of Connecticut  
Current Year and Ten Years Ago**

59

2018			
Name	Employees in CT	Percentage of Total CT Employment	Rank
United Technologies Corp. UTC	20,000	1.1%	1
Stop & Shop Co. LLC	13,574	0.7%	2
Yale University & Health Sys	11,530	0.6%	5
Foxwoods Resort Casino	10,500	0.6%	3
Aetna Inc.	10,001	0.5%	4
Immucor (medical supply)	7,200	0.4%	6
General Dynamics/Electric Boat	6,100	0.3%	7
Hartford Hospital	6,053	0.3%	8
Mohegan Sun Casino	6,000	0.3%	9
Eversource Energy	5,000	0.3%	10
Hartford Financial Services	5,000	0.3%	10
Total	100,958	5.4%	

2009			
Name	Employees in CT	Percentage of Total CT Employment	Rank
United Technologies Corp. UTC	27,050	1.7%	1
Stop & Shop Co. LLC	13,574	0.8%	2
Yale University	12,795	0.8%	4
Hartford Financial Services	12,500	0.8%	3
Mohegan Sun Casino	9,800	0.6%	6
Foxwoods Resort Casino	9,276	0.6%	5
Walmart Stores, Inc.	9,204	0.6%	7
General Dynamics/Electric Boat	8,200	0.5%	8
Aetna Inc.	7,206	0.4%	9
AT&T Connecticut	7,000	0.4%	10
Total	116,605	7.2%	

Sources: 2009 - Hartford Business Journal (HBJ), 2017 Infogroup, Omaha, NE

(1) Includes Sikorsky Aircraft, UTC Aerospace, Pratt & Whitney - Business units of UTC.

(2) Omitted from the HBJ survey. The number equals the employees reported by HBJ in 2008.