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

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

JUNE 30, 2022 AND 2021

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

CONTENTS

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

OVERVIEW OF THE FINANCIAL STATEMENTS

The following discussion and analysis provides an overview of the financial position and activities of the University of Connecticut Health Center John Dempsey Hospital (21002 Fund) (the Hospital) as of and for the years ended June 30, 2022, 2021, and 2020. The Hospital is operated as a separate, identifiable unit of the University of Connecticut Health Center (UConn Health). This discussion has been prepared by management and should be read in conjunction with the financial statements and the notes thereto, which follow this section.

Through the Hospital (a licensed acute care hospital with 224 certified general acute care beds and 10 bassinets, 186 staffed), UConn Health provides specialized and routine inpatient and outpatient services. The Hospital also provides comprehensive healthcare services for the State of Connecticut's (State) incarcerated inmates. The Hospital provides services through a variety of contracts with the State's Department of Correction (DOC). The Hospital has long been regarded as the premier facility in the region for high-risk maternity services. It is also recognized for its cardiovascular program (interventional cardiology and surgery), cancer, musculoskeletal, and behavioral mental health services. Additionally, the Hospital is home to the only Emergency Department in Connecticut's Farmington Valley.

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic. Since then, COVID-19 and its variants have continued to spread throughout the United States and the world. The COVID-19 outbreak in the United States caused business disruption through mandated and voluntary closings of businesses across the country. The Hospital paused elective procedures between March 13, 2020 and May 20, 2020. In fiscal 2021 and 2022, UConn Health diligently began to navigate a path back to providing full services in a changed world. We continue to monitor the pandemic and its many associated business challenges including variant waves, supply chain disruption, worker shortages, and aid application and reporting requirements. Management remains focused on providing exceptional, reliable, and safe patient care to our community. Due to the continued rapid development and fluidity of these situations, including and especially variant spread, it is difficult to assess the full impact that the pandemic will have on the Hospital's financial condition or results of operations at this time.

The Hospital has received aid from a number of governmental and other sources throughout the pandemic. Notably, the Hospital received federal funding via the Coronavirus Aid, Relief, and Economic Security (CARES) Act. Funds received under this program carry reporting and other requirements outlined by the federal government, which began September 30, 2021. The Hospital believes it has met these requirements. A summary of significant amounts received is shown below:

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

	2022	2021	2020
Funding Source			
Coronavirus Aid, Relief, and Economic Security (CARES) Act	$3,070,538	$12,450,000	$15,870,741
Other funding	6,063,502	223,229	2,051,942
Total COVID-19 relief revenue	$9,134,040	$12,673,229	$17,922,683

Funding came from both general and targeted distributions. Targeted distributions were made to physician practices based on, among other metrics, the total number of COVID-19 positive patients treated. The Hospital was also eligible for distributions for treating uninsured patients, though this population is not considered material.

The Hospital, as part of UConn Health, was also eligible to apply for reimbursement of expenses under two additional funding mechanisms: the Federal Emergency Management Agency (FEMA) and the Coronavirus Relief Fund (CRF). UConn Health was eligible to submit expenditures incurred in responding to the public health emergency to FEMA for consideration. The State of Connecticut also created a mechanism for expenditure submittal through December 31, 2021, to the extent such expenses were not submitted to other funding sources (such as FEMA).

This annual report consists of management's discussion and analysis and the financial statements. The basic financial statements (statements of net position, statements of revenues, expenses, and changes in net position, and statements of cash flows) present the financial position of the Hospital at June 30, 2022 and 2021, and the results of its operations and its financial activities for the years then ended. These financial statements report information about the Hospital using accounting methods similar to those used by private-sector companies. The statements of net position include all of the Hospital's assets, liabilities, and deferred inflows and outflows. The statements of revenues, expenses, and changes in net position reflect the year's activities on the accrual basis of accounting (i.e., when services are provided or obligations are incurred, not necessarily when cash is received or paid).

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

FINANCIAL HIGHLIGHTS

The Hospital's financial position at June 30, 2022, consisted of assets of approximately $562.8 million, deferred outflows of approximately $324.4 million, liabilities of approximately $1,184.2 million (of which $1,065.0 million is related to GASB Statements No. 68, 75, and 87), and deferred inflows of approximately $168.6 million. The Hospital's financial position at June 30, 2021, consisted of assets of approximately $575.4 million, deferred outflows of approximately $343.2 million, liabilities of approximately $1,283.0 million (of which $1,161.8 million is related to GASB Statements No. 68, 75 and 87), and deferred inflows of approximately $35.5 million. Net position, which represents the residual interest in the Hospital's assets and deferred outflows after liabilities and deferred inflows are deducted, decreased by approximately $65.6 million from fiscal year 2021 to a net deficit position of approximately $465.5 million as of June 30, 2022.

The Hospital finished the year with an operating loss of $129.5 million compared to an operating loss of $183.7 million in the prior year. Current year losses include the effect of the Hospital recording its pro-rata share of expenses under GASB Statements No. 68, 75 and 87, as discussed in notes 8, 9 and 10. These expenses reflect changes to the pension and other post-employment benefits (OPEB) plans on a State level. The Hospital recorded an additional $63.4 million and $109.9 million of expenses related to pension and OPEB liabilities in fiscal years 2022 and 2021, respectively. Operating losses exclusive of these entries were $66.1 million and $73.8 million in fiscal years 2022 and 2021, respectively.

The Hospital received net transfers from UConn Health of $56.5 million and $20.1 million in fiscal years 2022 and 2021, respectively. Current year transfers from UConn Health included $95.9 million and $31.8 million related to fringe benefit support and working capital, respectively. These transfers in were offset by $71.2 million in transfers to UConn Health for operational support during fiscal year 2022. In fiscal year 2021, UConn Health transferred $71.4 million and $10.6 million related to fringe benefit support and working capital, respectively. These transfers in were offset by $61.9 million in transfers to UConn Health for operational support during fiscal year 2021. Total net position decreased by approximately $65.6 million in fiscal year 2022, compared to a decrease of approximately $153.3 million in fiscal 2021.

FINANCIAL HIGHLIGHTS (CONTINUED)

SUMMARY OF ASSETS AND LIABILITIES

Summarized components of the Hospital's Statements of Net Position as of June 30, 2022, 2021, and 2020 are presented below.

	2022	2021 (Restated)	2020 (Restated)
		(in thousands)	
Summary of assets, liabilities and net position at June 30:			
Current assets	$ 143,713	$ 136,303	$ 113,087
Other assets	14,631	15,904	16,701
Property - right-to-use assets, net	89,125	97,236	101,854
Capital assets, net	315,345	325,971	347,277
Total assets	$ 562,814	$ 575,414	$ 578,919
Deferred amount for pensions	$ 163,360	$ 148,184	$ 146,293
Deferred amount for OPEB	161,057	195,025	179,581
Total deferred outflows	$ 324,417	$ 343,209	$ 325,874
Current liabilities	$ 115,025	$ 117,298	$ 69,846
Pension liabilities	440,127	434,230	382,720
OPEB liabilities	532,040	628,675	546,723
Lease liability, net of current portion	86,156	91,992	98,837
Note payable, net of current portion	19	-	-
Accrued compensated absences, non-current portion	10,784	10,845	9,159
Total liabilities	$ 1,184,151	$ 1,283,040	$ 1,107,285
Deferred amount for lease liability	$ 6,437	$ 8,701	$ 10,921
Deferred amount for pensions	32,025	83	966
Deferred amount for OPEB	130,126	26,720	32,022
Total deferred inflows	$ 168,588	$ 35,504	$ 43,909
Net investment in capital assets	$ 311,550	$ 324,350	$ 343,900
Unrestricted deficit	(777,058)	(724,271)	(590,301)
Total net position	$ (465,508)	$ (399,921)	$ (246,401)

FINANCIAL HIGHLIGHTS (CONTINUED)

SIGNIFICANT VARIANCES IN THE FINANCIAL STATEMENTS – ASSETS AND LIABILITIES

In this section, the Hospital explains the reasons for those financial statement items with significant variances relating to fiscal year 2022 amounts compared to fiscal year 2021 amounts.

Changes in assets included the following:

- *Contract and other receivables* – increased from June 30, 2021 to June 30, 2022 by approximately $3.9 million due to payments outstanding for payroll owed on the contract between the Hospital and the Neonatal Intensive Care Unit (owned and operated by Connecticut Children's Medical Center) and the outstanding payments for the Hemophilia Clinic.

- *Due from Finance Corporation* – increased from June 30, 2021 to June 30, 2022 by approximately $7.6 million as a result increased volumes of the 340B agreement between the Hospital and UConn Health Pharmacy Services Inc. (UHPSI), a subsidiary of the Finance Corporation.

- *Capital assets, net* – decreased from June 30, 2021 to June 30, 2022 by approximately $10.6 million, as depreciation and disposals outpaced capital acquisitions during the current fiscal year.

- *Property – right-to-use assets, net* – decreased from June 30, 2021 to June 30, 2022 by approximately $8.1 million due to amortization of lease balances recorded under GASB 87.

Changes in liabilities included the following:

- *Accounts payable and accrued expenses* – increased from June 30, 2021 to June 30, 2022 by approximately $3.1 million, primarily due to increased payables to several drug and medical supply vendors associated with increased clinical volumes.

- *Due to third-party payors* – decreased from June 30, 2021 to June 30, 2022 by approximately $15.4 million, primarily due to repayments under the Medicare Advance Payment Program for the advance payment from CMS (Medicare) for future claims. Advanced repayment began in September 2021 and are scheduled to end February 2023.

- *Accrued payroll* – increased approximately $6.2 million from June 30, 2021 to June 30, 2022. The payroll accrual fluctuates based on a payroll factor, which is calculated based on the number of days remaining as unpaid at the end of the fiscal year. FTE's increased by 38, along with wage rate increases contributed to the higher accrual of payroll.

FINANCIAL HIGHLIGHTS (CONTINUED)

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

- *Lease liabilities* – decreased from June 30, 2021 to June 30, 2022 by approximately $6.0 million mostly due to scheduled lease payments made in the current fiscal year.

- *Pension and OPEB liabilities* – decreased from June 30, 2021 to June 30, 2022 by approximately $90.7 million due to changes in the Hospital's OPEB costs. This represents the Hospital's proportional share of the State's OPEB liability as actuarially determined based on the Hospital's percentage of overall contributions.

SUMMARY OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

Summarized components of the Hospital's Statements of Revenues, Expenses, and Changes in Net Position for the years ended June 30, 2022, 2021, and 2020 are presented below:

	2022	2021 (Restated)	2020 (Restated)
		(in thousands)	
Summary of revenues, expenses and transfers for the year ended June 30:			
Operating revenues	$ 617,438	$ 526,009	$ 464,342
Operating expenses	(746,906)	(709,703)	(631,976)
Operating Loss	(129,468)	(183,694)	(167,634)
Nonoperating revenue (expense), net	7,365	10,253	16,331
Loss before transfers	(122,103)	(173,441)	(151,303)
Net transfers	56,516	20,137	25,100
Cumulative Effect of Implementing GASB 87	-	(216)	-
Decrease in Net Position	$ (65,587)	$ (153,520)	$ (126,203)

FINANCIAL HIGHLIGHTS (CONTINUED)

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

Operating revenues

Total operating revenues increased from the year ended June 30, 2021 to the year ended June 30, 2022 by approximately $91.4 million or 17.4%.

- *Net patient service revenues* – increased by approximately $77.3 million or 16.9% from prior year due to increased volumes along with certain payor contract increases made in fiscal year 2022.

- *Contract and other revenues* – increased by approximately $14.1 million or 20.3% from the prior year, which was driven by increases in the Ryan White 340B contract, pharmacy 340B contract agreements (340B drug contract), and a new 340B contract with UHPSI. The 340B drug contract is a discount program created in 1992 by the U.S. federal government that requires drug manufacturers to provide outpatient drugs to eligible healthcare organizations at significantly reduced prices. The 340B drug contract came about as a result of changes in the 340B regulations that now allow qualified hospitals to contract with outside pharmacies to provide 340B priced drugs to the Hospital's outpatients. The Hospital is now partnering with area pharmacies to allow them to fill such prescriptions for outpatients.

Operating expenses

Total operating expenses increased from the year ended June 30, 2021 to the year ended June 30, 2022 by approximately $37.2 million or 5.2%.

- *Salaries and wages* – increased by approximately $17.5 million or 9.5% from the prior year due to contractually bargained wage increases and an overall increase in full-time employees (FTEs). The Hospital FTE's went from 1,821 in fiscal year 2021 to 1,826 fiscal year 2022.

- *Fringe benefits* – decreased by approximately $30.9 million or 12.7% from the prior year due to credits associated with the Hospital recording its proportionate share of expenses under GASB Statements No. 68 and 75.

- *Pharmaceutical/medical supplies* – increased by approximately $38.4 million or 32.4% from the prior year due to the cost of specialty drugs for the pharmacy department and increased surgical volumes during fiscal year 2022.

FINANCIAL HIGHLIGHTS (CONTINUED)

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

- *Outside agency per diems* – increased by approximately $8.3 million or 165.3% from the prior year, staff turnover and a lack of local talent forced the Hospital to use an increased number of agency staffing during the year.

SUMMARY OF CASH FLOWS

The statements of cash flows provide additional information about the Hospital's financial results by reporting the major sources and uses of cash. A summary of the statements of cash flows for the years ended June 30, 2022, 2021, and 2020 are as follows:

	2022	2021 (Restated)	2020 (Restated)
		(in thousands)	
Cash received from operations	$ 595,959	$ 563,166	$ 469,392
Cash expended for operations	(660,021)	(573,353)	(527,192)
Net cash (used in) provided by operations	(64,062)	(10,187)	(57,800)
Net cash (used in) investing activities	(8,051)	(5,062)	(4,763)
Net cash provided by noncapital financing activities	9,338	12,450	16,542
Net cash provided by capital and related financing activities	47,596	11,979	29,523
Net change in cash	(15,179)	9,180	(16,498)
Cash - Beginning	48,573	39,393	55,891
Cash - Ending	$ 33,394	$ 48,573	$ 39,393

Hospital discharges of 9,801 represent an increase of 865 cases from 2021 as demand for services has eclipsed pre-pandemic levels.

FINANCIAL HIGHLIGHTS (CONTINUED)

CAPITAL AND INTANGIBLE ASSETS

At June 30, 2022, the Hospital had capital and intangible assets of $535.7 million and property – right to use assets of $115.6 million before accumulated depreciation and amortization, compared to $537.5 million and $119.2 million at June 30, 2021. A summary of capital and intangible asset balances is shown in the table below:

	2022	2021 (Restated)	2020 (Restated)
		(in thousands)	
Land	$ 183	$ 183	$ 183
Construction in progress	2,970	1,324	2,366
Buildings	402,852	403,107	398,992
Equipment	72,895	75,273	82,648
Computer software	56,696	57,632	57,061
Equipment - financed	71	-	-
Total capital assets	535,667	537,519	541,250
Less accumulated depreciation and amortization	220,322	211,548	197,456
Capital assets, net	$ 315,345	$ 325,971	$ 343,794
Property - right-to-use building	$ 94,728	$ 94,728	$ 94,728
Property - right-to-use equipment	20,841	24,482	17,359
Total property - right-to-use assets	115,569	119,210	112,087
Less accumulated amortization	26,444	21,974	13,875
Property - right-to-use assets, net	$ 89,125	$ 97,236	$ 98,212

For fiscal year 2023, all UConn Health capital requests will be considered for funding on an individual basis. Capital requests will be considered by the senior executive committee of UConn Health. More detailed information about the Hospital's capital and intangible assets are presented in note 8 to the financial statements.

FISCAL 2023 OUTLOOK

As we look forward to fiscal year 2023, UConn Health is focused on maintaining flexibility and adaptability in an era of great change. Emerging and re-emerging health threats such as COVID, polio, and monkeypox reinforce the need for a public health infrastructure able to adapt to changing public health needs and minimize the impacts of health disparities in the general population. UConn Health is working diligently to stay abreast of changing clinical and business models as it navigates changing operational, disease, and regulatory landscapes.

FISCAL 2023 OUTLOOK (CONTINUED)

UConn Health continues to adapt to new operational realities, including labor and supply shortages through continual re-prioritization, forward thinking, teamwork, and creativity. Continued and evolving public health challenges require new methodologies, partnerships, and treatment options. We are committed to responding to new needs, such as for vaccine boosters and distribution, to serve the people of Connecticut. UConn Health is partnering with other agencies and entities throughout the State of Connecticut to bring additional tools and options to the public.

Research, education, and patient care remain the cornerstones of UConn Health's mission. These pillars remain as fundamental and relevant as ever. UConn Health is focused on maximizing our efforts in these areas, while navigating uncertainty surrounding both State and Federal funding. Federal and State aid remain vital in shepherding public institutions through the multitude of challenges facing healthcare institutions. Such aid allows UConn Health to continue its public mission to protect and serve socially or economically disadvantaged groups. UConn Health benefitted from federal CARES Act support and has received American Rescue Plan Act (ARPA) fund allocations from the State in continued support in navigating these challenges.

A combination of institution-wide financial initiatives and additional State funding allowed UConn Health to balance its 2022 spending plan. UConn Health approaches fiscal year 2023 with cautious optimism. While vaccines have helped stem the impact of COVID-19, the omicron variant remains a cautionary warning that the virus can and will continue to mutate. Providers must remain diligent in their planning for future variants. Clinical volumes have rebounded in most specialties and clinical volumes now often exceed pre-pandemic volumes straining delivery mechanisms that saw significant staffing departures over the past year.

Supply shortages and a resurgence of inflation provide additional operational challenges. The global supply chain continues to work towards stabilization. Ports, rail transit, and trucking continue to be bottlenecked which has degraded the reliability of the old "just in time" model. Extreme weather and global geopolitics further complicate product availability. As such, UConn Health is constantly re-evaluating its stocking methodologies to minimize operational disruption.

UConn Health continues to work at maximizing the impact and effectiveness of its electronic medical record system (EPIC). UConn Health continues to focus on upgrading and optimizing the system to leverage as many of its features as possible. UConn Health remains on a quarterly upgrade schedule and is up-to-date with current EPIC functionality and was recently selected as one of five trial sites for Cheers, EPIC's new customer relationship management module. Over the past year, we also transitioned to online statements via MyChart reducing the number of statements mailed and enhancing both efficiency and privacy in billing.

FISCAL 2023 OUTLOOK (CONTINUED)

The State, lifted by strong tax receipts and federal aid, reported a surplus for fiscal year 2022, and initial projections for fiscal 2023 are for a small surplus. The State’s financial outlook has a direct role in that of UConn Health. Any potential negative changes to the State’s economic outlook result in additional unpredictability of State support across UConn Health. While we are grateful for State support, UConn Health leadership remains diligent in seeking out continued, appropriate external funding, cost reductions, and programmatic enhancements while protecting quality of care and our delivery of exceptional education and leading-edge research.

Healthcare, already a high oversight industry, has received additional regulatory mandates as a result of the pandemic and pandemic related relief funds received. Tracking and reporting these funds and monitoring the regulatory landscape and its impacts will continue to be a focus for UConn Health in the upcoming year.

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

CONTACTING THE HOSPITAL’S FINANCIAL MANAGEMENT

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

INDEPENDENT AUDITORS' REPORT

Joint Audit and Compliance Committee
The University of Connecticut Health Center
Farmington, Connecticut

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of The University of Connecticut Health Center John Dempsey Hospital (21002 Fund) (the Hospital), an enterprise fund of the State of Connecticut, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Hospital's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of The University of Connecticut Health Center John Dempsey Hospital (21002 Fund) as of June 30, 2022, and the respective changes in net 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of The University of Connecticut Health Center John Dempsey Hospital (21002 Fund) and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Change in Accounting Principle

As discussed in Notes 6 and 8 to the financial statements, effective July 1, 2021, the Hospital adopted new accounting guidance for leases. The guidance requires lessees to recognize a right-to-use lease asset and corresponding lease liability and lessors to recognize a lease receivable and corresponding deferred inflow of resources for all leases with lease terms greater than twelve months. Our opinion is not modified with respect to this matter.

Other Matter

The 2021 financial statements of the Hospital were audited by other auditors whose report dated November 30, 2021, expressed an unmodified opinion on those statements.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Hospital's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.
In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit 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 University of Connecticut Health Center John Dempsey Hospital's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about The University of Connecticut Health Center John Dempsey Hospital's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information, such as management's discussion and analysis, the schedule of changes in the Hospital's net position liability and related ratios, the schedule of pension contributions, the schedule of changes in the Hospital's net OPEB liability and related ratios, the schedule of the Hospital's proportionate share of the net OPEB liability, and the schedule of the Hospital's OPEB contributions, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, 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 Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2022, on our consideration of The University of Connecticut Health Center John Dempsey Hospital's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Hospital's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Hospital's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

West Hartford, Connecticut
November 21, 2022

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

STATEMENTS OF NET POSITION

JUNE 30, 2022 AND 2021

	2022	2021 (Restated)
Assets		
Current Assets		
Cash	$ 33,394,100	$ 48,572,719
Patient accounts receivable, net of estimated uncollectibles of $21,332,000 and $15,963,000 at June 30, 2022 and 2021, respectively	51,303,763	49,120,166
Inventory	15,855,937	15,066,359
Contract and other receivables (note 6)	7,721,800	3,802,573
Lease receivable, current portion (note 6)	2,212,664	1,947,021
Accrued interest receivable - leases	18,454	24,547
Due from State of Connecticut	11,573,542	6,842,171
Due from Other Funds	7,803,086	3,075,553
Due from UMG	306,193	2,053,679
Due from Finance Corporation	12,212,559	4,574,989
Prepaid expenses	1,310,615	1,223,674
Total Current Assets	143,712,713	136,303,451
Noncurrent Assets		
Deposits with vendors (note 1)	10,051,624	9,112,315
Other assets	117,543	117,543
Lease receivable, net of current portion (note 6)	4,461,696	6,674,360
Property - right-to-use assets, net (note 8)	89,125,117	97,235,792
Capital and intangible assets, net (note 8)	315,345,371	325,971,344
Total Noncurrent Assets	419,101,351	439,111,354
Total Assets	562,814,064	575,414,805
Deferred Outflows of Resources		
Deferred amount for pensions (note 10)	163,359,909	148,183,467
Deferred amount for OPEB (note 10)	161,056,641	195,025,424
Total Deferred Outflows of Resources	$ 324,416,550	$ 343,208,891

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

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

STATEMENTS OF NET POSITION (CONTINUED)

JUNE 30, 2022 AND 2021

	2022	2021 (Restated)
Liabilities and Net Position		
Current Liabilities		
Accounts payable and accrued expenses	$ 23,248,188	$ 20,194,043
Accrued interest payable - leases	193,962	208,623
Accrued payroll	17,912,350	11,735,345
Due to UConn Health Malpractice Fund	188,376	188,376
Due to State of Connecticut	13,031,941	8,983,685
Due to third-party payors	46,246,397	61,622,763
Unearned revenue	4,419	4,419
Lease liability, current portion (note 9)	6,710,041	6,865,017
Note payable, current portion (note 9)	35,451	-
Accrued compensated absences, current portion (note 9)	7,453,619	7,496,104
Total Current Liabilities	115,024,744	117,298,375
Noncurrent Liabilities		
Pension liabilities (note 10)	440,127,362	434,230,079
OPEB liabilities (note 10)	532,039,723	628,674,477
Lease liability, net of current portion (note 9)	86,156,048	91,992,457
Note payable, net of current portion (note 9)	19,237	-
Accrued compensated absences, net of current portion (note 9)	10,783,765	10,845,233
Total Noncurrent Liabilities	1,069,126,135	1,165,742,246
Total Liabilities	1,184,150,879	1,283,040,621
Deferred Inflows of Resources		
Deferred amount for resources right-to-use assets	6,437,137	8,701,462
Deferred amount for pensions (note 10)	32,024,982	83,298
Deferred amount for OPEB (note 10)	130,125,778	26,719,717
Total Deferred Inflows of Resources	168,587,897	35,504,477
Net Position		
Net investment in capital assets	311,549,711	324,349,662
Unrestricted deficit	(777,057,873)	(724,271,064)
Total Net Position	$ (465,508,162)	$ (399,921,402)

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

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

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

	2022	2021 (Restated)
Operating Revenues		
Net patient service revenues (note 5)	$ 533,884,633	$ 456,560,089
Contract and other revenues	83,553,215	69,448,710
Total Operating Revenues	617,437,848	526,008,799
Operating Expenses		
Salaries and wages	202,595,954	185,133,029
Fringe benefits	212,980,057	243,895,101
Medical/dental house staff	2,743,421	2,029,584
Medical contractual support	338,011	278,549
Internal contractual support	46,273,076	41,505,793
Outside agency per diems	13,305,408	5,014,861
Depreciation and amortization	27,472,713	30,920,117
Pharmaceutical/medical supplies	156,679,700	118,314,813
Utilities	5,590,825	4,870,607
Outside and other purchased services	57,123,110	55,558,276
Insurance	4,267,211	5,782,536
Repairs and maintenance	11,801,479	11,239,667
Other expenses	5,735,349	5,160,251
Total Operating Expenses	746,906,314	709,703,184
Operating Loss	(129,468,466)	(183,694,385)
Nonoperating Revenues (Expenses)		
Gift and endowment income/(expense)	204,000	(299,587)
COVID-19 relief revenue	9,134,040	12,450,000
Interest Income	267,334	339,599
Lease Revenue	2,264,325	2,248,872
Interest expense	(4,421,299)	(4,419,855)
Loss on disposals	(82,883)	(66,043)
Net Nonoperating Revenues	7,365,517	10,252,986
Loss before Transfers	(122,102,949)	(173,441,399)
Transfers from UConn Health - Unrestricted (note 11)	127,685,703	82,038,429
Transfers to UConn Health (note 11)	(71,169,514)	(61,901,373)
Decrease in Net Position	(65,586,760)	(153,304,343)
Net Position - Beginning of year	(399,921,402)	(246,401,465)
Cumulative Effect of Implementing GASB 87	-	(215,594)
Net Position - Beginning of year (restated)	(399,921,402)	(246,617,059)
Net Position - End of year	$ (465,508,162)	$ (399,921,402)

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

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

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

	2022	2021 (Restated)
Cash Flows from Operating Activities		
Cash received from patients and third-party payors	$ 516,324,670	$ 492,523,802
Cash received from contract and other revenues	79,633,988	70,641,043
Cash paid to employees for salaries and fringe benefits	(337,320,717)	(315,350,982)
Cash (returned to) received from related parties	(10,617,617)	(6,628,668)
Cash paid for other than personnel services	(312,082,016)	(251,373,773)
Net Cash Used in Operating Activities	(64,061,692)	(10,188,578)
Cash Flows from Investing Activities		
Additions to property and equipment	(8,050,665)	(5,061,610)
Net Cash Used in Investing Activities	(8,050,665)	(5,061,610)
Cash Flows from Noncapital Financing Activities		
COVID-19 relief received	9,134,040	12,450,000
Gifts and endowment income	204,000	413
Net Cash Provided by Noncapital Financing Activities	9,338,040	12,450,413
Cash Flows from Capital and Related Financing Activities		
Interest paid	(4,480,456)	(5,263,029)
Transfer from UConn Health - Unrestricted	127,685,703	82,038,429
Transfer to UConn Health	(71,169,514)	(61,901,373)
Payments on capital leases, net	(6,759,048)	(5,323,028)
Net borrowing on notes payable	54,688	-
Interest income	-	179,539
Lease revenue	2,264,325	2,248,872
Net Cash Provided by Capital and Related Financing Activities	47,595,698	11,979,410
Net Change in Cash	(15,178,619)	9,179,635
Cash - Beginning	48,572,719	39,393,084
Cash - Ending	$ 33,394,100	$ 48,572,719
Supplemental Disclosure of Non-Cash Investing and Financing Activities		
Right-to-use assets acquired by entering into lease agreements	$ 794,314	$ 7,126,840
Change in lease interest receivable	$ 267,334	$ 160,060
Change in lease interest payable	$ 59,157	$ 43,176
Change in Endowment	$ -	$ 300,000

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

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

STATEMENTS OF CASH FLOWS (CONTINUED)

FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

	2022	2021 (Restated)
Reconciliation to Operating Loss to Net Cash Used in Operating Activities		
Operating loss	$ (129,468,466)	$ (183,694,385)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation and amortization	27,472,713	30,920,117
Non-cash portion of pension expense	22,662,524	48,737,055
Non-cash portion of OPEB	40,740,090	61,204,355
Changes in operating assets and liabilities:		
Patient accounts receivable, net	(2,183,597)	(6,063,088)
Inventory	(789,578)	(3,158,534)
Contract and other receivables	(3,919,227)	1,192,332
Prepaid expenses	(86,941)	(266,303)
Other assets	-	160,448
Deposit with vendors	(939,309)	(1,191,298)
Due from UMG	1,747,486	(1,859,131)
Due from Finance Corporation	(7,637,570)	(4,761,545)
Due from State of Connecticut	(4,731,371)	(388,652)
Due from other funds	(4,727,533)	333,438
Due to third-party payors	(15,376,366)	42,026,802
Accounts payable and accrued expenses	3,054,145	3,272,728
Due to State of Connecticut	4,048,256	1,023,942
Accrued payroll	6,177,005	839,289
Accrued compensated absences	(103,953)	1,483,852
Net Cash Used in Operating Activities	$ (64,061,692)	$ (10,188,578)

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

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

REPORTING ENTITY

The financial statements include those assets, deferred outflows, liabilities, deferred inflows, net position, revenue, and expense accounts reflected in the accounting records of University of Connecticut Health Center John Dempsey Hospital (the Hospital), which are primarily accounted for in the 21002 Fund of the University of Connecticut Health Center (UConn Health).

There are 21 members of the Board of Trustees of the University of Connecticut. Five serve as ex officio, voting members by virtue of other positions: The Governor is President of the Board, the Commissioners of Agriculture, Education, and Economic and Community Development are Board members, and the Chair of UConn Health's Board of Directors is a member. Two Board members are elected by alumni for four-year terms (and may be re-elected once, in succession). One undergraduate student is elected by undergraduates for a two-year term. One graduate or professional student is elected by graduate and professional students for a two-year term. Twelve members are appointed by the Governor, subject to confirmation by the General Assembly, for six-year terms, and may be reappointed without limit.

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

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

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

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

COVID-19 PANDEMIC

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic. Since then, COVID-19 and its variants have continued to spread throughout the United States and the world. The COVID-19 outbreak in the United States caused business disruption through mandated and voluntary closings of businesses across the country. The Hospital paused elective procedures between March 13, 2020 and May 20, 2020. In fiscal 2021 and 2022, UConn Health diligently began to navigate a path back to safely providing full services in a changed world. UConn Health continues to monitor the pandemic and its many associated business challenges including variant waves, supply chain disruption, worker shortages, and aid application and reporting requirements. Management remains focused on providing exceptional, reliable, and safe patient care to our community. Due to the continued rapid development and fluidity of these situations, including and especially variant spread, it is difficult to assess the full impact that the pandemic will have on the Hospital's financial condition or results of operations at this time.

BASIS OF PRESENTATION

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

PROPRIETARY FUND ACCOUNTING

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

USE OF ESTIMATES

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

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

CASH

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

ACCOUNTS RECEIVABLE AND NET PATIENT SERVICE REVENUES

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

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

CONTRACT AND OTHER REVENUES

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

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

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

DUE TO AND FROM STATE OF CONNECTICUT

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

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

INVENTORY

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

DEPOSITS WITH VENDORS

As of June 30, 2022 and 2021, deposits with vendors totaled approximately $10.1 million and $9.1 million, respectively. As of June 30, 2022 and 2021, approximately $9.7 million and $8.6 million, respectively, was held on deposit by AmerisourceBergen. This is the primary pharmaceutical vendor used by the Hospital. As part of its contract, the Hospital is required to maintain a deposit with AmerisourceBergen based on a percentage of the prior quarter purchases. The deposits are non-interest bearing and are considered subject to the credit risk of the vendor.

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

LEASES

The Hospital routinely engages in lease agreements to meet operational needs. The Hospital's lease contracts generally relate to buildings and associated facilities, such as parking, and various machinery and equipment. For short-term leases with a maximum possible term of 12 months or less at commencement, the Hospital recognizes period revenue or expense based on the provisions of the lease contract. For all other contracts where the Hospital is the lessee, the Hospital recognizes a lease liability and an intangible right-to-use (RTU) lease asset based on the present value of future lease payments over the contracted term of the lease. RTU lease assets are amortized over the term of the lease, as the Hospital is not expected to lease assets beyond the underlying asset's useful life. On a more limited basis, the Hospital serves as a lessor providing leases of buildings. The financial statements recognize the lease receivable and a deferred inflow of resources, based on the present value of the future lease payments expected to be received during the contracted lease term, and the deferred inflow of resources is amortized evenly over the life of the lease.

The Hospital uses an estimated incremental borrowing rate as the discount rate for leases unless the rate the lessor charges is known. The incremental borrowing rate is based on the weighted-average interest rate of outstanding debt and capital lease obligations. If amendments or other certain circumstances occur that are expected to significantly affect the amount of the lease, the present value is remeasured, and corresponding adjustments made. Many lease contracts include increases to rent payments related to the consumer price index (CPI) or similar indexes, and the available index increase is included in the present value at the commencement of the lease or upon remeasurement. Payments based on future performance are not included in the measurement of the lease liability or lease receivable but are recognized as revenue or expenses in the period performed. Residual value guarantees and exercise options will be included in the measurement if they are reasonably certain to be paid or exercised.

CAPITAL ASSETS

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

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

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

CAPITAL ASSETS (CONTINUED)

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

INTANGIBLE ASSETS

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

IMPAIRMENT OF LONG-LIVED ASSETS

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

During 2022, the Hospital disposed of capital lease equipment, information technology, and general equipment of approximately $9.9 million due to equipment and software reaching the end of their useful life and having been retired. These assets are reported in note 8 and there was no loss on disposal. The Hospital also disposed of a number of smaller items which resulted in a total loss on disposal of $82,883. None of these items were individually significant.

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

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

RETIREMENT PLANS AND OTHER POSTEMPLOYMENT BENEFITS

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

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

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

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

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

RETIREMENT PLANS AND OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

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

PENSION LIABILITIES

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

OPEB LIABILITIES

Individuals who are employed by the Hospital are eligible to participate in the State's group health plan and are also eligible to continue benefits upon retirement. Retirees under age 65 pay the same premium for medical, prescription drug and dental benefits as active employees, which results in an implicit rate subsidy and OPEB liability. For this purpose, plan member contributions are recognized in the period in which the contributions are due. Hospital contributions are recognized in the period in which the contributions are appropriated. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan. The Hospital recorded its proportionate share of the net OPEB liability for the years ended June 30, 2022 and 2021.

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

DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES

Deferred outflows of resources are defined as the consumption of net assets in one period that are applicable to future periods and will not be recognized as an outflow of resources (expense) until then. These amounts are reported in the statement of net position in a separate section, after total assets. The Hospital has two items that meet this criterion, pension deferrals and OPEB deferrals.

Deferred inflows of resources are defined as an acquisition of net assets that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. These amounts are reported in the statement of net position in a separate section, after total liabilities. The Hospital has three items that meet this criterion, pension deferrals, OPEB deferrals, and lease deferrals.

COMPENSATED ABSENCES

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

THIRD-PARTY PAYORS

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

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

MEDICAL MALPRACTICE

Health care providers and support staff of the Hospital are fully protected by State Statutes from any claim for damage or injury, not wanton, reckless or malicious, caused in the discharge of their duties or within the scope of their employment (statutory immunity). Any claims paid for actions brought against the State as permitted by waiver of statutory immunity are charged against UConn Health's malpractice self-insurance fund. UConn Health allocates an annual malpractice premium to the Hospital, designed to reflect an estimate of the current year's cash claims to be processed. For the years ended June 30, 2022 and 2021, annual premiums were approximately $2.3 million. These premiums are included in insurance expense in the Hospital's statements of revenues, expenses, and changes in net position. The due to UConn Health Malpractice Fund reported on the statements of net position represents premiums payable for occurrence based coverage through June 30, 2022 and 2021, respectively.

NET POSITION

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

REGULATORY MATTERS

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

SUBSEQUENT EVENTS

In Preparing these financial statements, the Hospital has evaluated events and transactions for potential recognition or disclosure through November 21, 2022, the date of the financial statements were available to be issued. No subsequent events requiring recognition or disclosure in the financial statements were identified.

NOTE 2 – RECENTLY ADOPTED AND UPCOMING ACCOUNTING PRONOUNCEMENTS

RECENTLY ADOPTED ACCOUNTING PRONOUNCEMENT

The following GASB accounting pronouncements were adopted during fiscal year 2022: GASB Statement No. 87, *Leases* (GASB 87); GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period* (GASB 89); GASB Statement No. 92, Omnibus 2020 (GASB 92); and Paragraphs 13 and 14 of GASB Statement No. 93, *Replacement of Interbank Offered Rates* (GASB 93). Additional information on the impact of the implementation of GASB 87 is included in Note 1 and below of these financial statements. The other pronouncements did not have a material impact on the financial statements.

In June 2017, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 87, *Leases*. This standard requires the recognition of certain lease assets and liabilities for leases that previously were classifies as operating leases and as inflow of resources or outflows of resources recognized based on the payment provisions of the contracts. It establishes a single model for lease accounting based on the foundational principal that leases are financings of the right-to-use an underlying asset. Under this standard, a lessee is required to recognize a lease liability and an intangible right-to-use asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources.

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

RECENTLY ADOPTED ACCOUNTING PRONOUNCEMENT (CONTINUED)

The Hospital adopted the requirements of the guidance effective July 1, 2021 and has applied the provisions of this standard to the beginning of the earliest comparative period presented. The impact on select accounts of adopting GASB Statement No. 87 on the statement of net position and statement of revenues, expenses and changes in net position as of June 30, 2021 was as follows:

Combined Statement of Net Position	As Previously Reported	Adjustment	As Restated
Current Assets			
Lease receivable, current portion	$ -	$ 1,947,021	$ 1,947,021
Accrued interest receivable - leases	-	24,547	24,547
Noncurrent Assets			
Property - right-to-use assets, net	-	97,235,792	97,235,792
Capital and intangible assets, Net	328,303,827	(2,332,483)	325,971,344
Lease receivable, net of current portion	-	6,674,360	6,674,360
Current Liabilities			
Accrued interest payable - leases	-	208,623	208,623
Lease liability, current portion	764,476	6,100,541	6,865,017
Noncurrent Liabilities			
Lease liability, net of current portion	1,561,673	90,430,784	91,992,457
Deferred amount for resources right-to-use-assets	-	8,701,462	8,701,462
Net Position	$ (398,029,229)	$ (1,892,173)	$ (399,921,402)
Combined Statement of Revenues, Expenses, and Changes in Net Position			
Operating Revenues			
Contract and other revenues	$ 71,877,122	$ (2,428,412)	$ 69,448,710
Expenses			
Internal contractual support	50,270,873	(8,765,080)	41,505,793
Depreciation and amortization	23,969,073	6,951,044	30,920,117
Outside and other purchased services	56,212,230	(653,954)	55,558,276
Nonoperating Revenues and Expenses			
Interest Expense	(115,227)	(4,304,628)	(4,419,855)
Lease Revenue	-	2,248,872	2,248,872
Interest Income	-	339,599	339,599
Cumulative Effect of Implementing GASB 87	-	(215,594)	(215,594)
Net Position	$ (398,029,229)	$ (1,892,173)	$ (399,921,402)

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

UPCOMING ACCOUNTING PRONOUNCEMENTS

The Hospital is considering the impact on its financial statements of the following upcoming GASB accounting pronouncements: GASB Statement No. 91, Conduit Debt Obligations (GASB 91) effective for reporting periods beginning after December 15, 2021; GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* (GASB 94) effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter; and GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* (GASB 96) effective for fiscal years beginning after June 15, 2022 and all reporting period thereafter.

NOTE 3 – HYPOTHECATION

In accordance with State Statute, the Hospital can borrow from the State up to 90% of its net patient accounts receivables and contract and other receivables to fund operations. As of June 30, 2022 and 2021, the Hospital had not drawn down any funds under the hypothecation. As of June 30, 2022 and 2021, the Hospital had available amounts of $53,123,006 and $47,630,465 respectively, under State Statute.

NOTE 4 – CHARITY CARE

The Hospital maintains records to identify and monitor the level of charity care it provides. These records include the amount of charges forgone for services and supplies furnished under its charity care policy, the estimated cost of those services and supplies, and equivalent service statistics. During 2022 and 2021, the Hospital provided charity care services of $3,513,099 and $3,075,486, respectively. For fiscal years 2022 and 2021, the increase in charity care is attributed to more patients without insurance as a result of unemployment during the COVID-19 pandemic. The estimated cost of these services was $1,005,800 and $881,434, respectively, for the years fiscal ended June 30, 2022 and 2021. No net patient service revenue was recorded for these services; however, expenses associated with these services are included in operating expenses in the statements of revenues, expenses, and changes in net position.

NOTE 5 – NET PATIENT SERVICE REVENUES

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

	2022	2021
Gross patient service revenues	$ 1,587,939,342	$ 1,342,597,608
Less contractual allowances and provision for bad debt	(1,054,054,709)	(886,037,519)
Net patient service revenues	$ 533,884,633	$ 456,560,089

SIGNIFICANT CONCENTRATIONS

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

	Medicare		Medicaid	
	2022	2021	2022	2021
Net Revenue	34%	33%	20%	21%
Accounts Receivable	31%	27%	12%	11%

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

NOTE 5 – NET PATIENT SERVICE REVENUES (CONTINUED)

SIGNIFICANT CONCENTRATIONS (CONTINUED)

MEDICARE

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

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

The Hospital is reimbursed for Direct Graduate Medical Education (GME) and Medicare Bad Debts at an interim rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicare fiscal intermediary. The Hospital's Medicare cost reports have been settled by the Medicare fiscal intermediary through fiscal year 2019.

MEDICAID

Beginning January 1, 2015, Medicaid converted to an APR DRG Prospective Payment Methodology. Payments for inpatient services for patients admitted after January 1, 2015 have settlement distributions for GME and Case Mix Index withholds only. Beginning July 1, 2016, outpatient services rendered to patients are reimbursed based on the outpatient prospective payment system (OPPS) APC Methodology. Under the OPPS, services are listed on the Connecticut Medical Assistance Program (CMAP) Addendum B and are primarily reimbursed based on the CMAP Ambulatory Payment Classification (APC) system. CMAP Addendum B is a detailed list by procedure code that documents the APC group, status indicators, and relative weights adopted by DSS for the APC methodology. CMAP Addendum B also documents the services that are not paid by APC and are instead reimbursed based on the Outpatient Hospital Fee Schedule or another specialized fee schedule.

In both fiscal years 2022 and 2021, the Hospital recorded $8.2 million in supplemental revenue from the Department of Social Services (DSS), which is included in net patient service revenues in the statements of revenues, expenses and changes in net position.

NOTE 5 – NET PATIENT SERVICE REVENUES (CONTINUED)

SIGNIFICANT CONCENTRATIONS (CONTINUED)

COMMERCIAL INSURANCE AND MANAGED CARE

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

CONTRACT MANAGEMENT SYSTEM

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

ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS

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

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

NOTE 5 – NET PATIENT SERVICE REVENUES (CONTINUED)

ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS (CONTINUED)

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

NOTE 6 – CONTRACT AND LEASE RECEIVABLES

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

The Hospital has contracts to provide rental space and nursing resources to Connecticut Children's Medical Center (CCMC) in its operation of the Neonatal Intensive Care Unit (NICU) on the Hospital's campus. During the year ended June 30, 2022, revenue related to the contract with CCMC's NICU for rental space and nursing resources totaled $2,416,441 and $16,652,218, respectively. During the year ended June 30, 2021, revenue related to the contract with CCMC's NICU for rental space and nursing resources totaled $2,354,695 and $15,261,526, respectively.

The Hospital's 340B discount program utilizes certain features of a 1992 act by the U.S. federal government that requires drug manufacturers to provide outpatient drugs to eligible healthcare organizations at significantly reduced prices. The 340B drug contract came about as a result of changes in the 340B regulations that now allow qualified hospitals to contract with outside pharmacies to provide 340B priced drugs to the hospitals' outpatients. The Hospital now partners with area pharmacies to allow them to fill such prescriptions for outpatients. For the fiscal years ended June 30, 2022 and 2021, revenue related to the 340B contract totaled $27,478,669 and $32,300,068, respectively.

The Hospital's 340B pharmacy contract with UHPSI, related to certain pharmaceutical sales under the 340B program, resulted in revenue for the years ended June 30, 2022 and 2021, $23,766,006 and $8,821,684, respectively.

NOTE 6 – CONTRACT AND LEASE RECEIVABLES(CONTINUED)

Lease receivable for the fiscal years ended June 30, 2022 and 2021 is as follows:

	June 30, 2021 Balance	Additions	Deductions	June 30, 2022 Balance	Amount due within 1 year
Lease receivable total	$ 8,621,381	$ -	$ (1,947,021)	$ 6,674,360	$ 2,212,664

	June 30, 2020 Balance	Additions	Deductions	June 30, 2021 Balance	Amount due within 1 year
Lease receivable total	$ 10,783,996	$ -	$ (2,162,615)	$ 8,621,381	$ 1,947,021

For the fiscal years ended June 30, 2022 and 2021, the statements of revenues, expenses and changes in net position includes lease revenue of $2,264,325 and $2,248,872 and interest of $267,334 and $339,599, respectively. There was no additional revenue for variable and other payments not included in the measurement of the lease receivables.

	Lease Receivables	
Fiscal Year Ending June 30	Principal	Interest
2023	$ 2,212,664	$ 197,264
2024	2,290,621	119,306
2025	2,171,075	38,026
	$ 6,674,360	$ 354,596

NOTE 7 – COVID-19 RELIEF

The CARES Act was passed to mitigate the impact of the economic downturn set in motion by the global COVID-19 pandemic. Congress allocated funding to provide financial relief during the COVID-19 pandemic to be allocated mainly through the Department of Health and Human Services (HHS). The Hospital qualified for both targeted and general distributions for the years ended June 30, 2020, 2021 and 2022. The Hospital received funding from four different rounds, or tranches of funding. The first tranche was based on previous Medicare payments and totaled approximately $6.5 million. The second tranche was based on total revenue from the Medicare Cost Report and totaled approximately $2.1 million. The final payment received in fiscal 2020 was received under the Safety Net distribution and totaled approximately $7.2 million.

NOTE 7 – COVID-19 RELIEF (CONTINUED)

In fiscal 2021, the Hospital received additional CARES Act funding from the High Impact Areas “Hot Spot” Target Distribution allocation in the amount of $12.5 million. The allocation was based on the total number of COVID-19 positive patient admissions treated for the targeted second “Hot Spot” distribution during the period of January 1, 2020 to June 10, 2020. In fiscal 2022, the Hospital received additional CARES Act funding through Phase 4, based on COVID-19 related changes in operating revenues and expenses from June 1, 2020 to March 31, 2021 for $1.9 million. The Hospital also received $1.2 million received from the American Rescue Plan Act (ARPA), and $6.0 million in expense reimbursements from FEMA. The ARPA distributed funds based on Medicare and Medicaid Services for rural areas.

Criteria and reporting requirements for the Provider Relief Funding have been finalized by HHS. Hospital management believes that the eligibility requirements have been met for the complete amount received based on increased operating expenses and lost revenues. As such, the Hospital recognized the funds received as non-operating revenues in the 2022 and 2021 statements of revenues, expenses, and changes in net position.

Certain of the COVID-19 relief programs require that the funds be utilized for lost revenues and COVID-19-related costs, and place limitations on the amounts that hospitals can collect from COVID-19 patients. Management's estimates of the amount of revenues recognized in fiscal 2020 are complete, as the regulations associated with that time frame were finalized in July 2021. Management’s estimate of the amount of revenues recognized in fiscal years 2022 and 2021 are pending reconciliation for submitted documentation and, therefore, could change materially in the future. Any future adjustments to these estimates will be reported in the earnings of future periods.

On September 17, 2020, the Hospital received approximately $45.3 million under the Medicare Advance program. As of June 30, 2022, this amount is included in due to third-party payors on the statement of net position. In September 2021, the Hospital began repayment on funds received. The recoupment is scheduled to be achieved via Medicare withholding 25% of payments for the first eleven months and 50% of payments for the remaining six months. The advance was interest free; however, if amounts are not fully recouped using this methodology, there will be a 4% interest rate charged on any outstanding advances not repaid at the end of the recoupment period. As of June 30, 2022, the Hospital has repaid $23.5 million with a remaining balance of $21.8 million.

NOTE 8 – CAPITAL AND INTANGIBLE ASSETS, NET

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

	2022	2021 (Restated)
Land	$ 183,137	$ 183,137
Construction in progress (estimated costs to complete of $5.8 million and $3.0 million at June 30, 2022 and 2021, respectively)	2,969,881	1,323,555
Buildings	402,852,430	403,107,002
Equipment	72,894,496	75,272,857
Computer software	56,695,922	57,632,478
Equipment -financed	71,009	-
	535,666,875	537,519,029
Less accumulated depreciation and amortization	220,321,504	211,547,685
Capital and intangible assets, net	$ 315,345,371	$ 325,971,344
Property - right-to-use building	$ 94,727,513	$ 94,727,513
Property - right-to-use equipment	20,841,271	24,482,131
	115,568,784	119,209,644
Less accumulated depreciation and amortization	26,443,667	21,973,852
Property - right-to-use assets, net	$ 89,125,117	$ 97,235,792

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

Activity for the year ended June 30, 2022 and 2021 is as follows:

	2021 (Restated)	Additions	Deductions	2022
Land	$ 183,137	$ -	$ -	$ 183,137
Construction in progress	1,323,555	2,626,719	(980,393)	2,969,881
Buildings	403,107,002	948,700	(1,203,272)	402,852,430
Equipment	75,272,857	5,271,537	(7,649,898)	72,894,496
Computer software	57,632,478	113,093	(1,049,649)	56,695,922
Equipment - Financed	-	71,009	-	71,009
Capital and intangible assets, net	$ 537,519,029	$ 9,031,058	$ (10,883,212)	$ 535,666,875
Property - right-to-use building	$ 94,727,513	$ -	$ -	$ 94,727,513
Property - right-to-use equipment	24,482,131	794,314	(4,435,174)	20,841,271
Property - right-to-use assets, net	$ 119,209,644	$ 794,314	$ (4,435,174)	$ 115,568,784

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

	2020 (Restated)	Additions	Deductions	2021 (Restated)
Land	$ 183,137	$ -	$ -	$ 183,137
Construction in progress	2,366,136	3,077,772	(4,120,353)	1,323,555
Buildings	398,991,857	4,115,145	-	403,107,002
Equipment	82,648,115	1,417,510	(8,792,768)	75,272,857
Computer software	57,060,942	571,536	-	57,632,478
Capital and intangible assets, net	$ 541,250,187	$ 9,181,963	$ (12,913,121)	$ 537,519,029
Property - right-to-use building	$ 94,727,513	$ -	$ -	$ 94,727,513
Property - right-to-use equipment	17,358,788	7,126,840	(3,497)	24,482,131
Property - right-to-use assets, net	$ 112,086,301	$ 7,126,840	$ (3,497)	$ 119,209,644

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

Related information on accumulated depreciation and amortization for the years ended June 30, 2022 and 2021 is as follows:

	2021 (Restated)	Additions	Deductions	2022
Buildings	$ 128,682,412	$ 9,672,660	$ (1,200,031)	$ 137,155,041
Equipment	60,150,778	3,589,016	(7,570,256)	56,169,538
Computer software	22,714,495	5,314,327	(1,049,649)	26,979,173
Equipment - Financed	-	17,752	-	17,752
	$ 211,547,685	$ 18,593,755	$ (9,819,936)	$ 220,321,504
Property - right-to-use building	$ 5,636,179	$ 6,044,644	$ -	$ 11,680,823
Property - right-to-use equipment	16,337,673	2,834,314	(4,409,143)	14,762,844
	$ 21,973,852	$ 8,878,958	$ (4,409,143)	$ 26,443,667

	2020 (Restated)	Additions	Deductions	2021 (Restated)
Buildings	$ 118,598,130	$ 10,084,282	$ -	$ 128,682,412
Equipment	62,157,579	6,719,924	(8,726,725)	60,150,778
Computer software	16,700,715	6,013,780	-	22,714,495
	$ 197,456,424	$ 22,817,986	$ (8,726,725)	$ 211,547,685
Property - right-to-use building	$ -	$ 5,636,179	$ -	$ 5,636,179
Property - right-to-use equipment	13,875,218	2,465,952	(3,497)	16,337,673
	$ 13,875,218	$ 8,102,131	$ (3,497)	$ 21,973,852

During 2022, the Hospital did not receive any transfers related to projects. In 2021, the Hospital received transfers of $2.6 million from UConn Health to support the Dermatology Clinic renovation project.

NOTE 9 – LONG-TERM LIABILITIES AND LEASES

Activity related to notes payable and other long-term liabilities for the years ended June 30, 2022 and 2021 is as follows:

	June 30, 2021 Balance	Additions	Deductions	June 30, 2022 Balance	Amounts due within 1 year
Lease liabilities	$ 98,857,475	$ 767,662	$ (6,759,048)	$ 92,866,089	$ 6,710,041
Other long term liabilities					
Notes payable	-	71,009	(16,321)	54,688	35,451
Accrued compensated absences	18,341,337	13,193,009	(13,296,962)	18,237,384	7,453,619
Pension liabilities	434,230,079	101,100,975	(95,203,692)	440,127,362	-
OPEB liabilities	628,674,477	41,291,075	(137,925,829)	532,039,723	-
Total Long-Term Liabilities	$ 1,180,103,368	$ 156,423,730	$ (253,201,852)	$ 1,083,325,246	$ 14,199,111

	June 30, 2020 Balance	Additions	Deductions	June 30, 2021 Balance	Amounts due within 1 year
Lease liabilities	$ 104,180,502	$ -	$ (5,323,028)	$ 98,857,474	$ 6,865,017
Other long term liabilities					
Accrued compensated absences	16,857,486	11,272,081	(9,788,230)	18,341,337	7,496,104
Pension liabilities	382,719,634	101,627,908	(50,117,463)	434,230,079	-
OPEB liabilities	546,723,069	109,095,359	(27,143,951)	628,674,477	-
Total Long-Term Liabilities	$ 1,050,480,691	$ 221,995,348	$ (92,372,672)	$ 1,180,103,367	$ 14,361,121

Future minimum notes payable payments at June 30, 2022 are as follows:

Fiscal Year Ending June 30:	Principal	Interest
2023	$ 35,451	$ 4,269
2024	19,237	623
Total Notes Payable	$ 54,688	$ 4,892

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

The Hospital routinely leases various facilities and equipment instead of purchasing assets. The lease contracts, at times, include variable payments, residual value guarantees, or termination penalties that are not known or certain to be exercised at the time of the lease liability valuation. These are recognized as expenses in the period that they occur. There were no residual guarantee payments expensed for the fiscal year ended June 30, 2022. For the fiscal year ended June 30, 2022 and 2021, the Hospital recognized expense for lease variable payments as summarized in the table below:

	2022 Expenses Allocated	2021 Expenses Allocated
Expense category		
Common area maintenance	$ 63,531	$ 51,841
Property taxes	18,977	52,179
Fit out costs	4,800	4,800
Grand total	$ 87,308	$ 108,820

The following is a schedule by fiscal year of future minimum payments due for leases with the present value of the net minimum lease payments as of June 30, 2022.

	Lease Liabilities	
Fiscal Year Ending June 30:	Principal	Interest
2023	$ 6,710,041	$ 4,154,474
2024	6,503,813	3,868,409
2025	5,627,934	3,572,201
2026	4,889,114	3,342,680
2027	4,294,901	3,139,159
2028-2032	23,344,931	12,624,462
2033-2037	25,525,768	6,969,698
2038-2042	15,969,587	1,105,090
Total Lease Liabilities	$ 92,866,089	$ 38,776,173

NOTE 10 – PENSION AND OPEB PLANS

Employees of the Hospital are eligible to participate in the SERS, a defined benefit pension plan that is administered by the State Employees' Retirement Commission; the ARP, a defined contribution plan administered by the State; or the TRS, a defined benefit plan administered by the Teacher's Retirement Board; collectively, the "plans." Through their participation in one of the above plans, employees are also enrolled in the SEOPEBP. SERS, TRS and SEOPEBP do not issue stand-alone financial reports but are reported as fiduciary funds within the State's Annual Comprehensive Financial Report (ACFR). Financial reports are available on the website of the Office of the State Comptroller at www.osc.ct.gov. Information for the SERS and OPEB plans, in which the Hospital holds significant liabilities under GASB 68 and GASB 75, respectively, is presented below.

SERS is a single-employer defined benefit Public Employees' Retirement System (PERS) established in 1939 and governed by sections 5-152 to 5-192 of the Connecticut General Statutes. The SERS plan 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. Employees are covered under one of five tiers; Tier I, Tier II, Tier IIA, Tier III, and Tier IV including the (Hybrid Plan). In accordance with GASB 68, JDH 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.

Deferred Vesting – SERS	
Tier I -	10 years of service
Tier II and IIA -	Effective July 1, 1997, 5 years of actual state service, 10 years of vesting service, or age 70 with 5 years of service
Tier III and IV -	10 years of benefit service

Contributions - The contribution requirements are established and may be amended by the State legislature subject to the contractual rights established by collective bargaining. The State is required to contribute at an actuarially determined rate. Employee contribution rates for the fiscal year ended June 30, 2022 were:

NOTE 10 – PENSION AND OPEB PLANS (CONTINUED)

SERS PLAN DESCRIPTION (CONTINUED)

Tier I Hazardous - 6% of earnings up to Social Security Taxable Wage Base plus 7% of earnings above that level
Tier I Plan B - 4% of earnings up to Social Security Taxable Base plus 7% of earnings above that level
Tier I Plan C - 7% of earnings
Tier II Hazardous - 6% of earnings
Tier II (all others) - 2% of earnings
Tier IIA and III Hazardous - 7 % of earnings
Tier IIA and III (all others) - 4% of earnings
Tier IV Hazardous - 8% of earnings
Tier IV (all others) - 5% of earnings

In accordance with the SEBAC 2017 agreement, an increase to all non-Tier IV members contribution rates of 1.5% of earnings became effective July 1, 2017 and an additional 0.5% of earnings was effective July 1, 2019. In years where asset losses require further increases in contributions, Tier IV employees' contributions may increase by half the necessary increase in rates (up to 2%). Finally, all Tier IV employees must contribute 1% to the defined benefit component and may elect additional contributions of up to 3% of salary.

The State is required to contribute at an actuarially determined rate to the defined benefit component and 1% of eligible compensation to the defined contribution component.

Individuals hired on or after July 1, 2011 and before July 1, 2017, who were otherwise eligible for the ARP, were also eligible to become members of the Hybrid Plan. The Hybrid Plan has defined benefits identical to Tiers II, IIA, and III, but requires employee contributions 3% higher than the contribution required from the applicable Tier II, IIA, or III Plan.

A one-time decision was granted to members not eligible to retire by July 1, 2022 to elect to maintain the same normal retirement eligibility applicable to members eligible to retire before July 1, 2011. Employees who elected by July 1, 2013 to maintain their eligibility are required to make additional employee contributions for the length of their remaining service with SERS. The additional contribution is up to 0.72% of pensionable earnings.

The annual COLA for those retiring on or after July 1, 2022 is based on the annual rate of increase in Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) from 0.0% to 2.0%, plus 60% of the annual rate of increase in the CPI-W from 3.33% to 6.0%, plus 75% of the annual rate of increase in CPI-W above 6.0% and with a cap on the COLA

NOTE 10 – PENSION AND OPEB PLANS (CONTINUED)

rate of 7.5%. A COLA moratorium for those retiring on or after July 1, 2022 for the first 30 months of retirement benefits. If the rate of increase in CPI-W exceeds an annualized rate of 5.5% during the initial 18 month period of receiving retirement benefits, the COLA provided beginning with the 31st monthly benefit includes an additional adjustment based on the annual COLA rate as determined above using the annualized rate over the 18 month period. The COLA rate applied is reduced by 2.5% and then multiplied by 1.5 to reflect the 18 month period.

The pension liability recorded as of June 30, 2022 and 2021 was based on the June 30, 2021 and 2020 actuarial valuations, respectively.

Changes in Assumptions (SERS)

Listed below are the changes to the actuarial assumptions since the June 30, 2020 measurement date.

- Wage inflation assumed rate changed from 3.5% to 3.0%.
- Assumed salary scale changed to reflect experience in above wage inflation rates of increase.
- Assumed rates of mortality have been revised to the Pub-2010 Above Median Mortality Tables (amount-weighted) projected generationally with MP-2020 improvement scale.
- Assumed rates of withdrawal, disability and retirement have been adjusted to reflect experience more closely.

The Hospital's SERS contribution is determined by applying a State-mandated percentage to eligible salaries and wages. The mandated total fringe benefit rate, which includes allocations for retiree health care costs, roll forwards, and other adjustments, was 64.14%, 59.99%, and 64.30% during fiscal years 2022, 2021, and 2020, respectively. The SERS contributions made compared to covered payroll is as follows:

	2022	2021	2020
Total Hospital payroll covered by SERS	$ 96,312,081	$ 87,511,966	$ 80,544,936
Total Hospital SERS contributions	$ 43,644,786	$ 36,809,634	$ 29,402,117
Contributions as a percentage of covered payroll	45.3%	42.1%	36.5%

NOTE 10 – PENSION AND OPEB PLANS (CONTINUED)

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

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

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

At June 30, 2022 and 2021, the Hospital recorded a SERS related liability of $438.0 million and $431.5 million, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021 and 2020, respectively, and the total pension liability used to calculate the net pension liability was determined based on the actuarial valuations performed as of June 30, 2021 and June 30, 2020, respectively, rolled forward based on plan experience. The Hospital's allocation of the net pension liability was based on the Hospital’s percentage of total overall contributions to the plan during the 2021 and 2020 fiscal years, respectively. For the years ended June 30, 2021 and 2020, the Hospital's proportion of contributions was 2.06% and 1.82%, respectively.

For the years ended June 30, 2022 and 2021, the Hospital recognized SERS pension expense of $66.2 million and $85.1 million, respectively. The pension expense is reported in the Hospital's statements of revenues, expenses, and changes in net position as part of fringe benefits expense.

NOTE 10 – PENSION AND OPEB PLANS (CONTINUED)

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

At June 30, 2022 and 2021, the Hospital reported deferred outflows of resources and deferred inflows of resources related to the SERS plan from the following sources:

	2022		2021	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
	(in thousands)			
Changes in proportionate allocation of pension expense	$ 88,282	$ -	$ 67,758	$ -
Hospital contributions subsequent to measurement date	43,645	-	36,810	-
Net difference between projected and actual earnings on pension plan investments	-	30,887	7,273	-
Difference between expected and actual experience	30,306	-	23,290	-
Changes in assumptions	-	807	11,494	-
	$ 162,233	$ 31,694	$ 146,625	$ -

Differences between projected and actual investment earnings are amortized over a five-year, closed-end period beginning in the year in which the difference occurs and will be recognized as an increase (decrease) to fringe benefits. Differences in proportionate participation are amortized over the remaining estimated service life of plan employees, estimated at 5.33 and 5.50 years for the years ended June 30, 2022 and 2021, respectively.

NOTE 10 – PENSION AND OPEB PLANS (CONTINUED)

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

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

Year ending June 30,	Change in proportionate participation in SERS plan	Net difference between projected and actual earnings on pension plan investments	Difference between expected and actual experience	Change in assumptions
	(in thousands)			
2023	$ 27,515	$ (7,138)	$ 9,610	$ 577
2024	24,865	(6,985)	9,093	26
2025	20,290	(7,314)	6,643	(420)
2026	12,419	(9,450)	3,852	(770)
2027	3,193	-	1,108	(220)
	$ 88,282	$ (30,887)	$ 30,306	$ (807)

The amortization of the aforementioned deferred inflows and deferred outflows increased fringe benefits expense by $22,595,254 and $48,260,552 during the years ended June 30, 2022 and 2021, respectively.

ACTUARIAL METHODS AND ASSUMPTIONS (SERS)

The total SERS pension liability actuarial valuations was determined based on the results of an actuarial experience study. The Mortality Table was used for the period after service retirement and for dependent beneficiaries. The key actuarial assumptions are summarized below:

NOTE 10 – PENSION AND OPEB PLANS (CONTINUED)

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

	Actuarial valuation year	
	June 30, 2021	June 30, 2020
Actuarial experience study:	July 1, 2015 - June 30, 2020	July 1, 2011 - June 30, 2015
Inflation:	2.50%	2.50%
Salary increase:	3.00% - 11.50% including inflation	3.00% - 19.50% including inflation
Investment rate of return:	6.90%, net of pension plan investment expense, including inflation	6.90%, net of pension plan investment expense, including inflation

DISCOUNT RATE (SERS)

The discount rate used to measure the total pension liability was the long-term expected rate of return of 6.90%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rates and that Hospital contributions will be made equal to the difference between the projected actuarially determined contribution and member contributions. Projected future benefit payments for all current plan members were projected for June 30, 2021 and 2020 through the year 2124 and 2140, respectively.

EXPECTED RATE OF RETURN ON INVESTMENTS (SERS)

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

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

NOTE 10 – PENSION AND OPEB PLANS (CONTINUED)

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

	Actuarial Valuation Year			
	June 30, 2021		June 30, 2020	
Asset Class	Target Allocation	Long-Term Expected Real Rate of Return	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity Fund	20%	5.6%	20%	5.6%
Developed Market Intl. Stock Fund	11%	6.4%	11%	6.0%
Emerging Market Intl. Stock Fund	9%	3.8%	9%	7.9%
Real Estate Fund	19%	5.2%	10%	4.5%
Private Equity	10%	9.4%	10%	7.3%
Private Credit	5%	6.5%	0%	0.0%
Alternative Investments	3%	3.1%	7%	2.9%
Core Fixed Income Fund	13%	80.0%	16%	2.1%
High Yield Bond Fund	3%	3.4%	6%	4.0%
Emerging Market Debt Fund	5%	2.7%	5%	2.7%
Inflation Linked Bond Fund	0%	0.0%	5%	1.1%
Liquidity Fund	2%	(0.4)%	1%	0.4%
	100%		100%	

NOTE 10 – PENSION AND OPEB PLANS (CONTINUED)

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

CHANGES IN THE NET PENSION LIABILITY (SERS)

	2021 Pension Liability	2020 Pension Liability	2019 Pension Liability
		(in thousands)	
Beginning balance - pension liability	$ 672,536	$ 601,533	$ 479,671
Changes for the year:			
Service cost	8,170	7,070	6,533
Interest	50,967	43,960	38,182
Differences between expected and actual experience	16,032	3,786	20,408
Changes of assumptions	(994)	-	-
Benefit payments, including refunds of member contributions	(45,884)	(38,750)	(33,890)
Change in proportionate allocation of pension liability	89,057	54,937	90,629
Net change in pension liability	117,348	71,003	121,862
Ending balance - pension liability (a)	$ 789,884	$ 672,536	$ 601,533

NOTE 10 – PENSION AND OPEB PLANS (CONTINUED)

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

CHANGES IN THE NET PENSION LIABILITY (SERS)

	2021 Pension Liability	2020 Pension Liability	2019 Pension Liability
		(in thousands)	
Beginning balance - pension liability	$ 672,536	$ 601,533	$ 479,671
Changes for the year:			
Service cost	8,170	7,070	6,533
Interest	50,967	43,960	38,182
Differences between expected and actual experience	16,032	3,786	20,408
Changes of assumptions	(994)	-	-
Benefit payments, including refunds of member contributions	(45,884)	(38,750)	(33,890)
Change in proportionate allocation of pension liability	89,057	54,937	90,629
Net change in pension liability	117,348	71,003	121,862
Ending balance - pension liability (a)	$ 789,884	$ 672,536	$ 601,533

	2021 Fiduciary Net Position	2020 Fiduciary Net Position	2019 Fiduciary Net Position
		(in thousands)	
Beginning balance - fiduciary net position	$ 241,018	$ 221,285	$ 175,631
Changes for the year:			
Contributions - employer	36,810	29,402	26,308
Contributions - employee	4,012	3,506	8,153
Net investment income	68,005	5,380	11,849
Benefit payments, including refunds of member contributions	(45,884)	(38,750)	(33,890)
Administrative expenses	(12)	(14)	(12)
Other	15,991	-	62
Change in proportionate allocation of fiduciary net position	31,916	20,209	33,184
Net change in fiduciary net position	110,838	19,733	45,654
Ending balance - fiduciary net position (b)	$ 351,856	$ 241,018	$ 221,285
Hospital's net pension liability - ending (a)-(b)	$ 438,028	$ 431,518	$ 380,248

NOTE 10 – PENSION AND OPEB PLANS (CONTINUED)

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

The following table presents the Hospital's proportionate share of the net pension liability as of June 30, 2022 calculated using the discount rate of 6.90%, as well as the proportionate share of the net pension liability using a 1.00% increase or decrease from the current discount rate:

	1% Decrease (5.90%)	Discount Rate (6.90%)	1% Increase (7.90%)
Hospital's proportionate share of the net pension liability	$ 532,323,604	$ 438,027,983	$ 359,397,548

TEACHERS' RETIREMENT SYSTEM

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

As of June 30, 2022 and 2021, the Hospital recorded the following amounts in the financial statements related to the TRS:

	2022	2021
	(in thousands)	
Deferred outflows of resources	$ 1,127	$ 1,559
Deferred inflows of resources	$ 331	$ 83
Pension liability	$ 2,099	$ 2,712

ALTERNATE RETIREMENT PLAN

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

NOTE 10 – PENSION AND OPEB PLANS (CONTINUED)

ALTERNATE RETIREMENT PLAN (CONTINUED)

All unclassified employees, not already in a pension plan, of a constituent unit of the State system of higher education and the central office staff of the Department of Higher Education, are eligible to participate in the ARP. Participants must contribute 5% of eligible compensation each pay period, while the State will contribute an amount up to 7.25% of the participant's eligible compensation for fiscal years 2022 and 2021, via a charge recouped from the Hospital.

Participant and State contributions are both 100% vested immediately. For fiscal years 2022 and 2021, charges to the Hospital for ARP were approximately $8.4 million and $8.3 million, respectively. The liabilities as of June 30, 2022 and 2021 were approximately $622,000 and $589,000, respectively.

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

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

POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

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

NOTE 10 – PENSION AND OPEB PLANS (CONTINUED)

GENERAL INFORMATION ABOUT THE SEOPEBP

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

The plan is primarily funded on a pay-as-you-go basis. The contribution requirements of the State are established by and may be amended by the State legislature, or by agreement between the State and employee unions, upon approval by the State legislature. Costs are passed to the Hospital as part of its fringe benefit allocation, the rates for which are set each year by the State Comptroller's office. Information on the SEOPEBP's total funding status and progress contributions required and trend information can be found in the State's Annual Comprehensive Financial Report available on the State's website.

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

Employees covered by benefit terms – Demographic data for individual State entities in the SEOPEBP is not readily available. At June 30, 2022 and 2021, the SEOPEBP was based on plan membership at June 30, 2021 and 2020, covering the following:

	2021	2020
Inactive employees or beneficiaries currently receiving benefit payments	79,870	77,141
Inactive employees entitled to but not yet receiving benefit payments	385	649
Active employees	49,927	48,015
Total covered employees	130,182	125,805

NOTE 10 – PENSION AND OPEB PLANS (CONTINUED)

NET SEOPEBP LIABILITY

The Hospital's OPEB liability of $532.0 million as of June 30, 2022 for its proportionate share of the net OPEB liability was measured as of June 30, 2021 based on an actuarial valuation that was rolled forward to June 30, 2022. The Hospital's OPEB liability of $628.7 million as of June 30, 2021 for its proportionate share of the net OPEB liability was measured as of June 30, 2020 based on an actuarial valuation that was rolled forward to June 30, 2021. The Hospital's proportion of the net OPEB liability was based on the Hospital's percentage of total overall contributions to the plan. For the years ended June 30, 2021 and 2020, the Hospital's proportion of contributions was 2.72% and 2.67%, respectively.

ACTUARIAL METHODS AND ASSUMPTIONS (SEOPEBP)

The total OPEB liability in the June 30, 2022 and 2021 actuarial valuations was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

	Actuarial valuation year	
	June 30, 2021	June 30, 2020
Actuarial experience study:	July 1, 2015 - June 30, 2020	July 1, 2011 - June 30, 2015
Inflation:	2.50%	2.50%
Salary increase:	3.00% to 11.5% varying by years of service and retirement system, including inflation	3.25% to 4.5% varying by years of service and retirement system, including inflation
Discount rate:	2.31% as of June 30, 2021	2.38% as of June 30, 2020
Healthcare cost trends rates		
Medical	6.0% graded to 4.5% over 6 years	6.0% graded to 4.5% over 6 years
Prescription Drug	6.0% graded to 4.5% over 6 years	6.0% graded to 4.5% over 6 years
Dental	3.0%	3.0%
Part B	4.5%	4.5%
Administrative expense	3.0%	3.0%
Retirees' share of benefit-related costs	Contributions, if required, are determined by plan, employee start date and benefit type	Contributions, if required, are determined by plan, employee start date and benefit type

NOTE 10 – PENSION AND OPEB PLANS (CONTINUED)

ACTUARIAL METHODS AND ASSUMPTIONS (SEOPEBP) (CONTINUED)

The discount rate is a blend of long-term expected rate of return on OPEB Trust assets and a yield or index rate for 20-year, tax exempt general obligation municipal bonds with an average rate of AA/Aa or higher (2.16% as of June 30, 2021 and 2.21% as of June 30, 2020). The blending is based on the sufficiency of projected assets to make projected benefit payments.

Mortality rates for healthy personnel were based on the Pub-2010 General, Above-Median, Healthy Retiree Headcount-weighted Mortality Table projected generationally using Scale MP-2020 For disabled employees, Pub-2010 General, Disabled Retiree Headcount-weighted Mortality Table projected generationally using Scale MP-2020.

CONTRIBUTIONS MADE (SEOPEBP)

The SEOPEBP contributions made to cover payroll is as follows:

	2022	2021	2020
Total Hospital payroll covered by SEOPEBP	$ 156,009,740	$ 145,042,421	$ 137,902,301
Total Hospital SEOPEBP contributions	$ 23,548,884	$ 23,651,207	$ 23,159,710
Contributions as a percentage of covered payroll	15.1%	16.3%	16.8%

NOTE 10 – PENSION AND OPEB PLANS (CONTINUED)

CHANGES IN THE NET OPEB LIABILITY

	2021 Net OPEB Liability	2020 Net OPEB Liability	2019 Net OPEB Liability
		(in thousands)	
Beginning balance	$ 628,674	$ 546,723	$ 380,386
Changes for the year:			
Service cost	33,096	25,896	22,421
Interest	16,844	21,549	19,490
Differences between expected and actual experience	10,606	(4,795)	(17,066)
Changes in assumptions or other inputs	(134,488)	59,440	90,342
Benefit payments	(17,362)	(16,640)	(15,686)
Change in proportionate allocation of OPEB liability	(5,330)	(3,499)	66,836
Net changes	(96,634)	81,951	166,337
Ending balance	$ 532,040	$ 628,674	$ 546,723

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

The following table presents the Hospital's proportionate share of the OPEB liability as of June 30, 2022 using the discount rate of 2.31%, as well as the proportionate share of the net OPEB liability using a 1.00% increase or decrease from the current discount rate:

	1% Decrease (1.31%)	Discount Rate (2.31%)	1% Increase (3.31%)
		(in thousands)	
Net OPEB Liability	$ 631,515	$ 532,040	$ 453,044

NOTE 10 – PENSION AND OPEB PLANS (CONTINUED)

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

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

	Healthcare Cost Trend Rates		
	1% Decrease	Current Valuation	1% Increase
	(in thousands)		
Net OPEB Liability	$ 447,223	$ 532,040	$ 641,824

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

For the years ended June 30, 2022 and 2021, the Hospital recognized OPEB expense of $40.7 million and $61.2 million, respectively. At June 30, 2022 and 2021, the Hospital reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	2022		2021	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
	(in thousands)		*(in thousands)*	
Changes in proportion	$ 51,949	$ -	$ 65,781	$ -
Hospital contributions subsequent to measurement date	23,549	-	23,651	-
Changes in assumptions or other inputs - outflows	85,559	-	104,352	-
Changes in assumptions or other inputs - inflows	-	114,672	-	12,208
Net difference between projected and actual experience in total OPEB liability	-	10,498	-	14,512
Net difference between projected and actual earnings	-	4,956	1,240	-
	$ 161,057	$ 130,126	$ 195,024	$ 26,720

NOTE 10 – PENSION AND OPEB PLANS (CONTINUED)

Hospital contributions subsequent to the measurement date totaling $23.5 million reported as deferred outflows of resources will be recognized as a reduction of the OPEB liability in the year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in fringe benefits expense as follows:

Year ending June 30,	Change in proportionate participation in OPEB plan	Changes in assumptions or other inputs	Changes in assumptions or other inputs	Net difference between expected and actual experience in total OPEB liability	Net difference between projected and actual earnings on OPEB plan investments
			(in thousands)		
2023	$ 22,954	$ 31,242	$ (30,504)	$ (4,262)	$ (1,133)
2024	19,753	31,242	(27,922)	(4,261)	(1,172)
2025	6,523	17,742	(26,104)	(1,711)	(1,165)
2026	2,374	4,947	(25,983)	(256)	(1,486)
2027	345	386	(4,159)	(8)	-
	$ 51,949	$ 85,559	$ (114,672)	$ (10,498)	$ (4,956)

NOTE 10 – PENSION AND OPEB PLANS (CONTINUED)

EXPECTED RATE OF RETURN ON INVESTMENTS (SEOPEBP)

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

	Actuarial Valuation Year			
	June 30, 2021		June 30, 2020	
Asset Class	Target Allocation	Long-Term Expected Real Rate of Return	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity Fund	20%	5.6%	20%	5.6%
Developed Market Intl. Stock Fund	11%	6.4%	11%	6.0%
Emerging Market Intl. Stock Fund	9%	3.8%	9%	7.9%
Real Estate Fund	19%	5.2%	10%	4.5%
Private Equity	10%	9.4%	10%	7.3%
Private Credit	5%	6.5%	0%	0.0%
Alternative Investments	3%	3.1%	7%	2.9%
Core Fixed Income Fund	13%	80.0%	16%	2.1%
High Yield Bond Fund	3%	3.4%	6%	4.0%
Emerging Market Debt Fund	5%	2.7%	5%	2.7%
Inflation Linked Bond Fund	0%	0.0%	5%	1.1%
Liquidity Fund	2%	(0.4)%	1%	0.4%
	100%		100%	

NOTE 11 – RELATED PARTY TRANSACTIONS

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

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

For the years ended June 30, 2022 and 2021, UConn Health also allocated COVID-19 response expenses to its business units, which are included in the Home Office allocations disclosed below. Expenses were reviewed for applicable business units and home office allocation methodology was applied for shared expenses.

For the years ended June 30, 2022 and 2021, these Home Office allocations resulted in the following expenses being recorded by the Hospital with an offsetting cash transfer back to UConn Health's Central Administrative Services business unit:

NOTE 11 – RELATED PARTY TRANSACTIONS (CONTINUED)

Expense Category	2022 Expenses Allocated	2021 Expenses Allocated
Salaries and wages	$ 20,635,249	$ 19,207,589
Fringe benefits	16,518,610	14,559,114
Internal contractual support	2,985,749	3,540,898
Utilities	5,502,754	4,773,773
Outside and other purchased services	14,464,016	12,956,509
Insurance	318,197	491,457
Pharmaceutical/medical supplies	(21,721)	1,248,373
Repairs and Maintenance	5,255,972	5,349,933
Other Expenses	2,616,919	2,597,786
Total Expenses	$ 68,275,745	$ 64,725,432

For the years ended June 30, 2022 and 2021, the Hospital received net transfers from UConn Health of $56.5 million and $20.1 million, respectively. Fiscal year 2022 transfers from UConn Health included $95.9 million and $31.8 million related to fringe benefit support and working capital, respectively. These transfers in were offset by $71.2 million in transfers to UConn Health for operational support during fiscal year 2022. In fiscal year 2021, UConn Health transferred $71.4 million and $10.6 million to the Hospital related to fringe benefit support and working capital, respectively. These transfers in were offset by $61.9 million in transfers to UConn Health for operational support during fiscal year 2021. These transfers are included in transfers from/to UConn Health in the statements of revenues, expenses and changes in net position.

NOTE 11 – RELATED PARTY TRANSACTIONS (CONTINUED)

The Hospital's pension and OPEB liabilities (note 10) represent its pro-rata share of the State's overall liabilities and are not current commitments. The State finances pension and OPEB benefits on a pay-as-you go basis through allocated retirement plan rates, which are part of the Hospital's reported fringe benefit costs. The State charges the Hospital for these and other fringe benefits. During the years ended June 30, 2022 and 2021, the Hospital expensed $212,980,057 and $243,895,101, respectively, for employee fringe benefits. Related salary costs for 2022 and 2021 were $202,595,954 and $185,133,029, respectively. The amounts due to the State related to the fringe benefit programs as of June 30, 2022 and 2021 are included in the statements of net position.

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

The Hospital provides medical services to Connecticut's incarcerated patients under UConn Health contracts with the State's Department of Corrections (DOC), including inpatient and outpatient care provided at Medicaid rates. Net patient service revenues related to these UConn Health contracts with the State's DOC totaled $2,286,229 and $2,273,809 for the years ended June 30, 2022 and 2021, respectively. The related DOC cases for the years ended June 30, 2022 and 2021 were 2,597 and 1,832, respectively.

At June 30, 2022 and 2021, the Hospital had a due from UMG balance of $306,193 and $2,053,679, respectively. The 2021 balance consisted primarily of patient deposits posted to a central clearing account in UMG that were owed back to the Hospital at year-end. A transfer was posted in fiscal year 2022 to move the funds from UMG to the Hospital.

NOTE 11 – RELATED PARTY TRANSACTIONS (CONTINUED)

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

The Hospital also engages in transactions with UHPSI for pharmacy services. During fiscal years 2022 and 2021, the Hospital allocated pharmacy overhead revenue to UHPSI totaling approximately $953,000 and $1.8 million, respectively. This was offset by charges for pharmaceuticals and supplies expenses totaling approximately $3,100 and $38,000, respectively. In fiscal year 2021, the Hospital allocated to UHPSI its proportional share of the institutional deposit with UConn Health's primary pharmaceutical supplier, AmerisourceBergen. The deposit was approximately $5.1 million at June 30, 2021. During fiscal years 2022 and 2021, UHPSI repaid the Hospital $15.8 million and $3.0 million, respectively. The outstanding due from/(to) Finance Corporation and its subsidiaries was $12.2 million and $4.6 million at June 30, 2022 and 2021, respectively.

NOTE 12 – REPORTING OF THE MALPRACTICE FUND

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

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

At June 30, 2022 and 2021, UConn Health's Malpractice Fund had reserves of approximately $42.5 million and $41.7 million, respectively, and assets of approximately $41.2 million and $3.8 million, respectively. At June 30, 2021, UConn Health accrued for a verdict, as adjusted, rendered in June 2021, which UConn Health intends to vigorously appeal. Appeal documents were filed in September 2021. As of September 2022, all briefings are complete and the case remains before the Connecticut Supreme Court.

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

Joint Audit and Compliance Committee
The University of Connecticut Health Center
Farmington, Connecticut

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of The University of Connecticut Health Center John Dempsey Hospital (21002 Fund) (the Hospital), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Hospital's financial statements, and have issued our report thereon dated November 21, 2022.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of This Report

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

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

West Hartford, Connecticut
November 21, 2022

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

(dollars in thousands)

	2021	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability								
Service cost	$ 8,170	$ 7,070	$ 6,533	$ 6,019	$ 6,524	$ 4,024	$ 3,537	$ 2,662
Interest	50,967	43,960	38,182	31,024	30,636	26,310	23,387	18,508
Differences between expected and actual experience	16,032	3,786	20,408	6,770	(19,616)	9,654	-	-
Change of assumptions	(994)	-	-	-	-	61,962	-	-
Benefit payments, including refunds of member contributions	(45,884)	(38,750)	(33,890)	(27,530)	(25,205)	(21,691)	(18,886)	(14,510)
Change in proportionate allocation of pension liability	89,057	54,937	90,629	14,444	36,632	29,897	56,513	-
Net Change in Total Pension Liability	117,348	71,003	121,862	30,727	28,971	110,156	64,551	6,660
Total Pension Liability - Beginning	672,536	601,533	479,671	448,944	419,973	309,817	245,266	238,606
Total Pension Liability - Ending (a)	$ 789,884	$ 672,536	$ 601,533	$ 479,671	$ 448,944	$ 419,973	$ 309,817	$ 245,266
Fiduciary Net Position								
Contributions - employer	$ 36,810	$ 29,402	$ 26,308	$ 20,231	$ 20,949	$ 18,872	$ 15,628	$ 11,750
Contributions - employee	4,012	3,506	8,153	2,719	1,800	1,687	2,133	1,341
Net investment income	68,005	5,380	11,849	12,280	20,508	(1)	3,354	13,366
Benefit payments, including refunds of member contributions	(45,884)	(38,750)	(33,890)	(27,530)	(25,205)	(21,691)	(18,886)	(14,510)
Administrative expenses	(12)	(14)	(12)	(5)	(9)	(8)	-	-
Other	15,991	-	62	(44)	(5)	959	-	-
Change in proportionate allocation of fiduciary net position	31,916	20,209	33,184	5,236	11,609	11,731	22,343	-
Net Change in Fiduciary Net Position	110,838	19,733	45,654	12,887	29,647	11,549	24,572	11,947
Fiduciary Net Position - Beginning	241,018	221,285	175,631	162,744	133,097	121,548	96,976	85,029
Fiduciary Net Position - Ending (b)	$ 351,856	$ 241,018	$ 221,285	$ 175,631	$ 162,744	$ 133,097	$ 121,548	$ 96,976
Hospital's Net Pension Liability - Ending (a)-(b)	$ 438,028	$ 431,518	$ 380,248	$ 304,040	$ 286,200	$ 286,876	$ 188,269	$ 148,290
Hospital's Estimated Portion of SERS Net Pension Liability	2.05997%	1.81909%	1.66686%	1.40197%	1.35827%	1.24930%	1.13935%	0.92599%
Fiduciary Net Position as a Percentage of the Total Pension Liability	44.55%	35.84%	36.79%	36.61%	36.25%	31.69%	39.23%	39.54%
Hospital's Covered Payroll	$ 87,512	$ 80,546	$ 65,848	$ 58,474	$ 56,868	$ 52,583	$ 45,715	$ 34,258
Hospital's Estimated Net Pension Liability as a Percentage of Covered Payroll	500.53%	535.74%	577.46%	519.96%	503.27%	545.57%	411.83%	432.86%

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.

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF ANNUAL MONEY-WEIGHTED RATES OF RETURN - EMPLOYEES' RETIREMENT SYSTEM ONLY

(dollars in thousands)

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Contractually required contributions	$ 43,645	$ 36,810	$ 29,402	$ 26,308	$ 20,231	$ 20,949	$ 18,920	$ 15,714	$ 11,750	$ 9,812
Contributions in relation to the contractually required contribution	43,645	36,810	29,402	26,308	20,231	20,949	18,762	15,628	11,750	9,798
Contribution deficiency	$ -	$ -	$ -	$ -	$ -	$ -	$ 158	$ 86	$ -	$ 14
JDH's covered payroll	$ 96,312	$ 87,512	$ 80,545	$ 65,848	$ 58,474	$ 56,868	$ 52,583	$ 45,715	$ 34,258	$ 30,600
Contributions as a percentage of covered payroll	45.32%	42.06%	36.50%	39.95%	34.60%	36.84%	35.68%	34.19%	34.30%	32.02%

NOTES TO REQUIRED SCHEDULES

Key Actuarial Assumptions

Inflation: 2.5%

Salary increases: 3.00 - 11.50 percent, including inflation

Investment rate of return: 6.90 percent, net of pension plan investment expense, including inflation.

Change in Benefit Terms

2020 - 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 Plan.

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF ANNUAL MONEY-WEIGHTED RATES OF RETURN - EMPLOYEES' RETIREMENT SYSTEM ONLY

Annual money-weighted rates of return net of investment expense	2021	2020	2019	2018	2017	2016	2015	2014
State Employees' Retirement Fund	24.36%	1.86%	5.88%	7.30%	14.32%	0.23%	2.83%	15.62%

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.

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

	2021	2020	2019	2018	2017
			(dollars in thousands)		
Net OPEB Liability					
Service cost	$ 33,096	$ 25,896	$ 22,421	$ 19,867	$ 20,288
Interest	16,844	21,549	19,490	14,986	10,791
Differences between expected and actual experience	10,606	(4,795)	(17,066)	-	-
Changes of assumptions or other inputs	(134,488)	59,440	90,342	(15,955)	(10,783)
Benefit payments	(17,362)	(16,640)	(15,686)	(14,285)	(13,500)
Change in proportionate allocation of OPEB liability	(5,330)	(3,499)	66,836	9,224	14,409
Change in Net OPEB Liability	(96,634)	81,951	166,337	13,837	21,205
Net OPEB Liability - Beginning	628,674	546,723	380,386	366,549	345,344
Net OPEB Liability - Ending	$ 532,040	$ 628,674	$ 546,723	$ 380,386	$ 366,549
JDH Covered Payroll	$ 145,042	$ 137,902	$ 129,606	$ 127,204	$ 125,044
Net OPEB Liability as a Percentage of Covered Payroll	366.82%	455.88%	421.83%	299.04%	293.14%

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.

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF JOHN DEMPSEY HOSPITAL'S OPEB CONTRIBUTIONS

	2021	2020	2019	2018	2017	2016
			(dollars in thousands)			
The Hospital's proportion of the net OPEB liability	2.72%	2.67%	2.64%	2.20%	2.11%	2.00%
The Hospital's proportionate share of the net OPEB liability	$ 532,040	$ 628,674	$ 546,723	$ 380,386	$ 366,549	$ 345,344
The Hospital's covered payroll	$ 145,042	$ 137,902	$ 129,606	$ 127,204	$ 125,044	$ 123,476
The Hospital's proportionate share of the net OPEB liability as a percentage of its covered payroll	366.82%	455.88%	421.83%	299.04%	293.14%	279.69%
Plan fiduciary net position (assets)	$ 2,199,545	$ 1,537,194	$ 1,196,008	$ 849,889	$ 542,342	$ 340,618
Plan fiduciary total OPEB liability	$ 21,726,989	$ 25,078,100	$ 21,878,399	$ 18,114,287	$ 17,904,922	$ 17,583,045
Plan fiduciary net position as a percentage of the total OPEB liability	10.12%	6.13%	5.47%	4.69%	3.03%	1.94%

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 of Benefit Terms: In the June 30, 2021 and 2020 actuarial valuations, there were no changes of benefit terms.

Changes of Assumptions: In the June 30, 2021 actuarial valuation, the discount rate was updated in accordance with GASB Statement No. 75 to 2.31% as of June 30, 2021. The demographic assumptions (mortality, disability, retirement, withdrawal and salary scale) were updated to be consistent with the corresponding retirement system assumptions. Per capita health costs, administrative expenses and retiree contributions were updated for recent experience. Health care cost trend rates and retiree contribution increase rates were adjusted.

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF JOHN DEMPSEY HOSPITAL’S OPEB CONTRIBUTIONS

	2022	2021	2020	2019	2018	2017	2016
				(dollars in thousands)			
Contractually required contribution	$ 23,549	$ 23,651	$ 23,160	$ 19,903	$ 17,668	$ 14,090	$ 12,189
Contributions in relation to the contractually required contribution	23,549	23,651	23,160	19,903	17,668	14,090	12,189
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -
JDH's Covered Payroll	$ 156,010	$ 145,042	$ 137,902	$ 129,606	$ 127,204	$ 125,044	$ 123,476
Contributions as a percentage of covered payroll	15.09%	16.31%	16.79%	15.36%	13.89%	11.27%	9.87%

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.

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION – OPEB PLAN

SCHEDULE OF ANNUAL MONEY-WEIGHTED RATES OF RETURN

Annual money-weighted rates of return net of investment expense	2021	2020	2019	2018	2017	2016	2015	2014
OPEB Fund	24.61%	2.13%	6.62%	5.85%	11.83%	2.44%	3.44%	11.80%

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.