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

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

JUNE 30, 2023 AND 2022

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

CONTENTS

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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 fiscal years ended June 30, 2023, 2022, and 2021. 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, 205 staffed), UConn Health provides specialized and routine inpatient and outpatient services. The Hospital has long been regarded as the premier facility in the region for high-risk maternity services. It is recognized for its cardiovascular program (interventional cardiology and surgery), cancer, musculoskeletal, neurosurgical care, stroke services and behavioral mental health services. Additionally, the Hospital is home to the only Emergency Department in Connecticut's Farmington Valley. The Hospital provides comprehensive healthcare services for the State of Connecticut's (State) incarcerated inmates. These services are provided through a variety of contracts with the Hospital and the State's Department of Correction (DOC).

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. Since fiscal year 2021, UConn Health diligently began to navigate a path back to providing full services in a changed world. The federal COVID-19 Public Health Emergency declaration was ended on May 11, 2023. 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.

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)

	2023	2022	2021
Funding Source			
Coronavirus Aid, Relief, and Economic Security (CARES) Act	$ 196,693	$ 3,070,538	$ 12,450,000
Other funding	-	6,063,502	223,229
Total COVID-19 relief revenue	$ 196,693	$ 9,134,040	$ 12,673,229

Funding came from both general and targeted distributions. 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, statements of cash flows and related notes to the financial statements) present the financial position of the Hospital at June 30, 2023 and 2022, and the results of its operations and its financial activities for the fiscal 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 years 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, 2023, consisted of assets of approximately $519.7 million, deferred outflows of approximately $297.5 million, liabilities of approximately $958.0 million (of which $864.0 million is related to GASB Statements No. 68, 75, 87 and 96), and deferred inflows of approximately $294.2 million. The Hospital's financial position at June 30, 2022, consisted of assets of approximately $579.7 million, deferred outflows of approximately $324.4 million, liabilities of approximately $1,204.0 million (of which $1,073.6 million is related to GASB Statements No. 68, 75 and 87), and deferred inflows of approximately $168.6 million. Net position, which represents the residual interest in the Hospital's assets and deferred outflows after liabilities and deferred inflows are deducted, increased by approximately $33.5 million from fiscal year 2022 to a net deficit position of approximately $434.9 million as of June 30, 2023.

The Hospital finished the year with an operating loss of $32.8 million compared to an operating loss of $132.3 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 as well as the impact of the implementation of GASB No. 96 and change in accounting for GASB No. 87, as discussed in notes 2, 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 a decrease of $46.5 million in 2023 as opposed to an increase of $63.4 million of expenses in 2022. The change was driven by changes in plan assumptions and changes in the Hospital's allocated percentage overall liabilities from fiscal 2022 to fiscal 2023. Operating losses exclusive of these entries were $79.3 million and $68.9 million in fiscal years 2023 and 2022, respectively.

The Hospital received net transfers from UConn Health of $68.6 million and $56.5 million in fiscal years 2023 and 2022, respectively. Current year transfers from UConn Health included $77.0 million and $9.5 million related to fringe benefit support and working capital, respectively. These transfers in were offset by $17.9 million in transfers to UConn Health for operational support during fiscal year 2023. In fiscal year 2022, UConn Health transferred $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. Total net position increased by approximately $33.5 million in fiscal year 2023, compared to a decrease of approximately $68.5 million in fiscal 2022.

FINANCIAL HIGHLIGHTS (CONTINUED)

SUMMARY OF ASSETS AND LIABILITIES (CONTINUED)

Summarized components of the Hospital's Statements of Net Position as of June 30, 2023, 2022, and 2021 are presented below:

	2023	2022 (Restated)	2021
		(in thousands)	
Summary of assets, liabilities and net position at June 30:			
Current assets	$ 95,046	$ 143,694	$ 136,303
Other assets	25,280	14,415	15,904
Property - right-to-use assets, net	93,083	106,277	97,236
Capital assets, net	306,272	315,345	325,971
Total assets	$ 519,681	$ 579,731	$ 575,414
Deferred amount for pensions	$ 168,794	$ 163,360	$ 148,184
Deferred amount for OPEB	128,736	161,057	195,025
Total deferred outflows	$ 297,530	$ 324,417	$ 343,209
Current liabilities	$ 82,486	$ 119,566	$ 117,298
Noncurrent Liabilities	875,469	1,084,437	1,165,742
Total liabilities	$ 957,955	$ 1,204,003	$ 1,283,040
Deferred amount for lease liability	$ 4,245	$ 6,460	$ 8,701
Deferred amount for pensions	91,282	32,025	83
Deferred amount for OPEB	198,678	130,126	26,720
Total deferred inflows	$ 294,205	$ 168,611	$ 35,504
Net investment in capital assets	$ 295,166	$ 311,550	$ 324,350
Unrestricted deficit	(730,115)	(780,016)	(724,271)
Total net position	$ (434,949)	$ (468,466)	$ (399,921)

In this section, the Hospital explains the reasons for those financial statement items with significant variances relating to fiscal year 2023 amounts compared to fiscal year 2022 amounts.

Changes in assets included the following:

- *Contract and other receivables* – decreased from June 30, 2022 to June 30, 2023 by approximately $2.9 million due to collections of outstanding 340B payments owed to the Hospital.

FINANCIAL HIGHLIGHTS (CONTINUED)

SUMMARY OF ASSETS AND LIABILITIES (CONTINUED)

- *Due from State of Connecticut* – decreased from June 30, 2022 to June 30, 2023 by approximately $11.4 million due to a legislative change where the State is paying the retirement fringe of employees directly to the pension plan rather than through the University of Connecticut Health Center and allocated to the Hospital.

- *Due from Finance Corporation* – increased from June 30, 2022 to June 30, 2023 by approximately $4.4 million primarily as a result of amounts advanced by JDH on Finance Corporation's behalf for deposits with AmerisourceBergen under UConn Health's pharmacy contract.

- *Property – right-to-use assets, net* – decreased from June 30, 2022 to June 30, 2023 by approximately $13.2 million due to the revaluation of subscription based information-technology agreements to the statements in accordance with GASB 96.

- *Capital and Intangible Assets, net* – decreased from June 30, 2022 to June 30, 2023 by approximately $9.1 million, as depreciation and disposals outpaced capital acquisitions during the current fiscal year.

Changes in liabilities included the following:

- *Accrued payroll* – decreased approximately $9.1 million from June 30, 2022 to June 30, 2023. 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. The final payroll of the current year posted on June 30 resulting in a lower number of outstanding days at year end.

- *Due to other funds* – increased from June 30, 2022 to June 30, 2023 by approximately $3.8 million primarily due to home office allocations for administrative services.

FINANCIAL HIGHLIGHTS (CONTINUED)

SUMMARY OF ASSETS AND LIABILITIES (CONTINUED)

- *Due to State of Connecticut* – decreased from June 30, 2022 to June 30, 2023 by approximately $10.4 million primarily due changes in retirement fringe benefits.

- *Due to third-party payors* – decreased from June 30, 2022 to June 30, 2023 by approximately $22.8 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 ended in March 2023.

- *Pension and OPEB liabilities* – decreased from June 30, 2022 to June 30, 2023 by approximately $201.2 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.

- *Right-to-use liabilities* – decreased from June 30, 2022 to June 30, 2023 by approximately $8.7 million mostly due to the implementation of GASB 96 and the revaluation of leases due to an accounting change as a result of a change in lease tracking software.

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 fiscal years ended June 30, 2023, 2022, and 2021 are presented below:

	2023	2022 (Restated)	2021
		(in thousands)	
Summary of revenues, expenses and transfers for the year ended June 30:			
Operating revenues	$ 699,116	$ 617,438	$ 526,009
Operating expenses	(731,915)	(749,777)	(709,703)
Operating Loss	(32,799)	(132,339)	(183,694)
Nonoperating revenue (expense), net	(2,313)	7,536	10,253
Loss before transfers	(35,112)	(124,803)	(173,441)
Net transfers	68,629	56,516	20,137
Cumulative effect of change in accounting method GASB 87	-	(258)	(216)
Increase (Decrease) in Net Position	$ 33,517	$ (68,545)	$ (153,520)

FINANCIAL HIGHLIGHTS (CONTINUED)

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

Operating revenues

Total operating revenues increased from the fiscal year ended June 30, 2022 to the fiscal year ended June 30, 2023 by approximately $81.7 million or 13.2%.

- *Net patient service revenues* – increased by approximately $56.4 million or 10.6% from prior year due to increased volumes along with certain payor contract increases made in fiscal year 2023.

- *Contract and other revenues* – increased by approximately $25.3 million or 30.3% from the prior year, which was driven by increases in the Ryan White 340B contract, pharmacy 340B contract agreements (340B drug contract), and the 340B contract with UHPSI.

Operating expenses

Total operating expenses decreased from the fiscal year ended June 30, 2022 to the fiscal year ended June 30, 2023 by approximately $17.9 million or 2.4%.

- *Salaries and wages* – increased by approximately $31.3 million or 15.5% from the prior year due to contractually bargained wage increases.

- *Fringe benefits* – decreased by approximately $91.9 million or 43.1% from the prior year primarily due to credits associated with the Hospital recording its proportionate share of expenses under GASB Statements No. 68 and 75. Additionally, a legislative change removing responsibility for payment of certain retirement fringe costs from the Hospital beyond June 30, 2023, reduced the Hospital's accrued fringe benefit expenses as of June 30, 2023.

- *Outside agency per diems* – increased by approximately $15.1 million or 113.6% from the prior year, staff turnover, shortages, and a lack of available resources forced the Hospital to use increased agency staffing during the year to meet demand for services.

- *Pharmaceutical/medical supplies* – increased by approximately $17.7 million or 11.3% from the prior year due to the cost of specialty drugs for the pharmacy department and increased surgical volumes during fiscal year 2023.

FINANCIAL HIGHLIGHTS (CONTINUED)

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 fiscal years ended June 30, 2023, 2022, and 2021 are as follows:

	2023	2022 (Restated)	2021
		(in thousands)	
Cash received from operations	$ 675,952	$ 595,959	$ 563,166
Cash expended for operations	(744,322)	(655,315)	(573,353)
Net cash (used in) provided by operations	(68,370)	(59,356)	(10,187)
Net cash (used in) investing activities	(14,222)	(56,927)	(5,062)
Net cash provided by noncapital financing activities	292	9,338	12,450
Net cash provided by capital and related financing activities	57,083	91,766	11,979
Net change in cash	(25,217)	(15,179)	9,180
Cash - Beginning	33,394	48,573	39,393
Cash - Ending	$ 8,177	$ 33,394	$ 48,573

Hospital discharges of 10,846 represent an increase of 1,045 from 2022 as demand for services has eclipsed pre-pandemic levels and continues to grow.

FINANCIAL HIGHLIGHTS (CONTINUED)

CAPITAL AND INTANGIBLE ASSETS

At June 30, 2023, the Hospital had capital and intangible assets of $542.3 million and property – right to use assets of $136.7 million before accumulated depreciation and amortization, compared to $535.7 million and $140.3 million at June 30, 2022. A summary of capital and intangible asset balances is shown in the table below:

	2023	2022 (Restated)	2021
		(in thousands)	
Land	$ 183	$ 183	$ 183
Construction in progress	7,664	2,970	1,324
Buildings	404,149	402,852	403,107
Equipment	73,277	72,895	75,273
Computer software	56,979	56,696	57,632
Equipment - financed	71	71	-
Total capital assets	542,323	535,668	537,519
Less accumulated depreciation and amortization	236,051	220,322	211,548
Capital assets, net	$ 306,272	$ 315,345	$ 325,971
Property - right-to-use building	$ 94,397	$ 94,947	$ 94,728
Property - right-to-use equipment	17,055	20,566	24,482
Property - right-to-use subscriptions	25,266	24,784	-
Total property - right-to-use assets	136,718	140,297	119,210
Less accumulated amortization	43,635	34,020	21,974
Property - right-to-use assets, net	$ 93,083	$ 106,277	$ 97,236

For fiscal year 2024, all UConn Health capital requests will be considered for funding on an individual basis. Capital requests will be considered by UConn Health's Capital Prioritization Committee. More detailed information about the Hospital's capital and intangible assets are presented in note 8 to the financial statements.

FISCAL 2024 OUTLOOK

As we look forward to fiscal year 2024, UConn Health faces unique challenges as the world moves beyond the COVID pandemic. UConn Health, like other providers, is grappling with the impact of delayed care, increased in demand for services, staffing scarcity, and inflationary pressures. These challenges are on top of existing supply chain and emerging public health threats which providers have dealt with over the past several years. In addition, political focus is shifting towards decreasing healthcare spending at a time when providers are increasingly vulnerable financially. At the same time, an increasing focus on health equity and minimizing the impacts of health disparities in the general population puts additional focus on our ability to fulfill community need. UConn Health is working diligently to stay abreast of changing clinical and business models as it navigates these changing operational, social, and regulatory landscapes.

UConn Health continues to adapt to changing healthcare environments including labor and supply shortages, funding challenges, and increased demand through continual re-prioritization, forward thinking, teamwork, and creativity. Continued and evolving public health challenges including a focus on diversity and equity require new methodologies, partnerships, and treatment options. We remain committed to responding to these needs to serve the people of Connecticut. UConn Health continues to evaluate partnerships with other State agencies and entities 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 are vital in shepherding public institutions through the many current challenges they face. This aid allows us to maintain access to a breadth of services and clinical specialties that might not otherwise be possible. Such aid also allows UConn Health to continue its public mission of protecting and serving the socially or economically disadvantaged. UConn Health benefitted from federal CARES Act support during the pandemic and continues to benefit from the allocation of American Rescue Plan Act (ARPA) funds from the State of Connecticut.

A combination of institution-wide financial initiatives and additional State funding allowed UConn Health to balance its 2023 spending plan. The new biennium brings its own challenges. As State and Federal government seek to put the pandemic behind them, funding is at the forefront of new concerns. Public sentiment towards healthcare and education has eroded as the focus shifts to affordability, government sustainability, and tax relief.

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. Competition for doctors, nurses, and other clinical specialties is intense. Wage and general inflation remains an issue as it continues to outpace payment increases. Supply shortages and inflation provide additional operational challenges. The global supply chain continues to work towards stabilization. Ports, rail transit, and trucking have stabilized

FISCAL 2024 OUTLOOK(CONTINUED)

but remain short of their prior reliability requiring UConn Health to constantly re-evaluate stocking methodologies in hopes of minimizing operational disruptions.

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 years ended June 30, 2023 and 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, 2023 and 2022, and the respective changes in net position, and, where applicable, cash flows thereof for the years 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 Note 1 and 8 to the financial statements, effective July 1, 2022, the Hospital adopted new accounting guidance for subscription-based information technology agreements. The guidance requires entities to recognize a subscription-based right-to-use asset and corresponding subscription-based liability. Our opinion is not modified with respect to this matter.

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, 2023, 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, 2023

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

STATEMENTS OF NET POSITION

JUNE 30, 2023 AND 2022

	2023	2022 (Restated)
Assets		
Current Assets		
Cash	$ 8,177,490	$ 33,394,100
Patient accounts receivable, net of estimated uncollectibles of $27,453,960 and $35,489,396 at June 30, 2023 and 2022, respectively	54,512,073	51,303,763
Inventory	15,320,803	15,855,937
Contract and other receivables (note 6)	4,858,538	7,721,800
Lease receivable, current portion (note 6)	2,215,086	2,212,716
Due from State of Connecticut	222,603	11,573,542
Due from other funds	-	7,803,086
Due from UMG	3,244,811	306,193
Due from Finance Corporation	4,641,730	12,212,559
Prepaid expenses	1,852,657	1,310,615
Total Current Assets	95,045,791	143,694,311
Noncurrent Assets		
Deposits with vendors (note 1)	11,125,119	10,051,624
Other assets	117,543	117,543
Lease receivable, net of current portion (note 6)	2,030,495	4,245,581
Due from Finance Corporation, noncurrent portion	12,007,648	-
Property - right-to-use assets, net (note 8)	93,083,090	106,277,212
Capital and intangible assets, net (note 8)	306,271,612	315,345,371
Total Noncurrent Assets	424,635,507	436,037,331
Total Assets	519,681,298	579,731,642
Deferred Outflows of Resources		
Deferred amount for pensions (note 10)	168,793,761	163,359,909
Deferred amount for OPEB (note 10)	128,736,254	161,056,641
Total Deferred Outflows of Resources	$ 297,530,015	$ 324,416,550

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

JUNE 30, 2023 AND 2022

	2023	2022 (Restated)
Liabilities and Net Position		
Current Liabilities		
Accounts payable and accrued expenses	$ 22,944,901	$ 23,248,665
Accrued payroll	8,848,291	17,912,350
Due to UConn Health Malpractice Fund	534,630	188,376
Due to other funds	3,786,683	-
Due to State of Connecticut	2,597,889	13,031,941
Due to third-party payors	23,426,706	46,246,397
Unearned revenue	4,419	4,419
Right-to-use liabilities, current portion (note 9)	11,181,983	11,444,359
Note payable, current portion (note 9)	2,917	35,451
Accrued compensated absences, current portion (note 9)	9,157,394	7,453,619
Total Current Liabilities	82,485,813	119,565,577
Noncurrent Liabilities		
Pension liabilities (note 10)	340,558,863	440,127,362
OPEB liabilities (note 10)	430,420,277	532,039,723
Right-to-use liabilities, net of current portion (note 9)	93,003,766	101,467,103
Note payable, net of current portion (note 9)	-	19,237
Accrued compensated absences, net of current portion (note 9)	11,485,965	10,783,765
Total Noncurrent Liabilities	875,468,871	1,084,437,190
Total Liabilities	957,954,684	1,204,002,767
Deferred Inflows of Resources		
Deferred amount for resources right-to-use assets	4,245,581	6,460,667
Deferred amount for pensions (note 10)	91,281,759	32,024,982
Deferred amount for OPEB (note 10)	198,677,634	130,125,778
Total Deferred Inflows of Resources	294,204,974	168,611,427
Net Position		
Net investment in capital assets	295,166,036	311,549,711
Unrestricted deficit	(730,114,381)	(780,015,713)
Total Net Position	$ (434,948,345)	$ (468,466,002)

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, 2023 AND 2022

	2023	2022 (Restated)
Operating Revenues		
Net patient service revenues (note 5)	$ 590,258,174	$ 533,884,633
Contract and other revenues	108,858,424	83,553,215
Total Operating Revenues	699,116,598	617,437,848
Operating Expenses		
Salaries and wages	233,913,029	202,595,954
Fringe benefits	121,088,632	212,980,057
Medical/dental house staff	3,695,641	2,743,421
Medical contractual support	2,439,996	338,011
Internal contractual support	43,580,737	46,273,076
Outside agency per diems	28,416,824	13,305,408
Depreciation (note 8)	19,118,955	18,593,755
Amortization (note 8)	17,532,514	16,455,626
Pharmaceutical/medical supplies	174,402,492	156,679,700
Utilities	5,763,274	5,590,825
Outside and other purchased services	57,546,671	52,416,711
Insurance	5,815,120	4,267,211
Repairs and maintenance	12,614,499	11,801,479
Other expenses	5,987,032	5,735,349
Total Operating Expenses	731,915,416	749,776,583
Operating Loss	(32,798,818)	(132,338,735)
Nonoperating Revenues (Expenses)		
Gift and endowment income	95,000	204,000
COVID-19 relief revenue	196,693	9,134,040
Interest income	197,212	267,334
Lease revenue	2,215,086	2,264,325
Interest expense	(4,981,464)	(4,250,823)
Loss on disposals	(35,580)	(82,883)
Net Nonoperating Revenues	(2,313,053)	7,535,993
Loss before Transfers	(35,111,871)	(124,802,742)
Transfers from UConn Health - Unrestricted (note 11)	86,511,361	127,685,703
Transfers to UConn Health (note 11)	(17,881,833)	(71,169,514)
Increase (Decrease) in Net Position	33,517,657	(68,286,553)
Net Position - Beginning of year	(468,466,002)	(399,921,402)
Cumulative effect of change in accounting method - GASB 87	-	(258,047)
Net Position - Beginning of year	(468,466,002)	(400,179,449)
Net Position - End of year	$ (434,948,345)	$ (468,466,002)

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, 2023 AND 2022

	2023	2022 (Restated)
Cash Flows from Operating Activities		
Cash received from patients and third-party payors	$ 564,230,173	$ 516,324,670
Cash received from contract and other revenues	111,721,686	79,633,988
Cash paid to employees for salaries and fringe benefits	(429,937,513)	(337,320,717)
Cash (returned to) received from related parties	4,214,332	(10,617,617)
Cash paid for other than personnel services	(318,598,321)	(307,375,617)
Net Cash Used in Operating Activities	(68,369,643)	(59,355,293)
Cash Flows from Investing Activities		
Additions to property and equipment	(14,221,956)	(56,927,295)
Net Cash Used in Investing Activities	(14,221,956)	(56,927,295)
Cash Flows from Noncapital Financing Activities		
COVID-19 relief received	196,693	9,134,040
Gifts and endowment income	95,000	204,000
Net Cash Provided by Noncapital Financing Activities	291,693	9,338,040
Cash Flows from Capital and Related Financing Activities		
Interest paid	(4,981,464)	(4,480,456)
Transfer from UConn Health - unrestricted	86,511,361	127,685,703
Transfer to UConn Health	(17,881,833)	(71,169,514)
Payments on right-to-use lease liabilities, net	(8,725,713)	37,411,183
(Payments) borrowing on notes payable	(51,771)	54,688
Lease revenue	2,212,716	2,264,325
Net Cash Provided by Capital and Related Financing Activities	57,083,296	91,765,929
Net Change in Cash	(25,216,610)	(15,178,619)
Cash - Beginning	33,394,100	48,572,719
Cash - Ending	$ 8,177,490	$ 33,394,100
Supplemental Disclosure of Non-Cash Investing and Financing Activities		
Right-to-use assets acquired by entering into lease agreements	$ 1,222,678	$ 7,864,912
Right-to-use subscription acquired by entering into lease agreements	$ 481,440	$ 24,784,674
Change in lease interest receivable	$ -	$ 267,334
Change in lease interest payable	$ -	$ 59,157

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, 2023 AND 2022

	2023	2022 (Restated)
Reconciliation to Operating Loss to Net Cash Used in Operating Activities		
Operating loss	$ (32,798,818)	$ (132,338,735)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation and amortization	36,651,469	35,049,381
Changes in operating assets and liabilities:		
Patient accounts receivable, net	(3,208,310)	(2,183,597)
Inventory	535,134	(789,578)
Contract and other receivables	2,863,262	(3,919,227)
Prepaid expenses	(542,042)	(86,941)
Deposit with vendors	(1,073,495)	(939,309)
Due from UMG	(2,938,618)	1,747,486
Due from Finance Corporation	(4,436,819)	(7,637,570)
Due from State of Connecticut	11,350,939	(4,731,371)
Due from other funds	7,803,086	(4,727,533)
Change in deferred inflows - pension	6,404	4,469
Change in deferred inflows - OPEB	(34,765,738)	(9,628,901)
Due to third-party payors	(22,819,691)	(15,376,366)
Due to malpractice	346,254	-
Due to other funds	3,786,683	-
Accounts payable and accrued expenses	(303,764)	3,054,145
Due to State of Connecticut	(10,434,052)	4,048,256
Change in deferred outflows - OPEB	21,407,796	28,077,785
Change in deferred outflows - pension	(35,259,971)	(21,796,996)
Change in net pension liability	(10,492,007)	44,455,051
Change in net OPEB liability	12,610,739	22,291,206
Accrued payroll	(9,064,059)	6,177,005
Accrued compensated absences	2,405,975	(103,953)
Net Cash Used in Operating Activities	$ (68,369,643)	$ (59,355,293)

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 nine 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. Since fiscal year 2021, UConn Health has diligently navigated a path back to providing full services in a changed world. The federal COVID-19 Public Health Emergency (PHE) declaration ended on May 11, 2023. 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.

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, deferred outflows of resources, liabilities, deferred inflows of resources, 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, lease liabilities, subscription liabilities and malpractice.

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.

The Hospital's 340B pharmacy has an 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 2023 Due from State of Connecticut reported on the statements of net position includes a receivable from the State for certain defined contribution retirement plans. Effective July 1, 2023, the State has transferred responsibility for payment of retirement fringe benefit costs from UConn Health and its related entities to the Comptroller. As such, year-end amounts accrued related to JDH's Alternate Retirement Program (ARP) have been offset with a corresponding receivable as the State is expected to provide the funding. The prior year Due from State of Connecticut reported on the statements of net position represented a receivable from the General Fund of the State (General Fund) for certain salaries that were able to be charged to the General Fund. JDH also recorded the related revenues on the statements of revenues, expenses, and changes in net position.

The State also administers certain non-retirement employee benefits and is responsible for payroll and other taxes. The State then charges the Hospital for its portion of these costs. Due to State of Connecticut reported on the statements of net position represents the respective Hospital borne fringe benefit costs owed at the end of the fiscal year related 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, 2023 and 2022, deposits with vendors totaled approximately $11.1 million and $10.1 million, respectively. The majority of these funds, approximately $10.7 million and $9.7 million, respectively, was held on deposit by AmerisourceBergen. This is the Hospital's primary pharmaceutical vendor. 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.

In addition, the Hospital has entered various subscription-based information technology arrangements to support its services. Information on the types of arrangements entered into and their financial impact on the Hospital can be found in Note 9.

CAPITAL ASSETS

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

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

CAPITAL ASSETS (CONTINUED)

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.

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, that do not meet the definition of subscription-based information technology agreements. 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 2023, the Hospital disposed of capital lease equipment, information technology, and general equipment of approximately $3.4 million (excluding right-to-use assets), all of which had reached the end of their useful lives and were retired. An additional $6.1 million relates to right-to-use assets which were fully amortized by the end of the fiscal year. 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 $35,580. None of these items were individually significant.

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

IMPAIRMENT OF LONG-LIVED ASSETS (CONTINUED)

During 2022, the Hospital disposed of approximately $9.9 million of equipment and software which resulted in a total loss on disposal of $82,883.

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 has historically paid 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. Beginning in fiscal year 2024, the State transferred responsibility for fringe benefit expenses from UConn Health to the Office of the State Comptroller. Under this legislation, the State Comptroller will pay retirement related fringe costs for all constituent units including UConn and the Connecticut State Colleges and Universities. The change will impact how UConn Health records pension and OPEB liabilities in subsequent reporting periods. The impact of this change is still being evaluated.

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

RETIREMENT PLANS AND OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

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 its General Fund.

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 pro-rata 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, 2022 and 2021.

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

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 fiscal years ended June 30, 2023 and 2022.

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.

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

COMPENSATED ABSENCES (CONTINUED)

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.

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 fiscal year's cash claims to be processed. For the fiscal years ended June 30, 2023 and 2022, annual premiums were approximately $4.3 and $2.3 million, respectively. These premiums are included in insurance expense in the Hospital's statements of revenues, expenses, and changes in net position. The due to UConn Health Malpractice Fund reported on the statements of net position represents premiums payable for occurrence based coverage through June 30, 2023 and 2022, 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.

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

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, 2023, the date the financial statements were available to be issued. No subsequent events required 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 2023: Paragraphs 11 through 32 of GASB Statement No. 99, *Omnibus 2022 (GASB 99)*; GASB Statement No. 91, *Conduit Debt Obligations (GASB 91)*; GASB statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements (GASB 94)*; GASB Statement No. 96, *Subscription-Based Information Technology Arrangements (GASB 96)*; and GASB Statement No. 100, *Accounting Changes and Error Corrections – an amendment of GASB Statement No. 62 (GASB 100)*. Additional information on the impact of the implementation of GASB 96 is included below. The adoption of other pronouncements did not have a material impact on the financial statements.

In May 2020, the Governmental Accounting Standards Board issued GASB Statement No. 96, *Subscription-Based Information Technology Arrangements.* This standard requires the recognition of subscription assets and liabilities that were previously accounted for as inflows of resources and outflows of resources recognized based on the payment provisions of the related agreement. Under this standard, the end user is required to recognize a subscription liability and an intangible right-to-use asset.

The Hospital adopted the requirements of the guidance effective July 1, 2022 and has applied the provisions of this standard to the beginning of the earliest comparative period presented.

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

RECENTLY ADOPTED ACCOUNTING PRONOUNCEMENT (CONTINUED)

Additionally, while preparing for the implementation of GASB No. 96, a change in software vendors was made to accommodate current and future needs of tracking and accounting for both leases (GASB No 87) and subscription-based information technology arrangements (GASB No 96). During the implementation of the new software, differences in methodology used for calculating right-to-use assets and liabilities were noted. As a result, we have restated our prior year statements for comparative purposes.

The impact for select accounts of adopting GASB Statement No. 96 as well as the accounting change for right-to-use assets and liabilities on the statements of net position and statements of revenues, expenses and changes in net position as of June 30, 2022 was as follows:

Combined Statement of Net Position	As Previously Reported	Adjustment	As Restated
Current Assets			
Lease receivable, current portion	$ 2,212,664	$ 52	$ 2,212,716
Accrued interest receivable - leases	18,454	(18,454)	-
Noncurrent Assets			
Property - right-to-use assets, net	89,125,117	17,152,095	106,277,212
Lease receivable, net of current portion	4,461,696	(216,115)	4,245,581
Current Liabilities			
Accrued interest payable - leases	193,962	(193,962)	-
Right-to-use liability, current portion	6,710,041	4,734,318	11,444,359
Noncurrent Liabilities			
Right-to-use liability, net of current portion	86,156,048	15,311,055	101,467,103
Deferred amount for resources right-to-use-assets	6,437,137	23,530	6,460,667
Net Position	$ (465,508,162)	$ (2,957,840)	$ (468,466,002)
Combined Statement of Revenues, Expenses, and Changes in Net Position			
Expenses			
Amortization	$ 8,878,958	$ 7,576,668	$ 16,455,626
Outside and other purchased services	57,123,110	(4,706,399)	52,416,711
Nonoperating Revenues and Expenses			
Interest Expense	(4,421,299)	170,476	(4,250,823)
Cumulative effect of change in accounting method GASB	-	(258,047)	(258,047)
Net Position	$ (465,508,162)	$ (2,957,840)	$ (468,466,002)

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

UPCOMING ACCOUNTING PRONOUNCEMENTS

The Hospital is still evaluating the impact on its financial statements of the following upcoming GASB accounting pronouncements: Paragraphs 4 through 10 of GASB Statement No. 99, Omnibus 2022 (GASB 99) effective for fiscal years beginning after June 15, 2023 and all reporting periods thereafter; and GASB Statement No. 101, Compensated Absences (GASB 101) effective for fiscal years beginning after December 15, 2023 and all reporting periods thereafter.

NOTE 3 – HYPOTHECATION

In accordance with State Statute, the Hospital can borrow from the State up to 90% of its net patient accounts receivables and contract and other receivables to fund operations. As of June 30, 2023 and 2022, the Hospital had not drawn down any funds under the hypothecation. As of June 30, 2023 and 2022, the Hospital had available amounts of $53,433,549 and $53,123,006 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 2023 and 2022, the Hospital provided charity care services of $4,980,776 and $3,513,099, respectively. For fiscal years 2023 and 2022, the increase in charity care is attributed to leveraging EPIC to process versus paper-based adjustments at time of service. The estimated cost of these services was $1,441,935 and $1,005,800, respectively, for the fiscal years ended June 30, 2023 and 2022. 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 fiscal years ended June 30 were:

	2023	2022
Gross patient service revenues	$ 1,767,999,827	$ 1,587,939,342
Less contractual allowances and provision for bad debt	(1,177,741,653)	(1,054,054,709)
Net patient service revenues	$ 590,258,174	$ 533,884,633

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	
	2023	2022	2023	2022
Net Revenue	37%	34%	20%	20%
Accounts Receivable	33%	31%	9%	12%

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.

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.

NOTE 5 – NET PATIENT SERVICE REVENUES (CONTINUED)

SIGNIFICANT CONCENTRATIONS (CONTINUED)

MEDICARE (CONTINUED)

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 2020.

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) Ambulatory Payment Classification (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 APC system. CMAP Addendum B is a detailed list by procedure code that documents the APC group, status indicators, and relative weights adopted by Department of Social Services (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.

The following is a schedule of payments received from DSS for both fiscal years 2023 and 2022, which is included in net patient service revenues in the statements of revenues, expenses and changes in net position:

	2023	2022
DSS Supplemental Revenue	$ 8,200,000	$ 8,200,000
DSS Taxonomy Revenue	2,550,487	-
Total revenue received from DSS	$ 10,750,487	$ 8,200,000

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

For substantially all payers, EPIC Contract Management (ECM) nets gross billings down to the expected net realizable amount at the time of billing based on the Hospital's loaded contracts.

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; and
- Various allowance coverage statistics.

The Hospital regularly performs hindsight procedures to evaluate historical write-off and collection experience throughout the fiscal 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 fiscal year ended June 30, 2023, revenue related to the contract with CCMC's NICU for rental space and nursing resources totaled $2,461,939 and $19,513,821, respectively. During the fiscal 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.

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, 2023 and 2022, revenue related to the 340B contract totaled $31,604,028 and $27,478,669, respectively.

The Hospital's 340B pharmacy also contracts with UHPSI, related to certain pharmaceutical sales under the 340B program. These contracts resulted in revenue of $31,926,735 and $23,766,066 for the fiscal years ended June 30, 2023 and 2022, respectively.

Lease receivable for the fiscal years ended June 30, 2023 and 2022 is as follows:

	June 30, 2022 Balance (Restated)	Additions	Deductions	June 30, 2023 Balance	Amount due within 1 year
Lease receivable total	$ 6,458,297	$ -	$ (2,212,716)	$ 4,245,581	$ 2,215,086

	June 30, 2021 Balance	Additions	Deductions	June 30, 2022 Balance (Restated)	Amount due within 1 year
Lease receivable total	$ 8,621,381	$ -	$ (2,163,084)	$ 6,458,297	$ 2,212,716

NOTE 6 – CONTRACT AND LEASE RECEIVABLES(CONTINUED)

For the fiscal years ended June 30, 2023 and 2022, the statements of revenues, expenses and changes in net position included lease revenue of $2,215,086 and $2,264,325 and interest income of $197,212 and $267,334, respectively. JDH recorded no additional revenue for variable or other payments in the measurement of the lease receivables.

	Lease Receivables	
Fiscal Year Ending June 30	Principal	Interest
2024	$ 2,215,086	$ 118,970
2025	2,030,495	37,960
	$ 4,245,581	$ 156,930

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.

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 $6.2 million in expense reimbursements from FEMA. The ARPA distributed funds based on Medicare and Medicaid Services for rural areas.

NOTE 7 – COVID-19 RELIEF (CONTINUED)

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.

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 through 2022 are complete, as the regulations associated with that time frame were finalized in July 2021. Amounts received under these programs are subject to retrospective reviews. 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. In September 2021, the Hospital began repayment on funds received. As of June 30, 2022, this amount is included in due to third-party payors on the statement of net position was $21.8 million. During Fiscal Year 2023, the balance was paid off without any interest applied.

NOTE 8 – CAPITAL AND INTANGIBLE ASSETS, NET

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

	2023	2022 (Restated)
Land	$ 183,137	$ 183,137
Construction in progress (estimated costs to complete of $15.8 million and $5.8 million at June 30, 2023 and 2022, respectively)	7,664,330	2,969,881
Buildings	404,148,697	402,852,430
Equipment	73,277,227	72,894,496
Computer software	56,978,642	56,695,922
Equipment -financed	71,009	71,009
Total capital and intangible assets	542,323,042	535,666,875
Less accumulated depreciation and amortization	236,051,430	220,321,504
Capital and intangible assets, net	$ 306,271,612	$ 315,345,371
Right-to-use assets - building	$ 94,396,692	$ 94,946,682
Right-to-use assets - equipment	17,055,500	20,565,861
Right-to-use assets - subscription	25,266,114	24,784,674
Total right-to-use assets	136,718,306	140,297,217
Less accumulated amortization	43,635,216	34,020,005
Right-to-use assets, net	$ 93,083,090	$ 106,277,212

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

Capital activity for the fiscal year ended June 30, 2023 and 2022 was as follows:

	2022 (Restated)	Additions	Deductions	2023
Land	$ 183,137	$ -	$ -	$ 183,137
Construction in progress	2,969,881	7,556,293	(2,861,844)	7,664,330
Buildings	402,852,430	1,296,267	-	404,148,697
Equipment	72,894,496	3,562,449	(3,179,718)	73,277,227
Computer software	56,695,922	527,611	(244,891)	56,978,642
Equipment - financed	71,009	-	-	71,009
Total capital and intangible assets	$535,666,875	$ 12,942,620	$ (6,286,453)	$ 542,323,042

	2021	Additions	Deductions	2022 (Restated)
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
Total capital and intangible assets	$537,519,029	$ 9,031,058	$(10,883,212)	$ 535,666,875

Related information on accumulated depreciaton for the years ended June 30, 2023 and 2022 was as follows:

	2022	Additions	Deductions	2023
Buildings	$137,155,041	$ 9,772,269	$ -	$ 146,927,310
Equipment	56,169,538	3,912,611	(3,145,453)	56,936,696
Computer software	26,979,173	5,398,570	(243,576)	32,134,167
Equipment - financed	17,752	35,505	-	53,257
Total accumulated depreciation	$220,321,504	$ 19,118,955	$ (3,389,029)	$ 236,051,430

	2021	Additions	Deductions	2022 (Restated)
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
Total accumulated depreciation	$211,547,685	$ 18,593,755	$ (9,819,936)	$ 220,321,504

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

Activity for the Right-to-use assets for the fiscal years ended June 30, 2023 and 2022 was as follows:

	2022 (Restated)	Additions	Deductions	2023
Right-to-use assets - building	$ 94,946,682	$ -	$ (549,990)	$ 94,396,692
Right-to-use assets - equipment	20,565,861	3,440,971	(6,951,332)	17,055,500
Right-to-use assets - subscription	24,784,674	481,440	-	25,266,114
Total right-to-use assets	$ 140,297,217	$ 3,922,411	$ (7,501,322)	$ 136,718,306

	2021	Additions	Deductions	2022 (Restated)
Right-to-use assets - building	$ 94,727,513	$ 219,169	$ -	$ 94,946,682
Right-to-use assets - equipment	24,482,131	7,645,743	(11,562,013)	20,565,861
Right-to-use assets - subscription	-	24,784,674	-	24,784,674
Total right-to-use assets	$ 119,209,644	$ 32,649,586	$ (11,562,013)	$ 140,297,217

Related information on accumulated amortization for the years ended June 30, 2023 and 2022 was as follow

	2022 (Restated)	Additions	Deductions	2023
Right-to-use assets - building	$ 11,663,840	$ 5,823,395	$ (437,621)	$ 17,049,614
Right-to-use asset - equipment	14,458,361	2,609,400	(6,856,984)	10,210,777
Right-to-use asset - subscription	7,897,804	9,099,719	(622,698)	16,374,825
Total accumulated amortization	$ 34,020,005	$ 17,532,514	$ (7,917,303)	$ 43,635,216

	2021	Additions	Deductions	2022 (Restated)
Right-to-use assets - building	$ 5,636,179	$ 6,027,661	$ -	$ 11,663,840
Right-to-use asset - equipment	16,337,673	2,530,161	(4,409,473)	14,458,361
Right-to-use asset - subscription	-	7,897,804	-	7,897,804
Total accumulated amortization	$ 21,973,852	$ 16,455,626	$ (4,409,473)	$ 34,020,005

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

For the fiscal years ended June 30, 2023 and 2022, the Hospital did not receive any transfers related to projects.

NOTE 9 – LONG-TERM LIABILITIES, LEASES, AND SUBSCRIPTIONS

Activity related to notes payable and other long-term liabilities for the fiscal years ended June 30, 2023 and 2022 is as follows:

	June 30, 2022 Balance (Restated)	Additions	Deductions	June 30, 2023 Balance	Amounts due within 1 year
Right-to-use Lease liabilities	$ 92,613,184	$ 2,151,273	$ (6,628,061)	$ 88,136,396	$ 6,645,627
Right-to-use Subscriptions	20,298,278	567,373	(4,816,298)	16,049,353	4,536,356
Total leases and subscriptions	$ 112,911,462	$ 2,718,646	$ (11,444,359)	$ 104,185,749	$ 11,181,983
Other long term liabilities					
Notes payable	$ 54,688	$ -	$ (51,771)	$ 2,917	$ 2,917
Accrued compensated absences	18,237,384	17,203,875	(14,797,900)	20,643,359	9,157,394
Pension liabilities	440,127,362	67,321,354	(166,889,853)	340,558,863	-
OPEB liabilities	532,039,723	30,202,608	(131,822,054)	430,420,277	-
Total other long term liabilities	$ 990,459,157	$ 114,727,837	$ (313,561,578)	$ 791,625,416	$ 9,160,311
Total long-term liabilities	$ 1,103,370,619	$ 117,446,483	$ (325,005,937)	$ 895,811,165	$ 20,342,294

	June 30, 2021 Balance	Additions	Deductions	June 30, 2022 Balance (Restated)	Amounts due within 1 year
Right-to-use Lease liabilities	$ 75,500,279	$ 23,871,953	$ (6,759,048)	$ 92,613,184	$ 6,628,061
Right-to-use Subscriptions	-	20,298,278	-	20,298,278	4,816,298
Total leases and subscriptions	$ 75,500,279	$ 44,170,231	$ (6,759,048)	$ 112,911,462	$ 11,444,359
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 other long term liabilities	$ 1,081,245,893	$ 155,656,068	$ (246,442,804)	$ 990,459,157	$ 7,489,070
Total long-term liabilities	$ 1,156,746,172	$ 199,826,299	$ (253,201,852)	$ 1,103,370,619	$ 18,933,429

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

Future minimum notes payable payments at June 30, 2023 are as follows:

	Notes Payable	
Fiscal Year Ending June 30:	Principal	Interest
2024	$ 2,917	$ 623
Total Notes Payable	$ 2,917	$ 623

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, 2023. For the fiscal years ended June 30, 2023 and 2022, the Hospital recognized expense for lease variable payments as summarized in the table below:

	2023 Expenses Allocated	2022 Expenses Allocated
Common area expenses	$ 162,040	$ 63,531
Property taxes	134,904	18,977
Fit out costs	-	4,800
Grand Total	$ 296,944	$ 87,308

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

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, 2023.

	Lease Liabilities	
Fiscal Year Ending June 30:	Principal	Interest
2024	$ 6,645,627	$ 3,996,570
2025	6,155,406	3,711,242
2026	5,502,569	3,432,386
2027	4,701,788	3,190,297
2028	4,604,739	2,959,453
2029-2033	23,853,972	11,537,234
2034-2038	26,323,236	5,740,368
2039-2044	10,349,059	460,575
Total Lease Liabilities	$ 88,136,396	$ 35,028,125

The Hospital has entered various subscription-based information technology arrangements (SBITAs) to support its services. SBITAs entered into, or in place, during the fiscal years ended June 30, 2022 and 2023 include:

- Various desktop and server software subscriptions;
- Electronic workflow software;
- Budgeting, accounting, and information system software;
- Performance measurement/benchmarking software;
- Document management software;
- Payroll and human resources services software; and
- Information technology security software.

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

The following is a schedule, by fiscal year, of future minimum subscription payments due:

	Subscription Liabilities	
Fiscal Year Ending June 30:	Principal	Interest
2024	$ 4,536,356	$ 599,772
2025	4,102,547	417,961
2026	3,475,590	249,073
2027	2,229,218	126,261
2028	1,705,642	30,888
Total subscription liabilities	$ 16,049,353	$ 1,423,955

The Hospital had no other outflows of resources in relation to these subscriptions during the fiscal years ended June 30, 2022 and 2023 that were not included in the measurement of the subscription liability.

NOTE 10 – PENSION AND OPEB PLANS

SERS PLAN DESCRIPTION

Employees of the Hospital are eligible to participate in 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, the Hospital must report for its participation in SERS as if it were a cost-sharing employer plan.

NOTE 10 – PENSION AND OPEB PLANS (CONTINUED)

SERS PLAN DESCRIPTION (CONTINUED)

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 Connecticut 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, 2023 were:

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

NOTE 10 – PENSION AND OPEB PLANS (CONTINUED)

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 rate of 7.5%. A COLA moratorium exists 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, 2023 and 2022 was based on the June 30, 2022 and 2021 actuarial valuations, respectively.

NOTE 10 – PENSION AND OPEB PLANS (CONTINUED)

CHANGES IN ASSUMPTIONS (SERS)

Listed below are the changes to the actuarial assumptions since the June 30, 2021 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 67.40%, 65.90%, and 64.14%, during fiscal years 2023, 2022, and 2021, respectively. SERS contributions made compared to covered payroll is as follows:

	2023	2022	2021
Total Hospital payroll covered by SERS	$ 123,119,446	$ 96,312,081	$ 87,511,966
Total Hospital SERS contributions	$ 55,514,986	$ 43,644,786	$ 36,809,634
Contributions as a percentage of covered payroll	45.1%	45.3%	42.1%

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.

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, 2023 and 2022, the Hospital recorded a SERS related liability of $337.8 million and $438.0 million, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022 and 2021, 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, 2022 and June 30, 2021, 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 2022 and 2021 fiscal years, respectively. For the fiscal years ended June 30, 2022 and 2021, the Hospital's proportion of contributions was 1.53% and 2.06%, respectively.

For the fiscal years ended June 30, 2023 and 2022, the Hospital recognized SERS pension expense of $9.7 million and $66.2 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.

At June 30, 2023 and 2022, the Hospital reported deferred outflows of resources and deferred inflows of resources related to the SERS plan from the following sources:

	2023		2022	
	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	$ 60,766	$ -	$ 88,282	$ -
Hospital contributions subsequent to measurement date	55,515	-	43,645	-
Net difference between projected and actual earnings on pension plan investments	15,128	-	-	30,887
Difference between expected and actual experience	35,995	-	30,306	-
Net difference between employer contribution and proportionate share	-	90,781	-	-
Changes in assumptions	-	462	-	807
	$ 167,404	$ 91,243	$ 162,233	$ 31,694

NOTE 10 – PENSION AND OPEB PLANS (CONTINUED)

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

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 5.15 and 5.33 years for the fiscal years ended June 30, 2023 and 2022, respectively.

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

Year ending June 30,	Change in proportionate participation in SERS plan	Net difference between projected and actual earnings on pension plan investments	Difference between expected and actual experience	Difference between employer contribution and proportionate share	Change in assumptions
			(in thousands)		
2024	24,865	2,734	12,779	(21,875)	248
2025	20,290	2,406	10,329	(21,875)	(197)
2026	12,418	269	7,539	(21,875)	(548)
2027	3,193	9,719	4,795	(21,875)	2
2028	-	-	553	(3,281)	33
	$ 60,766	$ 15,128	$ 35,995	$ (90,781)	$ (462)

The amortization of the aforementioned deferred inflows and deferred outflows (decreased) increased fringe benefits expense by ($45,829,941) and $22,595,254 during the fiscal years ended June 30, 2023 and 2022, respectively.

ACTUARIAL METHODS AND ASSUMPTIONS (SERS)

The total SERS pension liability in the June 30, 2022 and 2021 actuarial valuations was determined based on the results of an actuarial experience study for the period July 1, 2015 – June 30, 2020. 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 METHODS AND ASSUMPTIONS (SERS) (CONTINUED)

Inflation:	2.50%
Salary increase:	3.00% - 11.50% including inflation
Investment rate of return:	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, 2022 and 2021 through the year 2125 and 2144, 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.

NOTE 10 – PENSION AND OPEB PLANS (CONTINUED)

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

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

The target asset allocation and best estimate of arithmetic real rates of return for each major asset class for June 2022 and 2021 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity Fund	20%	5.4%
Developed Market Intl. Stock Fund	11%	6.4%
Emerging Market Intl. Stock Fund	9%	8.6%
Real Estate Fund	19%	5.2%
Private Equity	10%	9.4%
Private Credit	5%	6.5%
Alternative Investments	3%	3.1%
Core Fixed Income Fund	13%	0.8%
High Yield Bond Fund	3%	3.4%
Emerging Market Debt Fund	5%	3.8%
Liquidity Fund	2%	(0.4)%
	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)

	2022 Pension Liability	2021 Pension Liability	2020 Pension Liability
		(in thousands)	
Beginning balance - pension liability	$ 789,884	$ 672,536	$ 601,533
Changes for the year:			
Service cost	6,655	8,170	7,070
Interest	39,270	50,967	43,960
Differences between expected and actual experience	25,996	16,032	3,786
Changes of assumptions	-	(994)	-
Benefit payments, including refunds of member contributions	(36,496)	(45,884)	(38,750)
Change in proportionate allocation of pension liability	(202,509)	89,057	54,937
Net change in pension liability	(167,084)	117,348	71,003
Ending balance - pension liability (a)	$ 622,800	$ 789,884	$ 672,536

	2022 Fiduciary Net Position	2021 Fiduciary Net Position	2020 Fiduciary Net Position
		(in thousands)	
Beginning balance - fiduciary net position	$ 351,856	$ 241,018	$ 221,285
Changes for the year:			
Contributions - employer	43,645	36,810	29,402
Contributions - employee	3,098	4,012	3,506
Net investment income	(23,182)	68,005	5,380
Benefit payments, including refunds of member contributions	(36,496)	(45,884)	(38,750)
Administrative expenses	-	(12)	(14)
Other	36,266	15,991	-
Change in proportionate allocation of fiduciary net position	(90,208)	31,916	20,209
Net change in fiduciary net position	(66,877)	110,838	19,733
Ending balance - fiduciary net position (b)	$ 284,979	$ 351,856	$ 241,018
Hospital's net pension liability - ending (a)-(b)	$ 337,821	$ 438,028	$ 431,518

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, 2023 and 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:

	2023		
	1% Decrease (5.90%)	Discount Rate (6.90%)	1% Increase (7.90%)
Hospital's proportionate share of the net pension liability	$ 412,229	$ 333,782	$ 275,804

	2022		
	1% Decrease (5.90%)	Discount Rate (6.90%)	1% Increase (7.90%)
Hospital's proportionate share of the net pension liability	$ 532,323,604	$438,027,986	$359,397,548

TEACHERS' RETIREMENT SYSTEM

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

As of June 30, 2023 and 2022, the Hospital recorded the following amounts in the financial statements related to the TRS:

	2023	2022
	(in thousands)	
Deferred outflows of resources	$ 1,324	$ 1,127
Deferred inflows of resources	$ 39	$ 331
Pension liability	$ 2,739	$ 2,099

NOTE 10 – PENSION AND OPEB PLANS (CONTINUED)

ALTERNATE RETIREMENT PLAN

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

All unclassified employees, not already in a pension plan, of a constituent unit of the State system of higher education and the central office staff of the Department of Higher Education, are eligible to participate in the ARP. Participants must contribute 5% of eligible compensation each pay period, while the State will contribute an amount up to 7.25% of the participant's eligible compensation for fiscal years 2023 and 2022, via a charge recouped from the Hospital.

Participant and State contributions are both 100% vested immediately. For fiscal years 2023 and 2022, charges to the Hospital for ARP were approximately $10.1 million and $8.4 million, respectively. The liabilities as of June 30, 2023 and 2022 were approximately $415,000 and $622,000, 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 Sections 5-257(d) and 5-259(a) of the Connecticut General Statutes. 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 Office of the State Comptroller. 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 Comptroller'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, 2023 and 2022, the SEOPEBP was based on plan membership at June 30, 2021, covering the following:

Inactive employees or beneficiaries currently receiving benefit payments	79,870
Inactive employees entitled to but not yet receiving benefit payments	385
Active employees	49,927
Total covered employees	130,182

NOTE 10 – PENSION AND OPEB PLANS (CONTINUED)

NET SEOPEBP LIABILITY

The Hospital's OPEB liability of $430.4 million as of June 30, 2023 for its proportionate share of the net OPEB liability was measured as of June 30, 2022 based on an actuarial valuation that was rolled forward to June 30, 2023. 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 proportion of the net OPEB liability was based on the Hospital's percentage of total overall contributions to the plan. For the fiscal years ended June 30, 2022 and 2021, the Hospital's proportion of contributions was 2.78% and 2.72%, respectively.

ACTUARIAL METHODS AND ASSUMPTIONS (SEOPEBP)

The total OPEB liability in the June 30, 2023 and 2022 actuarial valuations was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Actuarial experience study:	July 1, 2015 - June 30, 2020
Payroll growth rate:	3.00%
Inflation:	2.50%
Salary increase:	3.00% to 11.5% varying by years of service and retirement system, including inflation
Discount rate:	2.38% as of June 30, 2022 and 2.31% as of June 30, 2021
Healthcare cost trends rates	
Medical	6.0% graded to 4.5% over 6 years
Prescription Drug	6.0% graded to 4.5% over 6 years
Dental	3.0%
Part B	4.5%
Administrative expense	3.0%
Retirees' share of benefit-related costs	Contributions, if required, are determined by plan, employee start date and benefit type

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 (3.54% as of June 30, 2022 and 2.16% as of June 30, 2021). 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:

	2023	2022	2021
Total Hospital payroll covered by SEOPEBP	$ 193,672,172	$ 156,009,740	$ 145,042,421
Total Hospital SEOPEBP contributions	$ 31,655,990	$ 23,548,884	$ 23,651,207
Contributions as a percentage of covered payroll	16.3%	15.1%	16.3%

NOTE 10 – PENSION AND OPEB PLANS (CONTINUED)

CHANGES IN THE NET OPEB LIABILITY

	2022 Net OPEB Liability	2021 Net OPEB Liability	2020 Net OPEB Liability
		(in thousands)	
Beginning balance	$ 532,040	$ 628,674	$ 546,723
Changes for the year:			
Service cost	25,169	33,096	25,896
Interest	14,317	16,844	21,549
Differences between expected and actual experience	(8,603)	10,606	(4,795)
Changes in assumptions or other inputs	(123,938)	(134,488)	59,440
Benefit payments	(17,718)	(17,362)	(16,640)
Change in proportionate allocation of OPEB liability	9,153	(5,330)	(3,499)
Net changes	(101,620)	(96,634)	81,951
Ending balance	$ 430,420	$ 532,040	$ 628,674

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, 2023 and 2022, using the discount rate of 3.90% and 2.31%, respectively, as well as the proportionate share of the net OPEB liability using a 1.00% increase or decrease from the current discount rate:

	2023		
	1% Decrease (2.90%)	Discount Rate (3.90%)	1% Increase (4.90%)
		(in thousands)	
Net OPEB Liability	$ 503,243	$ 430,420	$ 371,517

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 (CONTINUED)

	2022		
	1% Decrease (1.31%)	Discount Rate (2.31%)	1% Increase (3.31%)
	(in thousands)		
Net OPEB Liability	$ 631,515	$ 532,040	$ 453,044

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	$ 363,339	$ 430,420	$ 515,574

NOTE 10 – PENSION AND OPEB PLANS (CONTINUED)

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

For the fiscal years ended June 30, 2023 and 2022, the Hospital recognized OPEB income (expense) of $747,203 and ($40.7) million, respectively. At June 30, 2023 and 2022, the Hospital reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	2023		2022	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
	(in thousands)		*(in thousands)*	
Changes in proportion	$ 37,977	$ -	$ 51,949	$ -
Hospital contributions subsequent to measurement date	31,656	-	23,549	-
Changes in assumptions or other inputs - outflows	48,472	-	85,559	-
Changes in assumptions or other inputs - inflows	-	185,431	-	114,672
Net difference between projected and actual experience in total OPEB liability	6,621	13,247	-	10,498
Net difference between projected and actual earnings	4,010	-	-	4,956
	$ 128,736	$ 198,678	$ 161,057	$ 130,126

Hospital contributions subsequent to the measurement date totaling $31.7 million reported as deferred outflows of resources will be recognized as a reduction of the OPEB liability in the fiscal year ending June 30, 2024. 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	Net difference between expected and actual experience in total OPEB liability	Net difference between projected and actual earnings on OPEB plan investments	Changes in assumptions or other inputs	Net difference between expected and actual experience in total OPEB liability
			(in thousands)			
2024	21,912	29,343	2,086	786	(52,264)	(5,947)
2025	8,682	15,843	2,086	794	(50,446)	(3,397)
2025	4,533	3,048	2,085	472	(50,325)	(1,941)
2027	2,504	213	359	1,958	(28,501)	(1,693)
2028	346	25	5	-	(3,895)	(269)
	$ 37,977	$ 48,472	$ 6,621	$ 4,010	$ (185,431)	$ (13,247)

NOTE 10 – PENSION AND OPEB PLANS (CONTINUED)

EXPECTED RATE OF RETURN ON INVESTMENTS (SEOPEBP)

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity Fund	20%	5.4%
Developed Market Intl. Stock Fund	11%	6.4%
Emerging Market Intl. Stock Fund	9%	8.6%
Real Estate Fund	19%	5.2%
Private Equity	10%	9.4%
Private Credit	5%	6.5%
Alternative Investments	3%	3.1%
Core Fixed Income Fund	13%	0.8%
High Yield Bond Fund	3%	3.4%
Emerging Market Debt Fund	5%	3.8%
Liquidity Fund	2%	(0.4)%
	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.

UConn Health performs a Home Office allocation, which allocates 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 stand-alone 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.

NOTE 11 – RELATED PARTY TRANSACTIONS (CONTINUED)

For the fiscal years ended June 30, 2023 and 2022, 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 fiscal years ended June 30, 2023 and 2022, these Home Office allocations resulted in the following expenses being recorded by the Hospital with an offsetting cash transfer back to UConn Health's Central Administrative Services business unit:

Expense Category	2023 Expenses Allocated	2022 Expenses Allocated
Salaries and wages	$ 21,858,209	$ 20,635,249
Fringe benefits	17,598,194	16,518,610
Internal contractual support	2,230,717	2,985,749
Utilities	5,662,575	5,502,754
Temporary Per Diem Staff	161,277	-
Outside and other purchased services	15,036,346	14,464,016
Insurance	174,286	318,197
Pharmaceutical/medical supplies	(8,726)	(21,721)
Repairs and maintenance	5,772,863	5,255,972
Debt Services	18,625	-
Other expenses	2,397,918	2,616,919
Total Expenses	$ 70,902,284	$ 68,275,745

For the fiscal years ended June 30, 2023 and 2022, the Hospital received net transfers from UConn Health of $66.1 million and $56.5 million, respectively. Fiscal year 2023 transfers from UConn Health included $76.9 million and $9.5 million related to fringe benefit support and working capital, respectively. These transfers in were offset by $17.9 million in transfers to UConn Health for operational support during fiscal year 2023. In fiscal year 2022, UConn Health transferred $95.9 million and $31.8 million to the Hospital 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. 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 fiscal years ended June 30, 2023 and 2022, the Hospital expensed $121,088,632 and $212,980,057, respectively, for employee fringe benefits. Related salary costs for 2023 and 2022 were $233,913,029 and $202,595,954, respectively.

The amounts due to the State related to the fringe benefit programs as of June 30, 2023 and 2022 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. Premiums paid by the Hospital in 2023 and 2022 were, $4.3 million and $2.3 million, respectively.

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 $2,945,626 and $2,286,229 for the fiscal years ended June 30, 2023 and 2022, respectively. The related DOC cases for the fiscal years ended June 30, 2023 and 2022 were 2,678 and 2,597, respectively.

At June 30, 2023 and 2022, the Hospital had a due from UMG balance of $3,244,811 and $306,193, respectively. The 2023 balance consisted primarily of patient deposits posted to a central clearing account in UMG that are owed back to the Hospital at year-end.

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 Outpatient Pavilion (OP) building. Rental payments to the Finance Corporation for leased space totaled $7.2 million for years 2023 and 2022, respectively.

The Hospital engages in transactions with UHPSI for pharmacy services including 340B contractual pharmacy services. In addition, during fiscal years 2023 and 2022, the Hospital allocated pharmacy overhead revenue to UHPSI totaling approximately $898,000 and $953,000, respectively. During fiscal years 2023 and 2022, UHPSI repaid the Hospital $25.0 million and $15.8 million, respectively. The outstanding due from/(to) Finance Corporation and its subsidiaries was $16.6 million and $12.2 million at June 30, 2023 and 2022, 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, 2023 and 2022, UConn Health's Malpractice Fund had reserves of approximately \$49.7 million and \$42.5 million, respectively, and assets of approximately \$42.8 million and \$41.2 million, respectively. It was estimated that \$2.4 million would be used in fiscal year 2024 for settling cases. Current reserves include provision for the initial rulings in *Monroe Lynch, et al v. State of Connecticut*, which awarded the plaintiffs therein \$34.6 million. UConn Health has accrued a liability based on the initial adjusted judgment. UConn Health appealed the ruling in September 2021 and the case remains before the Connecticut Supreme Court.

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

Hartford, 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, 2023, 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, 2023.

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, 2023

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF JOHN DEMPSEY HOSPITAL'S CONTRIBUTIONS
STATE EMPLOYEES' RETIREMENT SYSTEM ONLY

(dollars in thousands)

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability									
Service cost	$ 6,655	$ 8,170	$ 7,070	$ 6,533	$ 6,019	$ 6,524	$ 4,024	$ 3,537	$ 2,662
Interest	39,270	50,967	43,960	38,182	31,024	30,636	26,310	23,387	18,508
Differences between expected and actual experience	25,996	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	(36,496)	(45,884)	(38,750)	(33,890)	(27,530)	(25,205)	(21,691)	(18,886)	(14,510)
Change in proportionate allocation of pension liability	(202,509)	89,057	54,937	90,629	14,444	36,632	29,897	56,513	-
Net Change in Total Pension Liability	(167,084)	117,348	71,003	121,862	30,727	28,971	110,156	64,551	6,660
Total Pension Liability - Beginning	789,884	672,536	601,533	479,671	448,944	419,973	309,817	245,266	238,606
Total Pension Liability - Ending (a)	$ 622,800	$ 789,884	$ 672,536	$ 601,533	$ 479,671	$ 448,944	$ 419,973	$ 309,817	$ 245,266

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
STATE EMPLOYEES' RETIREMENT SYSTEM ONLY

(dollars in thousands)

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Fiduciary Net Position									
Contributions - employer	$ 43,645	$ 36,810	$ 29,402	$ 26,308	$ 20,231	$ 20,949	$ 18,872	$ 15,628	$ 11,750
Contributions - employee	3,098	4,012	3,506	8,153	2,719	1,800	1,687	2,133	1,341
Net investment income	(23,182)	68,005	5,380	11,849	12,280	20,508	(1)	3,354	13,366
Benefit payments, including refunds of member contributions	(36,496)	(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	36,266	15,991	-	62	(44)	(5)	959	-	-
Change in proportionate allocation of fiduciary net position	(90,208)	31,916	20,209	33,184	5,236	11,609	11,731	22,343	-
Net Change in Fiduciary Net Position	(66,877)	110,838	19,733	45,654	12,887	29,647	11,549	24,572	11,947
Fiduciary Net Position - Beginning	351,856	241,018	221,285	175,631	162,744	133,097	121,548	96,976	85,029
Fiduciary Net Position - Ending (b)	$ 284,979	$ 351,856	$ 241,018	$ 221,285	$ 175,631	$ 162,744	$ 133,097	$ 121,548	$ 96,976
Hospital's Net Pension Liability - Ending (a)-(b)	$ 337,821	$ 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	1.53184%	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	45.76%	44.55%	35.84%	36.79%	36.61%	36.25%	31.69%	39.23%	39.54%
Hospital's Covered Payroll	$ 96,312	$ 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	350.76%	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
STATE EMPLOYEES' RETIREMENT SYSTEM ONLY

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
					(dollars in thousands)					
Contractually required contributions	$ 55,515	$ 43,645	$ 36,810	$ 29,402	$ 26,308	$ 20,231	$ 20,949	$ 18,920	$ 15,714	$ 11,750
Contributions in relation to the contractually required contribution	55,515	43,645	36,810	29,402	26,308	20,231	20,949	18,762	15,628	11,750
Contribution deficiency	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 158	$ 86	$ -
JDH's covered payroll	$ 123,119	$ 96,312	$ 87,512	$ 80,546	$ 65,848	$ 58,474	$ 56,868	$ 52,583	$ 45,715	$ 34,258
Contributions as a percentage of covered payroll	45.09%	45.32%	42.06%	36.50%	39.95%	34.60%	36.84%	35.68%	34.19%	34.30%

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
STATE EMPLOYEES' RETIREMENT SYSTEM ONLY

Annual money-weighted rates of return net of investment expense	2022	2021	2020	2019	2018	2017	2016	2015	2014
State Employees' Retirement Fund	-7.63%	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 JOHN DEMPSEY HOSPITAL'S OPEB CONTRIBUTIONS

	2022	2021	2020	2019	2018	2017
			(dollars in thousands)			
Net OPEB Liability						
Service cost	$ 25,169	$ 33,096	$ 25,896	$ 22,421	$ 19,867	$ 20,288
Interest	14,317	16,844	21,549	19,490	14,986	10,791
Differences between expected and actual experience	(8,603)	10,606	(4,795)	(17,066)	-	-
Changes of assumptions or other inputs	(123,938)	(134,488)	59,440	90,342	(15,955)	(10,783)
Benefit payments	(17,718)	(17,362)	(16,640)	(15,686)	(14,285)	(13,500)
Change in proportionate allocation of OPEB liability	9,153	(5,330)	(3,499)	66,836	9,224	14,409
Change in Net OPEB Liability	(101,620)	(96,634)	81,951	166,337	13,837	21,205
Net OPEB Liability - Beginning	532,040	628,674	546,723	380,386	366,549	345,344
Net OPEB Liability - Ending	$ 430,420	$ 532,040	$ 628,674	$ 546,723	$ 380,386	$ 366,549
JDH Covered Payroll	$ 156,010	$ 145,042	$ 137,902	$ 129,606	$ 127,204	$ 125,044
Net OPEB Liability as a Percentage of Covered Payroll	275.89%	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

	2022	2021	2020	2019	2018	2017	2016
				(dollars in thousands)			
The Hospital's proportion of the net OPEB liability	2.78%	2.72%	2.67%	2.64%	2.20%	2.11%	2.00%
The Hospital's proportionate share of the net OPEB liability	$ 430,420	$ 532,040	$ 628,674	$ 546,723	$ 380,386	$ 366,549	$ 345,344
The Hospital's covered payroll	$ 156,010	$ 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	275.89%	366.82%	455.88%	421.83%	299.04%	293.14%	279.69%
Plan fiduciary net position (assets)	$ 2,240,138	$ 2,199,545	$ 1,537,194	$ 1,196,008	$ 849,889	$ 542,342	$ 340,618
Plan fiduciary total OPEB liability	$ 17,738,337	$ 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	12.63%	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, 2022 and 2021 actuarial valuations, there were no changes of benefit terms.

Changes of Assumptions: In the June 30, 2022 actuarial valuation, the discount rate was updated in accordance with GASB Statement No. 75 to 3.90% as of June 30, 2022. 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

	2023	2022	2021	2020	2019	2018	2017	2016
				(dollars in thousands)				
Contractually required contribution	$ 31,656	$ 23,549	$ 23,651	$ 23,160	$ 19,903	$ 17,668	$ 14,090	$ 12,189
Contributions in relation to the contractually required contribution	31,656	23,549	23,651	23,160	19,903	17,668	14,090	12,189
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
The Hospital's covered payroll	$ 193,672	$ 156,010	$ 145,042	$ 137,902	$ 129,606	$ 127,204	$ 125,044	$ 123,476
Contributions as a percentage of covered payroll	16.35%	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.

NOTES TO REQUIRED SCHEDULES

Key Actuarial Assumptions

In the June 30, 2022 actual valuation, the trends for Medicare-eligible retiree costs were updated to reflect final negotiated changed in Medicare Advantage rates for calendar year 2022.

Inflation: 2.50%
Salary Increase: 3.0% to 11.5%
Discount rate: 3.90% as of June 30, 2022

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	2022	2021	2020	2019	2018	2017	2016	2015
OPEB Fund	-7.40%	24.61%	2.13%	6.62%	5.85%	11.83%	2.44%	3.44%

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.