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

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

JUNE 30, 2019 AND 2018

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

CONTENTS

OVERVIEW OF THE FINANCIAL STATEMENTS

The following discussion and analysis provides an overview of the financial position and activities of the University of Connecticut Health Center John Dempsey Hospital (21002 Fund) (the Hospital) as of and for the years ended June 30, 2019, 2018, and 2017. The Hospital is operated as a separate, identifiable unit of the University of Connecticut Health Center (UConn Health). This discussion has been prepared by management and should be read in conjunction with the financial statements and the notes thereto, which follow this section.

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

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

UConn Health focused its 2019 efforts on system stabilization, including streamlining operations and making required system fixes to allow it to get the most out of its new system. The extensive reach of the new system, combined with the number of subsystems that were replaced during the EPIC installation, has proven to be an intensive effort which is just starting to show tangible progress. The overall system has achieved stability while individual modules and components continue to be refined as separate projects. In the upcoming year, we will continue our focus on stabilization, but will also move into both upgrade and system optimization phases.

This annual report consists of management's discussion and analysis and the financial statements. The basic financial statements (statements of net position, statements of revenues, expenses, and changes in net position, and statements of cash flows) present the financial position of the Hospital at June 30, 2019 and 2018, and the results of its operations and its financial activities for the years then ended. These financial statements report information about the Hospital using accounting methods similar to those used by private-sector companies. The statements of net position include all of the Hospital's assets, liabilities, and deferred inflows and outflows. The statements of revenues, expenses, and changes in net position reflect the year's activities on the accrual basis of accounting (i.e., when services are provided or obligations are incurred, not necessarily when cash is received or paid).

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

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, 2019, consisted of assets of approximately $506.1 million, deferred outflows of approximately $155.0 million, liabilities of approximately $760.0 million, and deferred inflows of approximately $21.3 million. The Hospital's financial position at June 30, 2018 included assets of approximately $530.4 million, deferred outflows of approximately $149.6 million, liabilities of approximately $735.8 million, and deferred inflows of approximately $9.2 million. Net position, which represents the residual interest in the Hospital's assets and deferred outflows after liabilities and deferred inflows are deducted, decreased by approximately $55.2 million from fiscal year 2018 to a net deficit position of approximately $120.2 million as of June 30, 2019.

The Hospital finished the year with an operating loss of $77.2 million compared to an operating loss of $27.3 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 and 75 as discussed in note 9. These expenses reflect changes to the pension and other post employment benefits (OPEB) plans on a State level. The Hospital received net transfers from UConn Health of $21.6 million and $38.2 million in 2019 and 2018, respectively. Current year transfers included $16.7 million to UConn Health and $38.3 million from UConn Health related to fringe benefit support. Prior year transfers included $11.2 million of operating support from UConn Health and $27.0 million received related to fringe benefit recoveries. Total net position decreased by approximately $55.2 million in fiscal 2019, compared to a decrease of approximately $320.8 million in fiscal 2018 of which a loss of $331.3 million related to the prior period adjustment required for GASB Statement No. 75.

FINANCIAL HIGHLIGHTS (CONTINUED)

SUMMARY OF ASSETS AND LIABILITIES

Summarized components of the Hospital's Statement of Net Position as of June 30, 2019, 2018, and 2017 is presented below.

	2019	2018	2017
		(in thousands)	
Summary of assets, liabilities and net position at June 30:			
Current assets	$ 137,471	$ 140,489	$ 115,204
Other assets	2,177	3,547	3,546
Capital and intangible assets, net	366,457	386,359	366,458
Total assets	$ 506,105	$ 530,395	$ 485,208
Deferred amount for pensions	$ 110,025	$ 116,697	129,789
Deferred amount for OPEB	45,019	32,891	--
Total deferred outflows	$ 155,044	$ 149,588	$ 129,789
Current liabilities	$ 59,193	$ 68,479	$ 59,913
Pension liabilities	305,945	287,396	288,138
OPEB liabilities	380,386	366,549	--
Capital leases	2,431	1,206	1,701
Accrued compensated absences, noncurrent portion	12,066	12,128	9,415
Total liabilities	$ 760,021	$ 735,758	$ 359,167
Deferred inflows for pensions	$ 1,061	--	--
Deferred inflows for OPEB	20,265	9,209	--
Total deferred inflows	$ 21,326	$ 9,209	$ --
Net investment in capital assets	$ 363,182	$ 384,658	$ 364,271
Unrestricted deficit	(483,380)	(449,642)	(108,441)
Total net position	$ (120,198)	$ (64,984)	$ 255,830

FINANCIAL HIGHLIGHTS (CONTINUED)

SIGNIFICANT VARIANCES IN THE FINANCIAL STATEMENTS – ASSETS AND LIABILITIES

In this section, the Hospital explains the reasons for those financial statement items with significant variances relating to fiscal 2019 amounts compared to fiscal 2018 amounts.

Changes in assets included the following:

- *Contract and other receivables* – decreased from June 30, 2018 to June 30, 2019 by approximately $6.7 million due to payments received for the contract between the Hospital and the Neonatal Intensive Care Unit (NICU – CCMC).

- *Prepaid expenses* – increased from June 30, 2018 to June 30, 2019 by approximately $1.6 million due to an increase in contractually required prepaid deposits with the Hospital's primary pharmaceutical vendor, AmerisourceBergen.

- *Capital and intangible assets, net* – decreased from June 30, 2018 to June 30, 2019 by approximately $19.9 million, which was driven by the depreciation related to the Hospital Tower and EPIC, the majority of which was capitalized at the end of fiscal 2018.

Changes in liabilities included the following:

- *Accounts payable and accrued expenses* – decreased from June 30, 2018 to June 30, 2019 by approximately $12.1 million due to payments for contractor support services for EPIC that were accrued for during the EPIC go-live phase and paid in 2019.

- *OPEB liabilities* – increased by approximately $13.8 million from June 30, 2018 to June 30, 2019 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.

FINANCIAL HIGHLIGHTS (CONTINUED)

SUMMARY OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

Summarized components of the Hospital's Statements of Revenues, Expenses, and Changes in Net Position for the years ended June 30, 2019, 2018, and 2017 are presented below:

	2019	2018	2017
		(in thousands)	
Summary of revenues, expenses and transfers for the year ended June 30:			
Operating revenues	$ 449,047	$ 439,576	$ 398,266
Operating expenses	(526,247)	(466,898)	(425,838)
Operating Loss	(77,200)	(27,322)	(27,572)
Nonoperating revenue (expense), net	428	(464)	481
Loss before transfers	(76,772)	(27,786)	(27,091)
Net transfers	21,558	38,226	36,756
Cumulative effect of change in accounting principle	--	(331,254)	--
(Decrease) Increase in net position	$ (55,214)	$ (320,814)	$ 9,665

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

Operating revenues

Total operating revenues increased from the year ended June 30, 2018 to the year ended June 30, 2019 by approximately $9.5 million or 2.2%.

- *Net patient service revenues* – increased by approximately $7.3 million or 1.8% from prior year due to increased volume and strategic pricing changes.

- *Contract and other revenues* – increased by approximately $2.2 million from prior year, which was driven by increases in amounts received from the Hemophilia clinic and the 340b contract pharmacy agreements (340b drug contract). The 340b drug contract is a discount program created in 1992 by the U.S. federal government that requires drug manufacturers to provide outpatient drugs to eligible healthcare organizations at significantly reduced prices. The 340b drug contract came about as a result of changes in the 340b regulations that now allow qualified hospitals to contract with outside pharmacies to provide 340b priced drugs to the hospitals' outpatients. The Hospital is now partnering with area pharmacies to allow them to fill such prescriptions for outpatients.

FINANCIAL HIGHLIGHTS (CONTINUED)

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

Operating expenses

Total operating expenses increased from the year ended June 30, 2018 to the year ended June 30, 2019 by approximately $59.3 million or 12.7%.

- *Salaries and Wages* – increased by approximately $5.5 million from prior year due to an overall increase in FTE's. The Hospital had 1,706 and 1,661 total FTE's as of June 30, 2019 and 2018, respectively.

- *Fringe Benefits* – increased by approximately $29.1 million from prior year due to charges associated with the Hospital recording its proportionate share of expenses under GASB Statement No. 68 and 75.

- *Pharmaceutical/medical supplies* – increased by approximately $8.5 million from prior year due to the cost of specialty drugs for the pharmacy department and increased surgical volumes.

- *Depreciation and amortization* – increased by approximately $5.5 million from prior year due to an increase in building depreciation related to the new Hospital Tower and a full year of depreciation related to EPIC's associated hardware and software costs.

- *Outside and other purchased services* – decreased by approximately $4.4 million from prior year due to a decrease in support personnel used during the EPIC implementation in the prior year who were not required in the current year.

- *Other Expenses* – increased by approximately $11.2 million from prior year due to the expensing of non-capitalizable services and minor equipment charges incurred related to the EPIC implementation.

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 years ended June 30, 2019, 2018, and 2017 is as follows:

	2019	2018	2017
	(in thousands)		
Cash received from operations	$ 454,881	$ 428,307	$ 394,808
Cash expended for operations	(474,288)	(409,402)	(380,263)
Net cash (used in) provided by operations	(19,407)	18,905	14,545
Net cash used in investing activities	(3,737)	(40,384)	(29,770)
Net cash provided by noncapital financing activities	715	--	650
Net cash provided by capital and related financing activities	21,271	41,631	15,525
Net change in cash	(1,158)	20,152	950
Cash - Beginning	57,049	36,897	35,947
Cash - Ending	$ 55,891	$ 57,049	$ 36,897

Hospital discharges of 10,274 represent an increase of 155 cases from 2018. Outpatient equivalents increased by 154, or 1.2%, from the prior year. The Hospital's volume growth is representative of its growth in market share realizing the potential of Bioscience Connecticut.

FINANCIAL HIGHLIGHTS (CONTINUED)

CAPITAL AND INTANGIBLE ASSETS

At June 30, 2019, the Hospital had capital and intangible assets of $557.0 million before accumulated depreciation compared to $564.9 million at June 30, 2018. Buildings increased by $3.8 million in 2019 due to continued capitalization of the new Hospital, while computer software decreased by $7.4 million due to the disposal of the patient safety system. A summary of capital and intangible asset balances is shown in the table below:

	2019	2018	2017
		(in thousands)	
Land	$ 183	$ 183	$ 183
Construction in progress (estimated costs to complete of $4.7 million and $4.8 million at June 30, 2019 and 2018, respectively)	1,037	4,533	38,191
Buildings	397,090	393,281	381,713
Equipment	84,276	87,244	80,450
Computer software	58,158	65,604	14,465
Capital leases	16,264	14,084	14,084
Total Property, Plant and Equipment	557,008	564,929	529,086
Less accumulated depreciation and amortization	190,551	178,570	162,629
Capital and intangible assets, net	$ 366,457	$ 386,359	$ 366,457

For fiscal 2020, all UConn Health capital requests will be considered for funding on an individual basis. Capital requests will be considered by the senior executive committee of UConn Health. More detailed information about the Hospital's capital and intangible assets are presented in note 7 to the financial statements.

BIOSCIENCE CONNECTICUT

All construction work related to the Bioscience Connecticut and the Clinical Building Renovations has been completed for the year ending June 30, 2019.

FISCAL 2020 OUTLOOK

As we look forward to fiscal year 2020, UConn Health is maintaining its focus on transferring potential into possible. Our vibrant state of the art facilities continue to attract patients and high quality providers to campus. We are competing aggressively to be the employer and provider of choice not only in the Farmington Valley, but throughout Connecticut.

Research, education, and patient care remain the cornerstones of UConn Health's mission. Each area has its own challenges and objectives.

In research, the competition for researchers and grants is significant. UConn Health's collaboration with Jackson Laboratories, which garners the attention of top talent, and the funding opportunities that come with them, has helped. However, competition for such researchers remains difficult and expensive.

Our educational enterprise remains strong and has been bolstered in recent years by the completion of the Academic Rotunda and a new curriculum. These changes position both the School of Medicine and the School of Dental Medicine to compete in what is becoming an increasingly competitive and value-driven marketplace.

Clinically, healthcare reform and shifting regional and national dynamics continue to change the way hospitals serve their communities. In response, UConn Health actively explored the possibility of public private partnerships during fiscal 2019. Although we did not receive a response through our Solicitation of Interest that met all objectives, we are still reviewing and remain vigilant and optimistic towards finding a partner that will bolster the many improvements made over the past several years and enhance our strength going forward. If such a partner is not found, management continues to believe that our best in market campus, strong and growing medical staff, and consistent marketing voice in the community provide UConn Health with the tools it needs to compete effectively in the marketplace.

Throughout fiscal year 2019, UConn Health focused much of its clinical and information technology attention and resources on adopting, strengthening, and streamlining its state-of-the-art electronic health system, EPIC. UConn Health successfully launched EPIC in the fourth quarter of fiscal year 2018. The installation resulted in a new medical records system throughout UConn Health, linking patients via a single electronic health record (EHR) and positions the Hospital for compliance with the third stage of meaningful use requirements. This EHR allows for sharing and receiving of the latest medical history of patients being cared for both at UConn Health and at other institutions, while providing its clinicians, researchers and educators with a clinical platform to support their ongoing missions. This endeavor created additional opportunities to improve revenue cycle related operations. After the initial go-live phase, UConn Health has turned its attention towards optimization of the system, seeking out the operational and financial efficiencies that come with a modern, robust system.

FISCAL 2020 OUTLOOK (CONTINUED)

Continued economic pressures within the State of Connecticut are causing some instability in the predictability of State support across UConn Health. Leadership remains diligent on seeking out continued, appropriate cost reductions while protecting quality. Additional cuts in State support, beyond those in the original passed budget, are possible depending on how the State's fiscal picture develops during the upcoming year.

On July 31, 2017, the State Legislature approved the State Employees Bargaining Agent Coalition (SEBAC) 2017 agreement that was ratified by union membership. In addition, contracts were ratified for all of UConn Health bargaining units participating in SEBAC. The SEBAC 2017 agreement includes provisions for wage increases in each of the next two fiscal years. These increases, along with the impact of unfunded pension and retiree health costs on the State's fringe benefit rates will result in increased financial pressure on UConn Health. The agreement also provides for certain employment protection for bargaining unit employees through June 30, 2021 reducing operational flexibility.

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

CONTACTING THE HOSPITAL'S FINANCIAL MANAGEMENT

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

MARCUM
ACCOUNTANTS ▲ ADVISORS

INDEPENDENT AUDITORS' REPORT

Joint Audit and Compliance Committee
University of Connecticut Health Center

Report on the Financial Statements

We have audited the accompanying financial statements of the University of Connecticut Health Center John Dempsey Hospital (21002 Fund) (the Hospital), an enterprise fund of the State of Connecticut, as of and for the years ended June 30, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the Hospital's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the University of Connecticut Health Center John Dempsey Hospital (21002 Fund) as of June 30, 2019 and 2018, and the results of its operations and changes in net position, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information, such as Management's Discussion and Analysis on pages 1 through 10, the Schedule of Changes in the Hospital's Net Pension Liability and Related Ratios on page 57, the Schedule of Pension Contributions on page 58, the Schedule of Changes in the Hospital's Net OPEB Liability and Related Ratios on page 59, Schedule of the Hospital's Proportionate Share of the Net OPEB Liability on page 60 and the Schedule of the Hospital's OPEB Contributions on page 61, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 26, 2019 on our consideration of the Hospital's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Hospital's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Hospital's internal control over financial reporting and compliance.

Marcum LLP

Hartford, CT
November 26, 2019

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

STATEMENTS OF NET POSITION

JUNE 30, 2019 AND 2018

	2019	2018
Assets		
Current Assets		
Cash	$ 55,890,658	$ 57,048,706
Patient accounts receivable, net of estimated uncollectibles of $54,578,000 and $38,005,000 at June 30, 2019 and 2018, respectively	50,476,800	49,007,322
Inventory	9,944,770	9,170,047
Contract and other receivables	3,806,221	10,463,841
Due from UMG	5,529,552	5,600,000
Due from Finance Corporation, current portion	3,071,616	2,000,000
Prepaid expenses	8,751,795	7,198,581
Total Current Assets	137,471,412	140,488,497
Noncurrent Assets		
Other assets	803,469	803,469
Due from Finance Corporation, noncurrent portion	1,373,051	2,743,408
Capital and intangible assets, net (note 7)	366,456,931	386,358,944
Total Noncurrent Assets	368,633,451	389,905,821
Total Assets	506,104,863	530,394,318
Deferred Outflows of Resources		
Deferred amount for pensions (note 9)	110,025,631	116,696,539
Deferred amount for OPEB (note 9)	45,018,649	32,891,401
Total Deferred Outflows of Resources	$ 155,044,280	$ 149,587,940

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

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

STATEMENTS OF NET POSITION (CONTINUED)

JUNE 30, 2019 AND 2018

	2019	2018
Liabilities and Net Position		
Current Liabilities		
Accounts payable and accrued expenses	$ 15,091,606	$ 27,146,061
Accrued payroll	8,933,388	8,296,498
Due to UConn Health Malpractice Fund	188,376	188,376
Due to State of Connecticut	6,615,246	5,227,770
Due to third-party payors	20,477,216	19,831,204
Deferred revenues	4,419	4,419
Capital leases, current portion (note 8)	844,456	494,853
Accrued compensated absences, current portion (note 8)	7,038,021	7,289,427
Total Current Liabilities	59,192,728	68,478,608
Noncurrent Liabilities		
Pension liabilities (note 9)	305,945,549	287,396,223
OPEB liabilities (note 9)	380,385,790	366,548,545
Capital leases, net of current portion (note 8)	2,430,704	1,206,264
Accrued compensated absences, net of current portion (note 8)	12,066,269	12,128,332
Total Noncurrent Liabilities	700,828,312	667,279,364
Total Liabilities	760,021,040	735,757,972
Deferred Inflows of Resources		
Deferred amount for pensions (note 9)	1,061,209	--
Deferred amount for OPEB (note 9)	20,265,344	9,208,692
Total Deferred Inflows of Resources	21,326,553	9,208,692
Net Position		
Net investment in capital assets	363,181,771	384,657,827
Unrestricted deficit	(483,380,221)	(449,642,233)
Total Net Position	$ (120,198,450)	$ (64,984,406)

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, 2019 AND 2018

	2019	2018
Operating Revenues		
Net patient service revenues (note 5)	$ 406,009,111	$ 398,746,805
Contract and other revenues	43,037,306	40,829,160
Total Operating Revenues	449,046,417	439,575,965
Operating Expenses		
Salaries and wages	143,755,336	138,298,598
Fringe benefits	140,243,633	111,175,587
Medical/dental house staff	2,576,297	2,641,455
Medical contractual support	208,007	315,639
Internal contractual support	52,697,794	50,799,463
Outside agency per diems	4,651,617	3,739,695
Depreciation and amortization	25,582,380	20,056,785
Pharmaceutical/medical supplies	86,904,775	78,392,981
Utilities	3,364,654	3,229,689
Outside and other purchased services	34,923,205	39,335,315
Insurance	4,683,386	5,240,761
Repairs and maintenance	9,987,172	8,188,872
Other expenses	16,668,471	5,482,795
Total Operating Expenses	526,246,727	466,897,635
Operating Loss	(77,200,310)	(27,321,670)
Nonoperating Revenues (Expenses)		
Gift income	714,800	--
Interest expense	(49,606)	(37,593)
Loss on disposals	(236,826)	(426,401)
Net Nonoperating Revenues (Expenses)	428,368	(463,994)
Loss before Transfers	(76,771,942)	(27,785,664)
Transfers from UConn Health - Unrestricted (note 10)	38,342,420	27,037,979
Transfers (to)/from UConn Health - (note 10)	(16,784,522)	11,187,862
(Decrease)/Increase in Net Position	(55,214,044)	10,440,177
Net Position - Beginning of year (as previously stated)	(64,984,406)	255,830,073
Cumulative Effect of Implementing GASB 75	--	(331,254,656)
Net Position - Beginning of year (as restated 2018)	(64,984,406)	(75,424,583)
Net Position - End of year	$ (120,198,450)	$ (64,984,406)

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, 2019 AND 2018

	2019	2018
Cash Flows from Operating Activities		
Cash received from patients and third-party payors	$ 405,185,644	$ 388,401,992
Cash received from contract and other revenues	49,694,926	39,905,480
Cash paid to employees for salaries and fringe benefits	(282,288,073)	(243,285,752)
Cash paid for other than personnel services	(191,999,679)	(166,116,263)
Net Cash (Used in) / Provided by Operating Activities	(19,407,182)	18,905,457
Cash Flows from Investing Activities		
Additions to property and equipment	(3,737,193)	(40,384,440)
Net Cash Used in Investing Activities	(3,737,193)	(40,384,440)
Cash Flows from Noncapital Financing Activities		
Gifts received	714,800	--
Net Cash Provided by Noncapital Financing Activities	714,800	--
Cash Flows from Capital and Related Financing Activities		
Interest paid	(49,606)	(37,593)
Transfer from UConn Health - Unrestricted	38,342,420	27,037,979
Transfer (to)/from UConn Health	(16,784,522)	11,187,862
Repayment from UMG	70,448	4,000,000
Cash received from Finance Corporation	298,741	--
Payments Due to UConn Health Malpractice	--	(72,300)
Payments on capital leases	(605,954)	(485,482)
Net Cash Provided by Capital and Related Financing Activities	21,271,527	41,630,466
Net Change in Cash	(1,158,048)	20,151,483
Cash - Beginning	57,048,706	36,897,223
Cash - Ending	$ 55,890,658	$ 57,048,706
Supplemental Disclosure of Non-Cash Investing and Financing Activities		
Equipment acquired by entering into capital lease agreements	$ 2,180,000	$ --

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

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

STATEMENTS OF CASH FLOWS (CONTINUED)

FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2018
Reconciliation to Operating Loss to Net Cash Used in Operating Activities		
Operating loss	$ (77,200,310)	$ (27,321,670)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation and amortization	25,582,380	20,056,785
Non-cash portion of pension expense	26,281,438	12,350,508
Non-cash portion of OPEB	12,766,651	11,611,180
Changes in operating assets and liabilities:		
Patient accounts receivable, net	(1,469,478)	(8,062,391)
Inventory	(774,723)	(124,858)
Contract and other receivables	6,657,620	406,755
Prepaid expenses	(1,553,214)	(1,352,905)
Due to third-party payors	646,012	(3,391,938)
Accounts payable and accrued expenses	(12,054,455)	8,766,477
Deferred revenues	--	(220,919)
Due to State of Connecticut	1,387,476	1,011,479
Accrued payroll	636,890	1,451,496
Accrued compensated absences	(313,469)	3,725,458
Net Cash (Used in) Provided by Operating Activities	$ (19,407,182)	$ 18,905,457

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

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

The Hospital is an enterprise fund of the State of Connecticut (the State) and is, therefore, generally 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)

BASIS OF PRESENTATION

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

PROPRIETARY FUND ACCOUNTING

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

USE OF ESTIMATES

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

During the year ended June 30, 2019, the Hospital recorded an increase to third party reserves of approximately $1 million. Changes in reserves reflected the Hospital's updated analysis related to exposure from significant governmental audit programs, such as Recovery Audit Contractors (RAC) and Medicaid Integrity Contractors, as well as various ongoing private payer relationships. During the year ended June 30, 2018, the Hospital reduced reserves by approximately $5.1 million related to favorable third-party settlements. Changes to reserve amounts are reflected in net patient service revenues in the statements of revenues, expenses and changes in net position.

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 reported 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

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

ACCOUNTS RECEIVABLE AND NET PATIENT SERVICE REVENUES (CONTINUED)

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 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.

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.

CAPITAL ASSETS

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

Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed using the straight-line method. Buildings (and related improvements) have an estimated useful life of 5 to 50 years and equipment has an estimated useful life of 2 to 25 years. Assets acquired under capital leases and leasehold improvements are depreciated no longer than the lease term.

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

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

INTANGIBLE ASSETS

Intangible assets consist of capitalized computer software costs, including software internally developed. Costs incurred in the development and installation of internal use software are expensed or capitalized depending on whether they are incurred in the preliminary project stage, application development stage, or post-implementation stage, and the nature of the costs. Computer software costs are amortized on a straight-line basis over their expected useful lives which range from 3 to 10 years. During the years ended June 30, 2019 and 2018, the Hospital capitalized approximately $133,952 and $54.4 million, respectively, related to its EPIC installation, a new electronic health system. Capitalized computer software costs are included with capital and intangible assets on the statements of net position. Reference is made to note 7 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 2019, the Hospital disposed of a voice recognition system in the amount of $297,078 and the loss on disposal was $97,677. During 2018, the Hospital implemented EPIC, which replaced the Siemens NextGen system (NextGen). NextGen was written off in 2018 and the loss on disposal was $367,778.

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

The State is statutorily responsible for the pension benefits of Hospital employees who participate in the aforementioned defined benefit plans. The State is required to contribute 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 of Connecticut's Comprehensive Annual Financial Report.

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

RETIREMENT PLANS AND OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

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 State pension liabilities to be recorded at the entity level. The Hospital continues to pay into State retirement plans on a pay-as-you-go basis, but has recorded its corresponding liability and deferred inflows and outflows as prescribed by GASB 68.

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

In 2018, the Hospital implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions* (GASB 75). Beginning in 2018, the Hospital recorded its pro rata share of the OPEB liability held at the State level. The Hospital continues to pay its portion of the State of Connecticut 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 notes 2 and 9 for additional details.

PENSION LIABILITIES

The Hospital records its proportionate share of the collective net pension liability and collective pension expense for each defined benefit plan offered to its employees. The collective net pension liability for each plan is measured as the total pension liability, less the amount of the pension plan's fiduciary net position. The total pension liability is the portion of the actuarial present value of the projected benefits payments that are attributable to the 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. Employer contributions are recognized in the period in which the contributions are appropriated. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan.

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. Employer contributions are recognized in the period in which the contributions are appropriated. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan. The Hospital recorded its proportionate share of the net OPEB liability during the years ended June 30, 2019 and 2018.

DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES

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

COMPENSATED ABSENCES

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

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

THIRD-PARTY PAYORS

Laws governing the Medicare and Medicaid programs are extremely complex and 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 have been charged against UConn Health's malpractice self-insurance fund. UConn Health allocates an annual malpractice premium to the Hospital, designed to reflect an estimate of the current year's cash claims to be processed. For the years ended June 30, 2019 and 2018, annual premiums were approximately $2.3 million. These premiums are included in insurance expense in the Hospital's statements of revenues, expenses, and changes in net position. The due to UConn Health Malpractice Fund reported on the statements of net position represents premiums payable for occurrence based coverage through June 30, 2019 and 2018, respectively.

NET POSITION

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

REGULATORY MATTERS

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

RECLASSIFICATIONS

Certain reclassifications were made to the 2018 statement of net position and statement of cash flows to conform to the current year presentation.

NOTE 2 – RECENTLY ADOPTED AND UPCOMING ACCOUNTING PRONOUNCEMENTS

RECENTLY ADOPTED ACCOUNTING PRONOUNCEMENTS

In 2019, the Hospital implemented GASB Statement No. 83, *Certain Asset Retirement Obligations*, which addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. This Statement requires that recognition occurs when the liability is both incurred and reasonably estimable. Implementation of this standard did not have a material impact on the Hospital's financial statements.

In 2019, the Hospital implemented GASB Statement No. 88, *Certain Disclosure Related to Debt, including Direct Borrowings and Direct Placements.* The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established.

This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. Implementation of this standard did not have a material impact on the Hospital's financial statements.

As disclosed in note 1, in 2018, the Hospital adopted GASB 75, which required additional disclosures and the recording of the Hospital's proportionate share of the net liabilities related to its participation in the SEOPEBP on the statements of net position and requires supplementary information about the postemployment liabilities.

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

RECENTLY ADOPTED ACCOUNTING PRONOUNCEMENTS (CONTINUED)

As the SEOPEBP did not have a practical way to provide each of its component units with all of the information needed to fully restate their prior period financial statements, the Hospital elected to apply the "cumulative effect" method, as permitted by GASB 75, by restating beginning net position as of July 1, 2017.

The implementation of this standard resulted in an adjustment to reduce the Hospital's beginning net position by $331.2 million as of July 1, 2017.

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

	(in millions)
Net position, beginning of period, July 1, 2017 (as previously stated)	$ 255.8
Hospital's proportionate share of beginning net OPEB liability	(345.3)
Hospital 2017 contributions after OPEB liability measurement date	14.1
Net position, beginning of period, July 1, 2017 (as restated)	$ (75.4)

UPCOMING ACCOUNTING PRONOUNCEMENTS

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

NOTE 3 – HYPOTHECATION

In accordance with State Statute, the Hospital can borrow from the State up to 90% of its net patient receivables and contract and other receivables to fund operations. As of June 30, 2019 and 2018, the Hospital had not drawn down any funds under the hypothecation. As of June 30, 2019 and 2018, the Hospital had available amounts of $48,854,719 and $53,524,046, respectively, under the State Statute.

NOTE 4 – CHARITY CARE

The Hospital maintains records to identify and monitor the level of charity care it provides. These records include the amount of charges forgone for services and supplies furnished under its charity care policy, the estimated cost of those services and supplies, and equivalent service statistics. During 2019 and 2018, the Hospital provided charity care services of $351,043 and $367,843, respectively.

The estimated cost of these services was $105,348 and $167,274, respectively, for the years ended June 30, 2019 and 2018. No net patient service revenue was recorded for these services; however, expenses associated with these services were included in operating expenses.

NOTE 5 – NET PATIENT SERVICE REVENUES

The Hospital provides health care services primarily to residents of the region. Revenues from the Medicare program accounted for approximately 35% and 51% of the Hospital's net patient service revenues for the years ended June 30, 2019 and 2018, respectively. Revenues from the Medicaid program accounted for approximately 20% and 36% of the Hospital's net patient service revenues for the years ended June 30, 2019 and 2018, respectively.

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.

Patient accounts receivable included approximately 34% and 38% due from Medicare and approximately 11% and 19% due from Medicaid at June 30, 2019 and 2018, respectively.

NOTE 5 – NET PATIENT SERVICE REVENUES (CONTINUED)

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

	2019	2018
Gross patient service revenues	$ 1,166,755,095	$ 1,083,127,982
Less contractual allowances	(738,278,386)	(664,371,947)
Less provision for bad debt	(22,467,598)	(20,009,230)
Net patient service revenues	$ 406,009,111	$ 398,746,805

The Hospital has contracts with third-party payors that provide for payments to the Hospital at amounts different from established billing rates. As such, gross patient revenues are reduced by contractual allowances. A summary of the payment arrangements with major third-party payors is as follows:

MEDICARE

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

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

The Hospital is reimbursed for Direct Graduate Medical Education (GME) and Medicare Bad Debts at an interim rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicare fiscal intermediary. The Hospital's Medicare cost reports have been settled by the Medicare fiscal intermediary through fiscal year 2016.

NOTE 5 – NET PATIENT SERVICE REVENUES (CONTINUED)

MEDICAID

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

In 2019 and 2018, the Hospital received $8.2 million of supplemental payments from DSS. These amounts are recorded as net patient service revenues in the statements of revenues, expenses and changes in net position.

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.

NOTE 5 – NET PATIENT SERVICE REVENUES (CONTINUED)

ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS

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

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

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

NOTE 6 – ELECTRONIC HEALTH RECORD REIMBURSEMENT

The Health Information Technology for Economic and Clinical Health Act (the HITECH Act) was enacted into law on February 17, 2009 as part of the American Recovery and Reinvestment Act of 2009 (ARRA). The HITECH Act includes provisions designed to increase the use of electronic health records by health professionals and hospitals. Beginning with federal fiscal year 2011 and extending through federal fiscal year 2016, eligible providers participating in the Medicare and Medicaid programs were eligible for reimbursement incentives based on successfully demonstrating meaningful use of certified Electronic Health Record (EHR) technology. Conversely, those providers that do not successfully demonstrate meaningful use of EHR technology are subject to reductions in reimbursements beginning in fiscal year 2016. The Medicaid EHR incentive program provides annual incentive payments to eligible professionals and hospitals for efforts to adopt, implement, and meaningfully use certified EHR technology. The Hospital utilizes a grant accounting model to recognize EHR incentive revenues. EHR incentive revenues are recognized ratably over the relevant cost report period to determine the amount of the reimbursement.

NOTE 6 – ELECTRONIC HEALTH RECORD REIMBURSEMENT (CONTINUED)

For the year ended June 30, 2018, the Hospital recorded $96,039 of EHR incentive revenue, which was included in contract and other revenues in the accompanying statement of revenues, expenses and changes in net position. The Hospital is no longer eligible to receive EHR incentive payments. The Hospital's attestation of compliance with the meaningful use criteria is subject to audit by the federal government. Additionally, Medicare EHR incentive payments received are subject to retrospective adjustments upon final settlement of the applicable cost of report from which the payments were calculated.

NOTE 7 – CAPITAL AND INTANGIBLE ASSETS, NET

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

	2019	2018
Land	$ 183,137	$ 183,137
Construction in progress (estimated costs to complete of $4.7 million and $4.8 million at June 30, 2019 and 2018, respectively)	1,036,502	4,532,705
Buildings	397,090,426	393,281,287
Equipment	84,275,965	87,243,636
Computer software	58,157,753	65,604,169
Capital leases	16,264,244	14,084,244
	557,008,027	564,929,178
Less accumulated depreciation and amortization	190,551,096	178,570,234
Capital and intangible assets, net	$ 366,456,931	$ 386,358,944

NOTE 7 – CAPITAL AND INTANGIBLE ASSETS, NET (CONTINUED)

Activity for the years ended June 30, 2019 and 2018 is as follows:

	2018	Additions	Deductions	2019
Land	$ 183,137	$ --	$ --	$ 183,137
Construction in progress	4,532,705	11,031,372	(14,527,575)	1,036,502
Buildings	393,281,287	3,809,139	--	397,090,426
Equipment	87,243,636	3,271,284	(6,238,955)	84,275,965
Computer software	65,604,169	152,973	(7,599,389)	58,157,753
Capital leases	14,084,244	2,180,000	--	16,264,244
	$ 564,929,178	$ 20,444,768	$ (28,365,919)	$ 557,008,027

	2017	Additions	Deductions	2018
Land	$ 183,137	$ --	$ --	$ 183,137
Construction in progress	38,191,235	8,711,420	(42,369,950)	4,532,705
Buildings	381,712,847	11,568,440	--	393,281,287
Equipment	80,449,417	9,129,041	(2,334,822)	87,243,636
Computer software	14,465,349	53,345,489	(2,206,669)	65,604,169
Capital leases	14,084,244	--	--	14,084,244
	$ 529,086,229	$ 82,754,390	$ (46,911,441)	$ 564,929,178

NOTE 7 – CAPITAL AND INTANGIBLE ASSETS, NET (CONTINUED)

Related information on accumulated depreciation and amortization for the years ended June 30, 2019 and 2018 is as follows:

	2018	Additions	Deductions	2019
Buildings	$ 97,442,681	$ 10,646,300	$ --	$ 108,088,981
Equipment	56,444,667	7,641,351	(6,099,806)	57,986,212
Computer software	12,354,740	6,759,872	(7,501,712)	11,612,900
Capital leases	12,328,146	534,857	--	12,863,003
	$ 178,570,234	$ 25,582,380	$ (13,601,518)	$ 190,551,096

	2017	Additions	Deductions	2018
Buildings	$ 86,949,720	$ 10,492,961	$ --	$ 97,442,681
Equipment	50,824,443	7,896,423	(2,276,199)	56,444,667
Computer software	13,024,752	1,168,879	(1,838,891)	12,354,740
Capital leases	11,829,624	498,522	--	12,328,146
	$ 162,628,539	$ 20,056,785	$ (4,115,090)	$ 178,570,234

The Hospital placed EPIC in service during 2018, which had total capitalized hardware and software costs of approximately $54.4 million in fiscal year ended June 30, 2018. In fiscal year ended June 30, 2019, additional capitalized costs were $133,952. This represents the Hospital's share of the cost of the system that met the criteria for capitalization of the project. The EPIC system is being depreciated over 10 years and related hardware is being depreciated between 3 to 10 years.

The Hospital received transfers of capital assets from UConn Health in the amount of $3,094,667 and $9,752,944 for the years ended June 30, 2019 and 2018, respectively, related to capitalization of University Tower expenditures. The capital assets were transferred at the cost incurred by UConn Health which represented fair value on the date of the transfer.

NOTE 8 – LONG-TERM LIABILITIES AND OPERATING LEASES

Activity related to capital leases and compensated absences for the years ended June 30, 2019 and 2018 is as follows:

	June 30, 2018 Balance	Additions	Deductions	June 30, 2019 Balance	Amounts due within 1 year
Capital lease obligation - Payments including interest at 1.92% began November 2016 and continue until October 2021, collateralized by financed equipment	$ 1,413,304	$ --	$ (414,543)	$ 998,761	$ 422,572
Capital lease obligation - Payments including interest at 1.88% began January 2017 and continue until December 2021, collateralized by financed equipment	287,813	--	(80,310)	207,503	81,834
Capital lease obligation - Payments including interest at 3.00% began March 2019 and continue until February 2025, collateralized by financed equipment	--	2,180,000	(111,104)	2,068,896	340,050
Total Capital Leases	1,701,117	2,180,000	(605,957)	3,275,160	844,456
Total Accrued compensated absences	19,417,759	13,474,551	(13,788,020)	19,104,290	7,038,021
Total Long-Term Debt	$ 21,118,876	$ 15,654,551	$ (14,393,977)	$ 22,379,450	$ 7,882,477

	June 30, 2017 Balance	Additions	Deductions	June 30, 2018 Balance	Amounts due within 1 year
Capital lease obligation - Payments including interest at 1.92% began November 2016 and continue until October 2021, collateralized by financed equipment	$ 1,819,969	$ --	$ (406,665)	$ 1,413,304	$ 414,543
Capital lease obligation - Payments including interest at 1.88% began January 2017 and continue until December 2021, collateralized by financed equipment	366,630	--	(78,817)	287,813	80,310
Total Capital Leases	2,186,599	--	(485,482)	1,701,117	494,853
Total Accrued compensated absences	15,692,301	15,648,475	(11,923,017)	19,417,759	7,289,427
Total Long-Term Debt	$ 17,878,900	$ 15,648,475	$ (12,408,499)	$ 21,118,876	$ 7,784,280

NOTE 8 – LONG-TERM LIABILITIES AND OPERATING LEASES (CONTINUED)

Future minimum capital lease payments at June 30, 2019 are as follows:

Year ending June 30,		
2020	$	920,541
2021		920,541
2022		585,997
2023		397,466
2024		397,466
Thereafter		264,978
Total minimum payments		3,486,989
Less: interest		(211,829)
Present value of capital leases		3,275,160
Less: current portion of capital leases		(844,456)
Noncurrent capital leases	$	2,430,704

The Hospital also participates in operating lease agreements under UConn Health for which its departments are allocated expenses based on the square footage occupied. Total rent expense for the years ended June 30, 2019 and 2018 was $9,400,708 and $8,870,637, respectively, which is included in internal contractual support expense and outside and other purchased services expense in the statements of revenues, expenses and changes in net position.

The Hospital leases space in the OP under a sublease from UConn Health. While the sublease is expected to be renewed on an annual basis, there is no written sublease that extends beyond a one-year period. UConn Health has leased the OP from the Finance Corporation under a direct financing lease that expires on March 31, 2040. The amount of rent expense that was charged to the Hospital was $7,341,478 and $5,836,594 in 2019 and 2018, respectively. Refer to note 10 for additional details regarding advances made by the Hospital to construct the OP.

NOTE 8 – LONG-TERM LIABILITIES AND OPERATING LEASES (CONTINUED)

The following is a schedule by year of existing future minimum lease payments under non-cancellable operating leases as of June 30, 2019, in addition to space in the OP through the sublease with UConn Health based on the assumption that the sublease will be extended annually through March 31, 2040:

Year ending June 30,	
2020	$ 8,359,978
2021	8,006,358
2022	7,195,014
2023	7,161,511
2024	7,163,404
Thereafter	93,992,070
	$ 131,878,335

NOTE 9 – PENSION AND OPEB PLANS

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

SERS PLAN DESCRIPTION

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

NOTE 9 – PENSION AND OPEB PLANS (CONTINUED)

SERS PLAN DESCRIPTION (CONTINUED)

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

Members who joined the retirement system prior to July 1, 1984 are enrolled in Tier I. Tier I employees who retire at or after age 65 with 10 years of credited service, or at or after age 55 with 25 years of service, or at age 55 with 10 years of credited service with reduced benefits are entitled to an annual retirement benefit payable monthly for life, in the amount of 2% of the annual average earnings (which are based on the three highest years of service) over $4,800 plus 1% of $4,800 for each year of credited service. Tier II employees who retire at or after age 60 with 25 years of service, or at age 62 with 10 years of service, or at age 70 with 5 years of service, or at age 55 with 10 years of service with reduced benefits are entitled to 1.4% times average salary at or below the breakpoint in the year of retirement, for each year of credited service. Tier III covers employees first hired on or after July 1, 2011. Tier III employees to retire at, or after age 63 with 25 years of service, or at age 65 with 10 years of service, or at age 58 with 10 years of service with reduced benefits are entitled to 1.4% times average salary at or below the breakpoint in the year of retirement, for each year of credited service. All Tier I, Tier II, Tier IIA, and Tier III members are vested after ten years.

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

NOTE 9 – PENSION AND OPEB PLANS (CONTINUED)

SERS PLAN DESCRIPTION (CONTINUED)

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

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

The pension liability recorded as of June 30, 2019 and 2018 was based on the June 30, 2018 and 2017 actuarial valuations, respectively.

CHANGES IN ASSUMPTIONS

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

CONTRIBUTIONS MADE

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, rollforwards, and other adjustments, was 64.30%, 56.58% and 54.99%, during fiscal years 2019, 2018, and 2017, respectively. The SERS contributions made compared to covered payroll follows:

	2019	2018	2017
Total Hospital payroll covered by SERS	$ 65,848,032	$ 58,474,188	$ 56,867,674
Total Hospital SERS contributions	$ 26,308,399	$ 20,231,150	$ 20,948,607
Contributions as a percentage of covered payroll	40.0%	34.6%	36.8%

NOTE 9 – PENSION AND OPEB PLANS (CONTINUED)

PENSION LIABILITIES, PENSION EXPENSE, DEFERRED OUTFLOWS OF RESOURCES, AND DEFERRED INFLOWS OF RESOURCES

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

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

At June 30, 2019 and 2018, the Hospital reported a SERS related liability of $304.0 million and $286.2 million, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018 and 2017, and the total pension liability used to calculate the net pension liability was determined based on the actuarial valuations performed as of June 30, 2018 and June 30, 2017, 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 2018 and 2017 fiscal years. At June 30, 2018 and 2017, the Hospital's proportion of contributions was 1.40% and 1.36%, respectively.

For the years ended June 30, 2019 and 2018, the Hospital recognized SERS pension expense of $52.3 million and $32.4 million, respectively. The pension expense is reported in the Hospital's financial statements as part of fringe benefits expense.

At June 30, 2019 and 2018, the Hospital reported deferred outflows of resources and deferred inflows of resources related to the SERS plan from the following sources:

	2019		2018	
	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	$ 38,303	$ --	$ 45,333	$ --
Hospital contributions subsequent to measurement date	26,308	--	20,231	--
Net difference between projected and actual earnings on pension plan investments	--	(953)	--	(546)
Difference between expected and actual experience	10,732	--	6,833	--
Changes in assumptions	33,129	--	43,853	--
	$ 108,472	$ (953)	$ 116,250	$ (546)

NOTE 9 – PENSION AND OPEB PLANS (CONTINUED)

PENSION LIABILITIES, PENSION EXPENSE, DEFERRED OUTFLOWS OF RESOURCES, AND DEFERRED INFLOWS OF RESOURCES (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 5.64 years.

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

Year ending June 30,	Change in proportionate participation in SERS plan	Net difference between projected and actual earnings on pension plan investments	Difference between expected and actual experience	Change in assumptions
	(in thousands)			
2020	$ 14,477	$ 1,267	$ 3,032	$ 11,754
2021	12,408	38	3,032	11,754
2022	7,044	(2,104)	2,577	8,835
2023	3,512	(154)	1,305	668
2024	862	--	786	118
Thereafter	--	--	--	--
	$ 38,303	$ (953)	$ 10,732	$ 33,129

The amortization of the aforementioned deferred inflows and deferred outflows increased fringe benefits expense by $26,024,771 and $12,350,508 during the years ended June 30, 2019 and 2018, respectively.

NOTE 9 – PENSION AND OPEB PLANS (CONTINUED)

ACTUARIAL METHODS AND ASSUMPTIONS

The total SERS pension liability in the June 30, 2018 and 2017 actuarial valuations was determined based on the results of an actuarial experience study for the period July 1, 2011 - June 30, 2015. The key actuarial assumptions are summarized below:

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

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

DISCOUNT RATE

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 employer contributions will be made equal to the difference between the projected actuarially determined contribution and member contributions. Projected future benefit payments for all current plan members were projected through the year 2138.

NOTE 9 – PENSION AND OPEB PLANS (CONTINUED)

EXPECTED RATE OF RETURN ON INVESTMENTS

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Large Cap U.S. Equities	21%	5.8%
Developed Non-U.S. Equities	18%	6.6%
Emerging Market (Non-U.S.)	9%	8.3%
Real Estate	7%	5.1%
Private Equity	11%	7.6%
Alternative Investments	8%	4.1%
Fixed Income (Core)	8%	1.3%
High Yield Bonds	5%	3.9%
Emerging Market Bond	4%	3.7%
Inflation Linked Bonds	5%	1.0%
Cash	4%	0.4%
	100%	

NOTE 9 – PENSION AND OPEB PLANS (CONTINUED)

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

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

	1% Decrease (5.90%)	Discount Rate (6.90%)	1% Increase (7.90%)
Hospital's proportionate share of the net pension liability	$ 362,813,489	$ 304,039,920	$ 254,999,795

TEACHERS' RETIREMENT SYSTEM

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

As of June 30, 2019 and 2018, the Hospital recorded the following amounts in the financial statements related to the TRS:

	2019	2018
	(in thousands)	
Deferred outflows of resources	$ 1,554	$ 993
Deferred inflows of resources	108	--
Pension liability	1,906	1,196

ALTERNATE RETIREMENT PLAN

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

NOTE 9 – PENSION AND OPEB PLANS (CONTINUED)

ALTERNATE RETIREMENT PLAN (CONTINUED)

All unclassified employees, not already in a pension plan, of a constituent unit of the State system of higher education and the central office staff of the Department of Higher Education, are eligible to participate in the ARP. Participants must contribute 5% of eligible compensation each pay period, while the State will contribute an amount up to 7.25% and 8.00% of the participant's eligible compensation for fiscal years 2019 and 2018, respectively, via a charge recouped from the Hospital.

Participant and State contributions are both 100% vested immediately. For fiscal years 2019 and 2018, charges to the Hospital for ARP were approximately $9.3 million and $10.0 million, respectively. The liabilities as of June 30, 2019 and 2018 were approximately $613,000 and $629,000, respectively.

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

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

POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

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

NOTE 9 – PENSION AND OPEB PLANS (CONTINUED)

GENERAL INFORMATION ABOUT THE SEOPEBP

Plan description – The State's defined benefit OPEB plan, the SEOPEBP, provides OPEB benefits for qualifying employees in accordance with sections 5-257(d) to 5-259(a) of the Connecticut General Statutes. All of the Hospital's employees participate in the SEOPEBP. The plan is primarily funded on a pay-as-you-go basis. The contribution requirements of the State are established by and may be amended by the State legislature, or by agreement between the State and employee unions, upon approval by the State legislature. Costs are passed to the Hospital as part of its fringe benefit allocation, the rates for which are set each year by the State Comptroller's office. Information on the SEOPEBP's total funding status and progress, contributions required and trend information can be found in the State's Comprehensive Annual Financial Report available on the State's website.

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

Employees covered by benefit terms – Demographic data for individual State entities in the SEOPEBP are not readily available. At June 30, 2018 and 2017, the SEOPEBP in total covered the following:

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

NET SEOPEBP LIABILITY

The Hospital's OPEB liability of $380.4 million as of June 30, 2019 for its proportionate share of the net OPEB liability was measured as of June 30, 2018 based on an actuarial valuation that was rolled forward to June 30, 2019. The Hospital's OPEB liability of $366.5 million as of June 30, 2018 for its proportionate share of the net OPEB liability was measured as of June 30, 2017 based on an actuarial valuation that was rolled forward to June 30, 2018. The Hospital's proportion of the net OPEB liability was based on the Hospital's percentage of total overall contributions to the plan. At June 30, 2018 and 2017, the Hospital's proportion of contributions was 2.20% and 2.11%, respectively.

NOTE 9 – PENSION AND OPEB PLANS (CONTINUED)

ACTUARIAL METHODS AND ASSUMPTIONS

The total OPEB liability in the June 30, 2018 and 2017 actuarial valuations was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation:	3.50%
Salary increase:	3.25% to 19.5% varying by years of service and retirement system
Discount rate:	3.95% as of June 30, 2018 and 3.68% as of June 30, 2017
Healthcare cost trends rates	
Medical	6.5% graded to 4.5% over 4 years
Prescription Drug	8.0% graded to 4.5% over 7 years
Dental and Part B	4.5%
Administrative Expense	3.0%
Retirees' share of benefit-related costs	Contributions, if required, are determined by plan, employee start date, and benefit type

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 (3.95% as of June 30, 2018 and 3.68% as of June 30, 2017). The blending is based on the sufficiency of projected assets to make projected benefit payments.

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

The actuarial assumptions used in the June 30, 2018 and 2017 valuations were based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2015.

NOTE 9 – PENSION AND OPEB PLANS (CONTINUED)

CONTRIBUTIONS MADE

The SEOPEBP contributions made to cover payroll is as follows:

	2019	2018
Total Hospital payroll covered by SEOPEBP	$ 129,605,987	$ 127,204,218
Total Hospital SEOPEBP contributions	$ 19,903,427	$ 17,668,078
Contributions as a percentage of covered payroll	15.4%	13.9%

CHANGES IN THE NET OPEB LIABILITY

	2018 Net OPEB Liability	2017 Net OPEB Liability
	(in thousands)	
Beginning balance	$ 366,549	$ 345,344
Changes for the year:		
Service cost	19,867	20,288
Interest	14,986	10,791
Changes in assumptions or other inputs	(15,955)	(10,783)
Benefit payments	(14,285)	(13,500)
Change in proportionate allocation of OPEB liability	9,224	14,409
Net changes	13,837	21,205
Ending balance	$ 380,386	$ 366,549

NOTE 9 – PENSION AND OPEB PLANS (CONTINUED)

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

The following table presents the Hospital's proportionate share of the OPEB liability using the discount rate of 3.95% as well as the proportionate share of the net OPEB liability using a 1.00% increase or decrease from the current discount rate:

	1% Decrease (2.95%)	Discount Rate (3.95%)	1% Increase (4.95%)
		(in thousands)	
Net OPEB Liability	$ 441,220	$ 380,386	$ 330,985

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

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

	Healthcare Cost Trend Rates		
	1% Decrease	Current Valuation	1% Increase
		(in thousands)	
Net OPEB Liability	$ 324,001	$ 380,386	$ 451,834

NOTE 9 – PENSION AND OPEB PLANS (CONTINUED)

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

For the years ended June 30, 2019 and 2018, the Hospital recognized OPEB expense of $12.8 million and $11.6 million, respectively. At June 30, 2019 and 2018, the Hospital reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	2019		2018	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
	(in thousands)			
Changes in proportion	$ 25,156	$ --	$ 15,223	$ --
Hospital contributions subsequent to measurement date	19,863	--	17,668	--
Changes in assumptions or other inputs	--	20,113	--	8,795
Net difference between projected and actual earnings	--	152	--	414
	$ 45,019	$ 20,265	$ 32,891	$ 9,209

Hospital contributions subsequent to the measurement date totaling $19.9 million reported as deferred outflows of resources will be recognized as a reduction of the OPEB liability in the year ending June 30, 2020. 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:

NOTE 9 – PENSION AND OPEB PLANS (CONTINUED)

OPEB EXPENSE AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO OPEB (CONTINUED)

Year ending June 30,	Change in proportionate participation in OPEB plan	Net difference between projected and actual earnings on OPEB plan investments	Changes in assumptions or other inputs
		(in thousands)	
2020	$ 6,470	$ (64)	$ (5,000)
2021	6,471	(64)	(5,000)
2022	6,471	(64)	(5,000)
2023	4,473	40	(3,848)
2024	1,271	--	(1,265)
Thereafter	--	--	--
	$ 25,156	$ (152)	$ (20,113)

NOTE 9 – PENSION AND OPEB PLANS (CONTINUED)

EXPECTED RATE OF RETURN ON INVESTMENTS

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Large Cap U.S. Equities	21%	5.8%
Developed Non-U.S. Equities	18%	6.6%
Emerging Market (Non-U.S.)	9%	8.3%
Real Estate	7%	5.1%
Private Equity	11%	7.6%
Alternative Investments	8%	4.1%
Fixed Income (Core)	8%	1.3%
High Yield Bonds	5%	3.9%
Emerging Market Bond	4%	3.7%
Inflation Linked Bonds	5%	1.0%
Cash	4%	0.4%
	100%	

NOTE 10 – 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.

Complete allocations have not been made for salaries and other services incurred by the Hospital on behalf of other UConn Health entities. In addition, certain activities accounted for in the 21002 Fund are periodically evaluated and transferred to/from other funds depending on the overall objectives of UConn Health.

The Hospital is party to an agreement with UConn Health whereby the salaries of certain employees are reimbursed by UConn Health. The non-clinical support services provided to the Hospital from UConn Health have been reported in the financial statements as internal contractual support expenses.

NOTE 10 – RELATED PARTY TRANSACTIONS (CONTINUED)

UConn Health transferred $38.3 million in 2019 and $27.0 million in 2018 related to fringe benefit support. During 2018, UConn Health also transferred $2.9 million to the Hospital related to capital funding.

In 2019, the Hospital transferred approximately $72.5 million to Central Administrative Services (CAS) for operational support. The Hospital received transfers of $55.7 million from UConn Health. During 2019, transfers of approximately $36.2 million were for operational support, $3.1 million was for the University Tower and $16.4 million was related to EPIC. These transfers are included in transfers in the statement of revenues, expenses and changes in net position.

In 2018, the Hospital received transfers of $21.6 million from UConn Health for operational support. The Hospital transferred approximately $52.5 million to CAS for operational support. During 2018, the Hospital received transfers of approximately $25.8 million, $9.8 million for the University Tower and $16.0 million related to EPIC. These transfers are included in transfers in the statement of revenues, expenses and changes in net position.

The Hospital's pension and OPEB liabilities (note 9) represent its pro-rata share of the State's overall liabilities and are not current commitments. The State finances pension and OPEB benefits on a pay-as-you go basis through allocated retirement plan rates, which are part of the Hospital's reported fringe benefit costs. The State charges the Hospital for these and other fringe benefits. During the years ended June 30, 2019 and 2018, the Hospital expensed $140,243,633 and $111,175,587, respectively, for employee fringe benefits. Related salary costs for 2019 and 2018 were $143,755,336 and $138,298,598, respectively. The amounts due to the State related to the fringe benefit programs as of June 30, 2019 and 2018 are included in the statements of net position.

Contributions to the State for an assessment of postemployment benefits other than pensions are also included in fringe benefits expense. The related accrued postemployment benefit liability is a liability of the State. As disclosed in note 2, UConn Health implemented GASB 75 during the year ended June 30, 2018. As a result, the Hospital has recorded its proportionate share of postemployment benefits, liabilities, and expenses.

As more fully described in note 11, 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.

NOTE 10 – RELATED PARTY TRANSACTIONS (CONTINUED)

During the year ended June 30, 2018, the Hospital provided medical services to Correctional Managed Health Care patients under a UConn Health contract with the State's DOC. The Hospital provided inpatient and outpatient care to Correctional Managed Health Care patients at Medicaid rates. Net patient service revenues related to this contract totaled $11,014,700 for the year ended June 30, 2018. The Hospital also provided certain other services under capitated contracts whereby Correctional Managed Healthcare paid a set amount per year for services regardless of volume. Revenues related to these contracts totaled $2,392,301 for the year ended June 30, 2018, which were included in net patient service revenues in the statement of revenues, expenses, and changes in net position. The contracts to provide such services to the DOC were terminated effective July 1, 2018.

During the year ended June 30, 2019, the Hospital began providing medical services to Connecticut's incarcerated patients under new UConn Health contracts with the State's DOC, including inpatient and outpatient care provided at Medicaid rates; however, UConn Health no longer managed the program. Net patient service revenues related to these new UConn Health contracts with the State's DOC totaled $5,664,512 for the year ended June 30, 2019.

As disclosed in note 1, Finance Corporation performs critical services on behalf of the Hospital. These services include the acquisition, construction, and maintenance of clinical space such as the OP building. The outstanding due from Finance Corporation was $4,444,667 and $4,743,408 at June 30, 2019 and 2018, respectively.

The Hospital has received a financial guarantee from UConn Health that it will provide the funding required for Finance Corporation to repay the remaining $4.4 million of advances outstanding at June 30, 2019, if required. Management expects that $2 million of the amount advanced for construction of the OP will be returned to the Hospital during the year ending June 30, 2020.

NOTE 11 – 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 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.

NOTE 11 – REPORTING OF THE MALPRACTICE FUND (CONTINUED)

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

At June 30, 2019 and 2018, UConn Health's Malpractice Fund had actuarial reserves of approximately $12.2 million and $14.9 million and assets of approximately $4.0 million and $7.1 million, respectively.

NOTE 12 – SUBSEQUENT EVENTS

The Hospital has evaluated subsequent events through November 26, 2019, which represents the date the financial statements were available to be issued.

No subsequent events requiring recognition or disclosure in the financial statements were identified.

MARCUM
ACCOUNTANTS ▲ ADVISORS

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

Joint Audit and Compliance Committee
University of Connecticut Health Center

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the University of Connecticut Health Center John Dempsey Hospital (21002 Fund) (the Hospital), which comprise the statement of net position as of June 30, 2019 and the related statements of revenues, expenses and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 26, 2019.

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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Hospital's internal control. Accordingly, we do not express an opinion on the effectiveness of the Hospital's internal control.

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

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

Compliance and Other Matters

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

Purpose of This Report

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

Marcum LLP

Hartford, CT
November 26, 2019

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

	2018	2017	2016	2015	2014
	(dollars in thousands)				
Total Pension Liability					
Service cost	$ 6,019	$ 6,524	$ 4,024	$ 3,537	$ 2,662
Interest	31,024	30,636	26,310	23,387	18,508
Differences between expected and actual experience	--	(19,616)	9,654	--	--
Change of assumptions	6,770	--	61,962	--	--
Benefit payments, including refunds of member contributions	(27,530)	(25,205)	(21,691)	(18,886)	(14,510)
Change in proportionate allocation of pension liability	14,444	36,632	29,897	56,513	--
Net Change in Total Pension Liability	30,727	28,971	110,156	64,551	6,660
Total Pension Liability - Beginning	448,944	419,973	309,817	245,266	238,606
Total Pension Liability - Ending (a)	$ 479,671	$ 448,944	$ 419,973	$ 309,817	$ 245,266
Fiduciary Net Position					
Contributions - employer	$ 20,231	$ 20,949	$ 18,872	$ 15,628	$ 11,750
Contributions - employee	2,719	1,800	1,687	2,133	1,341
Net investment income	12,280	20,508	(1)	3,354	13,366
Benefit payments, including refunds of member contributions	(27,530)	(25,205)	(21,691)	(18,886)	(14,510)
Administrative expenses	(5)	(9)	(8)	--	--
Other	(44)	(5)	959	--	--
Change in proportionate allocation of fiduciary net position	5,236	11,609	11,731	22,343	--
Net Change in Fiduciary Net Position	12,887	29,647	11,549	24,572	11,947
Fiduciary Net Position - Beginning	162,744	133,097	121,548	96,976	85,029
Fiduciary Net Position - Ending (b)	$ 175,631	$ 162,744	$ 133,097	$ 121,548	$ 96,976
Hospital's Net Pension Liability - Ending (a)-(b)	$ 304,040	$ 286,200	$ 286,876	$ 188,269	$ 148,290
Hospital's Portion of SERS Net Pension Liability	1.40000%	1.35827%	1.24930%	1.13935%	0.92599%
Fiduciary Net Position as a Percentage of the Total Pension Liability	36.61%	36.25%	31.69%	39.23%	39.54%
Hospital's Covered-Employee Payroll	$ 58,474	$ 56,868	$ 52,583	$ 45,715	$ 34,258
Hospital's Net Pension Liability as a Percentage of Covered-Employee Payroll	519.96%	503.27%	545.57%	411.83%	432.86%

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF PENSION CONTRIBUTIONS TO THE STATE EMPLOYEES RETIREMENT SYSTEM ONLY

(dollars in thousands)

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Contractually required contributions	$ 26,308	$ 20,231	$ 20,949	$ 18,920	$ 15,714	$ 11,750	$ 9,812	$ 8,578	$ 8,742	$ 8,310
Contributions in relation to the contractually required contribution	26,308	20,231	20,949	18,762	15,628	11,750	9,798	8,578	7,647	6,672
Contribution deficiency	$ --	$ --	$ --	$ 158	$ 86	$ --	$ 14	$ --	$ 1,095	$ 1,638
Hospital's covered-employee payroll	$ 65,848	$ 58,474	$ 56,868	$ 52,583	$ 45,715	$ 34,258	$ 30,600	$ 29,722	$ 30,636	$ 27,045
Contributions as a percentage of covered-employee payroll	39.95%	34.60%	36.84%	35.68%	34.19%	34.30%	32.02%	28.86%	24.96%	24.67%

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

	2018	2017
	(dollars in thousands)	
Net OPEB Liability		
Service cost	$ 19,867	$ 20,288
Interest	14,986	10,791
Changes of assumptions or other inputs	(15,955)	(10,783)
Benefit payments	(14,285)	(13,500)
Change in proportionate allocation of OPEB liability	9,224	14,409
Change in Net OPEB Liability	13,837	21,205
Net OPEB Liability - Beginning	366,549	345,344
Net OPEB Liability - Ending	$ 380,386	$ 366,549
Covered-Employee Payroll	$ 127,204	$ 125,044
Net OPEB Liability as a Percentage of Covered-Employee Payroll	299.04%	293.14%

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

	2018	2017	2016
	(dollars in thousands)		
JDH's proportion of the net OPEB liability	2.20%	2.11%	2.00%
JDH's proportionate share of the net OPEB liability	$ 380,386	$ 366,549	$ 345,344
JDH's covered-employee payroll	$ 127,204	$ 125,044	$ 123,476
JDH's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	299.04%	293.14%	279.69%
Plan fiduciary net position (assets)	$ 849,889	$ 542,342	$ 340,618
Plan fiduciary total OPEB liability	$ 18,114,287	$ 17,904,922	$ 17,583,045
Plan fiduciary net position as a percentage of the total OPEB liability	4.69%	3.03%	1.94%

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF JOHN DEMPSEY HOSPITAL'S OPEB CONTRIBUTIONS

	2019	2018	2017	2016
	(dollars in thousands)			
Contractually required contribution	$ 19,903	$ 17,668	$ 14,090	$ 12,189
Contributions in relation to the contractually required contribution	19,903	17,668	14,090	12,189
Contribution deficiency (excess)	$ --	$ --	$ --	$ --
JDH's covered-employee payroll	$ 129,606	$ 127,204	$ 125,044	$ 123,476
Contributions as a percentage of covered-employee payroll	15.36%	13.89%	11.27%	9.87%

CHANGES OF BENEFIT TERMS

In the June 30, 2018 and 2017 actuarial valuations, there were no changes of benefit terms.

CHANGES OF ASSUMPTIONS

In the June 30, 2018 and 2017 actuarial valuations, the discount rates were increased to more closely reflect the expected long-term rate of return, and the demographic assumptions were updated to match the most recent valuations or experience studies.