UNIVERSITY OF CONNECTICUT HEALTH CENTER
UCONN MEDICAL GROUP

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

JUNE 30, 2020 AND 2019

UNIVERSITY OF CONNECTICUT HEALTH CENTER
UCONN MEDICAL GROUP

CONTENTS

UNIVERSITY OF CONNECTICUT HEALTH CENTER
UCONN MEDICAL GROUP

MANAGEMENT'S DISCUSSION AND ANALYSIS

OVERVIEW OF THE FINANCIAL STATEMENTS

The following discussion and analysis provides an overview of the financial position and activities of the University of Connecticut Health Center UConn Medical Group (UConn Medical Group or UMG) as of and for the years ended June 30, 2020, 2019, and 2018. UMG is operated as a separate, identifiable unit (included in the 12018 fund) of the University of Connecticut Health Center (UConn Health). The 12018 fund represents the operating fund for all the entities that comprise UConn Health. UMG has access to the funds available in the 12018 fund to fund its operations. This discussion has been prepared by management and should be read in conjunction with the financial statements and the notes thereto, which both follow this section.

UMG's clinical operations are modeled, in part, on private group practices and include approximately 470 providers practicing in a wide variety of specialties. UMG's operation is an essential element for the education and training of medical students that enables the University of Connecticut School of Medicine to accomplish its mission. Medical students, for example, learn diagnosis and treatment by training side-by-side with faculty clinicians as these doctors see patients. Funds transferred from UConn Health support this educational mission.

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic which continues to spread throughout the United States and the World. The COVID-19 outbreak in the United States caused business disruption through mandated and voluntary closings of businesses across the country for non-essential services. UMG elected to pause elective procedures on March 13, 2020 and they did not resume until May 20, 2020. As a result, UMG went from being favorable to budget in February 2020 to finishing the year significantly behind budget. The operating loss for the year of $152.4 million is mainly attributable to the last three and half months of the fiscal year from March 2020 to June 2020. Operating losses were caused primarily by lack of elective procedures, but also by increased operating costs resulting from the pandemic, including increases in personal protective equipment (PPE), enhanced cleaning and disinfection protocols, and increased operational costs to pivot patient care to telehealth and existing onsite workforce to telecommuting. UConn Health continues to monitor the outbreak of COVID-19 and its impact on operations, financial position, cash flows, inventory, supply chains, patient trends, payments, and the industry in general, in addition to the impact on its employees. Due to the rapid development and fluidity of this situation, the magnitude and duration of the pandemic and its impact on UMG's financial condition or results of operations is uncertain as of the date of this report.

The largest portion of COVID-19 aid received during the fiscal year ended June 30, 2020 came from the Coronavirus Aid, Relief, and Economic Security (CARES) Act, a federal program. During 2020, UMG received $2.4 million via the CARES Act, including general and targeted distributions. Targeted distributions were made to physician practices based on, among other metrics, the total number of COVID-19 positive patients treated. UMG is also eligible for distributions for treating uninsured patients, though this population is not considered material. Funds received under this program carry reporting and other requirements not fully outlined by the federal government as of the date of these financial statements.

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

UMG, as part of UConn Health, is also eligible to apply for reimbursement of expenses under two additional funding mechanisms: the Federal Emergency Management Agency (FEMA) and the Coronavirus Relief Fund (CRF). UConn Health is eligible to submit expenditures incurred in responding to the public health emergency to FEMA for consideration, and UConn Health has obtained a commitment from the State of Connecticut as part of the CRF to assist with eligible pandemic related expenses not reimbursed by FEMA. No amounts were received in fiscal 2020 from FEMA, while $4.2 million had been earmarked for UConn Health from the State's CRF as of June 30, 2020. UConn Health expects to receive reimbursement related to these expenses in fiscal 2021.

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 UMG at June 30, 2020 and 2019, and the results of its operations and financial activities for the years then ended. These financial statements report information about UMG using accounting methods similar to those used by private-sector companies. The statements of net position include all of UMG's assets, liabilities and deferred inflows and outflows. The statements of revenues, expenses, and changes in net position reflect the years' activities on the accrual basis of accounting (i.e., when services are provided or obligations are incurred, not when cash is received or paid).

These financial statements report UMG'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 classify 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

UMG's financial position at June 30, 2020 consisted of assets of approximately $30.6 million, deferred outflows of approximately $176.3 million, liabilities of approximately $516.3 million (of which $487.4 million is related to GASB Statements No. 68 and 75), and deferred inflows of approximately $18.0 million. UMG's financial position at June 30, 2019 consisted of assets of approximately $33.0 million, deferred outflows of approximately $68.0 million, liabilities of approximately $372.2 million (of which $343.0 million is related to GASB Statements No. 68 and 75), and deferred inflows of approximately $11.2 million. Net position, which represents the residual interest in UMG's assets and deferred outflows after liabilities and deferred inflows are deducted, decreased by approximately $45.0 million in fiscal year 2020 to a net deficit position of approximately $327.5 million as of June 30, 2020.

FINANCIAL HIGHLIGHTS (CONTINUED)

UMG finished the year with an operating loss of $155.2 million compared to an operating loss of $83.7 million in the prior year. Current year losses include the effect of UMG 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. UMG received net transfers from UConn Health of $107.9 million and $72.8 million in 2020 and 2019, respectively. Current year transfers included $70.5 million from UConn Health as working capital support and $37.4 million related to fringe benefit support. Prior year transfers included $44.4 million related to working capital support and $27.6 million of fringe recoveries. Total net position decreased by approximately $45.0 million in fiscal 2020, compared to a decrease of approximately $11.1 million in fiscal 2019. Current year decreases were the results of impacts from COVID-19.

SUMMARY OF ASSETS AND LIABILITIES

Summarized components of UMG's Statement of Net Position as of June 30, 2020, 2019, and 2018 are presented below.

	2020	2019	2018
	(in thousands)		
Summary of assets, liabilities and net position at June 30:			
Current assets	$ 14,775	$ 15,126	$ 9,552
Capital and intangible assets, net	15,784	17,868	21,194
Total assets	$ 30,559	$ 32,994	$ 30,746
Deferred outflows for pensions	73,382	45,044	44,676
Deferred outflows for OPEB	102,892	22,911	9,559
Total deferred outflows	$ 176,274	$ 67,955	$ 54,235
Current liabilities	$ 24,094	$ 23,959	$ 26,440
Noncurrent liabilities	492,237	348,268	325,201
Total liabilities	516,331	372,227	351,641
Deferred amount for pensions	$ 465	$ 471	$ --
Deferred amount for OPEB	17,540	10,777	4,754
Total deferred inflows	$ 18,005	$ 11,248	$ 4,754
Net investment in capital assets	$ 15,749	$ 17,868	$ 21,194
Unrestricted deficit	(343,252)	(300,394)	(292,608)
Total net position	$ (327,503)	$ (282,526)	$ (271,414)

FINANCIAL HIGHLIGHTS (CONTINUED)

SIGNIFICANT VARIANCES IN THE FINANCIAL STATEMENTS – ASSETS AND LIABILITIES

In this section, UMG explains the reasons for financial statement items with significant variances relating to fiscal 2020 amounts compared to fiscal 2019 amounts.

Changes in assets included the following:

- *Patient accounts receivable, net* – decreased by approximately $5.0 million from June 30, 2019 to June 30, 2020 due to decreases in elective procedures and in charges, which at the same time, allowed for collections to catch up.

- *Due from State of Connecticut* – increased by approximately $1.9 million from June 30, 2019 to June 30, 2020. Amounts due from State of Connecticut represent the portion of the payroll accrual for employees charged to the State's general fund.

- *Capital and intangible assets, net* – decreased by approximately $2.1 million from June 30, 2019 to June 30, 2020 as depreciation outpaced capital acquisitions during the current fiscal year.

Changes in liabilities included the following:

- *Accounts payable and accrued expenses* – increased by approximately $1.2 million from June 30, 2019 to June 30, 2020, which was caused by the timing of actual invoices processed by the Accounts Payable Department and checks being processed only twice a week due to administrative offices being shut down as a result of COVID-19.

- *Due to John Dempsey Hospital (JDH)* – decreased by approximately $5.3 million from June 30, 2019 to June 30, 2020. During fiscal year 2020, UMG paid JDH back for the EPIC capital advances, which were advanced to UMG in fiscal year 2019. A portion was paid back in fiscal year 2019 and the remaining amount in fiscal year 2020.

- *Due to Finance Corporation* – increased by approximately $5.3 million from June 30, 2019 to June 30, 2020. Finance Corporation purchases drugs on behalf of UMG from UConn Health Pharmacy Services, Inc.

- *Pension and OPEB liabilities* – increased by approximately $144.4 million from June 30, 2019 to June 30, 2020 due to changes in UMG's pension and OPEB costs. This represents UMG's proportional share of the State's pension and OPEB costs as actuarially determined based on UMG's percentage of overall contributions.

FINANCIAL HIGHLIGHTS (CONTINUED)

SUMMARY OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

Summarized components of UMG's Statements of Revenues, Expenses, and Changes in Net Position for the years ended June 30, 2020, 2019, and 2018 are presented below:

	2020	2019	2018
		(in thousands)	
Summary of revenues, expenses and transfers for the year ended June 30:			
Operating revenues	$ 115,249	$ 127,992	$ 110,876
Operating expenses	270,489	211,724	183,977
Loss from operations	(155,240)	(83,732)	(73,101)
Nonoperating revenues (expenses), net	2,339	(141)	(2,363)
Net loss	(152,901)	(83,873)	(75,464)
Transfers, net	107,924	72,761	63,295
Cumulative effect of change in accounting principles	--	--	(180,447)
Decrease in net position	$ (44,977)	$ (11,112)	$ (192,616)

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

Operating revenues

Total operating revenues decreased from the year ended June 30, 2019 to the year ended June 30, 2020 by approximately $12.7 million or 10.0%.

- *Net patient service revenues* – decreased by approximately $11.2 million or 9.9% from prior year due to decreased volume in fiscal year 2020 mostly related to the temporary halt to elective procedures due to COVID-19.

- *Contract and other revenues* – decreased by approximately $1.5 million or 10.8% from prior year primarily due to a decrease in anesthesia services. As of June 30, 2020 and 2019, anesthesia procedures performed were 18,950 and 21,208, respectively.

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, 2019 to the year ended June 30, 2020 by approximately $58.8 million or 27.8%.

- *Salaries and wages* – increased by approximately $16.8 million from prior year due to contractually bargained salary wage increases and an overall increase in provider full-time employees (FTEs). UMG had 209 and 203 total provider FTEs as of June 30, 2020 and 2019, respectively.

- *Fringe benefits* – increased by approximately $37.7 million from prior year due to UMG recordings its proportionate share of pension and OPEB expenses. Total pension and OPEB expenses were approximately $42.8 million and $15.6 million in fiscal years 2020 and 2019, respectively.

- *Internal contractual support* – increased by approximately $921,000 from prior year, primarily driven by expenses being allocated through the Home Office allocation versus being internally allocated. Internal expenses were allocated and recorded in the outside and other purchased services category in fiscal year 2020. Amounts for fiscal year 2019 have been reclassified for financial statement presentation, as stated in note 10.

- *Outside agency per diems* – decreased by approximately $669,000 from prior year. Due to COVID-19, elective procedures were temporarily paused, as stated in note 1. As a result, UMG did not require outside nursing services.

- *Pharmaceutical/medical supplies* – increased by approximately $1.1 million from prior year primarily due to increased utilization and continued upward trend in pharmaceutical prices.

- *Utilities* – increased by approximately $1.8 million from prior year primarily due to the addition of Home Office allocation expense. In fiscal year 2020, utilities are now being allocated to each entity based on square footage, of which 13% was charged to UMG. In previous years, UMG only paid utilities for its offsite locations.

- *Outside and other purchased services* – increased by approximately $4.3 million from prior year, primarily driven by the addition of the Home Office allocation chargebacks. Internal expenses were allocated and recorded in outside and other purchased services. Amounts for fiscal year 2019 have been reclassified for financial statement presentation, as stated in note 10.

FINANCIAL HIGHLIGHTS (CONTINUED)

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

Operating expenses (Continued)

- *Repairs and maintenance* – decreased by approximately $456 thousand from prior year, primarily driven by the addition of Home Office allocation expense. Amounts for fiscal year 2019 have been reclassified for financial statement presentation, as stated in note 10.

- *Other expenses* – decreased by approximately $3.3 million from prior year. In fiscal year 2019, there were $3.8 million of equipment close-out expenses related to EPIC implementation, compared to $91 thousand in fiscal year 2020.

SUMMARY OF CASH FLOWS

The statements of cash flows provide additional information about UMG'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, 2020, 2019 and 2018 are as follows:

	2020	2019	2018
		(in thousands)	
Cash received from operations	$ 120,309	$ 123,226	$ 112,679
Cash expended for operations	(219,344)	(192,328)	(166,649)
Net cash used in operations	(99,035)	(69,102)	(53,970)
Net cash provided by noncapital financing activities	108,195	69,268	65,353
Net cash used in capital and related financing activities	(6,176)	(166)	(11,383)
Net change in cash	2,984	--	--
Cash - Beginning	--	--	--
Cash - Ending	$ 2,984	$ --	$ --

OPERATIONAL HIGHLIGHTS

UMG unique patient visits of approximately 625,000 represent a decrease of approximately 95,000 from 2019. UMG was impacted by cancellation of elective procedures from March 13, 2020 to May 20, 2020 due to COVID-19.

FINANCIAL HIGHLIGHTS (CONTINUED)

CAPITAL AND INTANGIBLE ASSETS

At June 30, 2020, UMG had capital and intangible assets of $36.9 million before accumulated depreciation compared to $38.2 million at June 30, 2019. Building and leasehold improvements decreased by approximately $0.7 million due to the disposal of capitalized improvements, while equipment decreased by approximately $0.9 million due to disposal of specialized equipment. A summary of capital and intangible asset balances is shown in the table below:

	2020	2019
Land	$ 89,132	$ 89,132
Construction in progress (estimated costs to complete of $24,000 and $39,000 at June 30, 2020 and 2019, respectively)	1,184,954	932,393
Buildings and leasehold improvements	12,560,232	13,250,986
Equipment	9,619,036	10,516,956
Computer software	13,367,506	13,367,506
Capital leases	40,608	--
	36,861,468	38,156,973
Less accumulated depreciation and amortization	21,078,025	20,289,301
Capital and intangible assets, net	$ 15,783,443	$ 17,867,672

For fiscal 2021, 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 UMG'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 was completed during the year ended June 30, 2019.

FISCAL 2021 OUTLOOK

As we look forward to fiscal year 2021, UConn Health is challenged to adapt its business to meet the demands of the COVID-19 economy. While our facilities offer certain advantages, such as the ability to create negative pressure COVID-19 floors in JDH, the size and co-location of so many clinical specialties can pose their own challenges in an era of social distancing and de-densifying. UConn Health remains committed to providing the highest possible levels of care in the safest manner possible.

FISCAL 2021 OUTLOOK (CONTINUED)

Research, education, and patient care remain the cornerstones of UConn Health's mission. These pillars remain as fundamental and relevant as ever. They also share in the uncertainty surrounding both local and national government funding. Federal, State, and local aid are more essential than ever in shepherding public institutions through the challenges of COVID-19. UConn Health has benefitted from federal CARES Act support during the current year and has received an additional allotment in fiscal 2021. These amounts, however, pale in comparison to the scale of losses from the cancellation of surgeries and other elective services. Continued funding, whether from the CARES Act, the CRF or other outside sources will be an important part of UConn Health's strategy moving forward while operations seek to return to normal.

UConn Health began fiscal 2020 in a position of strength and was projected well ahead of budget when COVID-19 hit. The impact of COVID-19 on operations was swift and pronounced. The temporary closure of non-essential services was a significant financial blow. The lack of clinical revenues caused UConn Health to realize large operating losses from March 2020 through the end of the year, resulting in a total loss across the system for which UMG has requested a deficiency appropriation. Clinical operations began to ramp up in May 2020 and have continued to improve over the first couple months of fiscal 2021. Even with increasing revenues, UConn Health does not anticipate returning to pre-COVID-19 clinical levels until the second half of fiscal 2021, making another operating loss likely. In addition to its request for a fiscal 2020 deficiency appropriation, UConn Health has alerted the Office of Policy and Management (OPM) that a similar appropriation will likely be needed for fiscal 2021.

Clinically, the focus is on safely returning to patient care while assuring patients that it is safe to do so. There is significant concern nationally about patients putting off care due to COVID-19 and its ultimate impact upon their health. UConn Health has worked diligently over the past six months to assure it has the required types and amounts of PPE, has upgraded its treatment protocols, and has proactively taken steps to ensure patient and staff safety across all its clinical units. At the same time, UConn Health has aggressively expanded its ability to provide telemedicine consults and visits, revamped its waiting rooms and arrival procedures, and has adapted its facilities to protect patient health. As a result, we have been able to continue monitoring patients and providing services.

Among the initiatives that UConn Health has implemented are testing of clinical staff and screening of staff and visitors (where allowed). UConn Health's employee testing has identified very few staff having contracted the virus, reinforcing the effectiveness of our safety protocols.

UConn Health also continued to make progress in its implementation of EPIC. In 2020, we completed our first substantial upgrades of the system, moving ahead 8 versions to the November 19 version. In 2021, we will move up again to the May 20 version. At the same time, significant progress was made in patient services reducing the backlog of old accounts, generating collections on funds owed, and cleaning up system processes to match operations. As a result, average monthly cash collections, even after the impact of COVID-19, were higher in fiscal 2020 than in fiscal 2019.

FISCAL 2021 OUTLOOK (CONTINUED)

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 fiscal 2021. Wage increases, along with the impact of unfunded pension and retiree health costs on the State's fringe benefit rates will add increased financial pressure on UConn Health. While UConn Health received $33.2 million to help offset these costs in fiscal 2020, the support lapsed and will need to be voted upon again for fiscal 2021. The SEBAC agreement also provides for certain employment protection for bargaining unit employees through June 30, 2021 reducing operational flexibility.

Continued economic pressures on the State may cause additional instability in the predictability of State support across UConn Health. Leadership remains diligent on seeking out continued, appropriate cost reductions and programmatic enhancements while protecting quality of care. 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.

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

CONTACTING UCONN MEDICAL GROUP'S FINANCIAL MANAGEMENT

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

INDEPENDENT AUDITORS' REPORT

Joint Audit and Compliance Committee
University of Connecticut Health Center

Report on the Financial Statements

We have audited the accompanying financial statements of the University of Connecticut Health Center UConn Medical Group (UConn Medical Group), a component unit of the State of Connecticut, as of and for the years ended June 30, 2020 and 2019, and the related notes to financial statements, which collectively comprise UConn Medical Group'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 UConn Medical Group as of June 30, 2020 and 2019, 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 UConn Medical Group's Net Pension Liability and Related Ratios on page 54, the Schedule of Pension Contributions on page 55, the Schedule of Changes in UConn Medical Group's Net OPEB Liability and Related Ratios on page 56, the Schedule of UConn Medical Group's Proportionate Share of the Net OPEB Liability on page 57, and the Schedule of UConn Medical Group's OPEB Contributions on page 58, 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 December 7, 2020, on our consideration of the UConn Medical Group'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 UConn Medical Group'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 UConn Medical Group's internal control over financial reporting and compliance.

Marcum LLP

Hartford, CT
December 7, 2020

UNIVERSITY OF CONNECTICUT HEALTH CENTER
UCONN MEDICAL GROUP

STATEMENTS OF NET POSITION

JUNE 30, 2020 AND 2019

	2020	2019
Assets		
Current Assets		
Cash	$ 2,984,188	$ --
Patient accounts receivable, net of estimated uncollectibles of $6,840,000 and $5,379,000 at June 30, 2020 and 2019, respectively	6,012,914	11,031,632
Inventory	905,692	1,142,715
Contract and other receivables	2,890,512	2,932,543
Due from Other Funds	125,625	--
Due from State of Connecticut	1,851,982	--
Prepaid expenses	3,986	19,215
Total Current Assets	14,774,899	15,126,105
Noncurrent Assets		
Capital and intangible assets, net (note 7)	15,783,443	17,867,672
Total Noncurrent Assets	15,783,443	17,867,672
Total Assets	30,558,342	32,993,777
Deferred Outflows of Resources		
Deferred amount for pensions (note 9)	73,381,566	45,043,827
Deferred amount for OPEB (note 9)	102,892,367	22,910,769
Total Deferred Outflows of Resources	$ 176,273,933	$ 67,954,596

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

UNIVERSITY OF CONNECTICUT HEALTH CENTER
UCONN MEDICAL GROUP

STATEMENTS OF NET POSITION (CONTINUED)

JUNE 30, 2020 AND 2019

	2020	2019
Liabilities and Net Position		
Current Liabilities		
Cash overdraft	$ --	$ 2,129,572
Accounts payable and accrued expenses	4,063,313	2,864,376
Accrued payroll	9,730,053	9,615,839
Due to UConn Health Malpractice Fund (note 1)	12,539	12,539
Due to John Dempsey Hospital (note 10)	194,548	5,529,552
Due to Finance Corporation	6,051,907	757,389
Capital leases, current portion (note 8)	6,157	--
Accrued compensated absences, current portion (note 8)	4,035,771	3,049,767
Total Current Liabilities	24,094,288	23,959,034
Noncurrent Liabilities		
Pension liabilities (note 9)	187,944,495	140,746,686
OPEB liabilities (note 9)	299,462,704	202,292,652
Capital leases, net of current portion (note 8)	28,410	--
Accrued compensated absences, noncurrent portion (note 8)	4,801,039	5,228,646
Total Noncurrent Liabilities	492,236,648	348,267,984
Total Liabilities	516,330,936	372,227,018
Deferred Inflows of Resources		
Deferred amount for pensions (note 9)	465,064	470,513
Deferred amount for OPEB (note 9)	17,539,889	10,777,296
Total Deferred Inflows of Resources	18,004,953	11,247,809
Net Position		
Net investment in capital assets	15,748,876	17,867,672
Unrestricted deficit	(343,252,490)	(300,394,126)
Total Net Position	$ (327,503,614)	$ (282,526,454)

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

UNIVERSITY OF CONNECTICUT HEALTH CENTER
UCONN MEDICAL GROUP

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
Operating Revenues		
Net patient service revenues (note 3)	$ 102,584,148	$ 113,799,748
Contract and other revenues	12,664,894	14,192,068
Total Operating Revenues	115,249,042	127,991,816
Operating Expenses		
Salaries and wages	112,917,478	96,071,710
Fringe benefits	104,354,672	66,691,316
Medical contractual support	8,657,817	7,976,036
Internal contractual support	8,779,439	7,857,615
Outside agency per diems	469,272	1,138,483
Depreciation and amortization (note 7)	2,898,301	3,280,347
Pharmaceutical/medical supplies	8,554,913	7,413,570
Utilities	1,987,252	198,299
Outside and other purchased services	16,979,185	12,629,594
Insurance	1,328,174	1,153,294
Repairs and maintenance	2,574,082	3,030,476
Other expenses	987,922	4,283,019
Total Operating Expenses	270,488,507	211,723,759
Operating Loss	(155,239,465)	(83,731,943)
Nonoperating Revenues (Expenses)		
COVID-19 relief revenue	2,400,351	--
Interest expense	(1,720)	--
Loss on disposals (note 7)	(60,116)	(141,484)
Net Nonoperating Revenues (Expenses)	2,338,515	(141,484)
Loss before Transfers	(152,900,950)	(83,873,427)
Net Transfers from UConn Health - Unrestricted (note 10)	107,923,790	72,760,866
Decrease in Net Position	(44,977,160)	(11,112,561)
Net Position - Beginning of year	(282,526,454)	(271,413,893)
Net Position - End of year	$ (327,503,614)	$ (282,526,454)

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

UNIVERSITY OF CONNECTICUT HEALTH CENTER
UCONN MEDICAL GROUP

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
Cash Flows from Operating Activities		
Cash received from patients and third-party payors	$ 107,602,866	$ 111,869,346
Cash received from contract and other revenues	12,706,925	11,356,362
Cash paid to employees for salaries and fringe benefits	(173,793,871)	(145,196,092)
Cash paid for other than personnel services	(45,549,956)	(47,131,702)
Net Cash Used in Operating Activities	(99,034,036)	(69,102,086)
Cash Flows from Noncapital Financing Activities		
Net transfers from UConn Health's unrestricted net assets to support operations	107,923,790	72,760,866
Net repayments on cash overdraft	(2,129,572)	(3,493,162)
COVID-19 relief received	2,400,351	--
Net Cash Provided by Noncapital Financing Activities	108,194,569	69,267,704
Cash Flows from Capital and Related Financing Activities		
Purchases of capital assets	(833,580)	(95,170)
Payments on capital leases	(6,041)	--
Interest paid	(1,720)	--
Repayment to JDH	(5,335,004)	(70,448)
Net Cash Used in Capital and Related Financing Activities	(6,176,345)	(165,618)
Net Change in Cash	2,984,188	--
Cash - Beginning	--	--
Cash - Ending	$ 2,984,188	$ --
Supplemental Disclosure of Non-Cash Investing and Financing Activities		
Equipment acquired by entering into capital lease agreements	$ 40,608	$ --

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

UNIVERSITY OF CONNECTICUT HEALTH CENTER
UCONN MEDICAL GROUP

STATEMENTS OF CASH FLOWS (CONTINUED)

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
Reconciliation of Operating Loss to Net Cash Used in Operating Activities		
Operating loss	$ (155,239,465)	$ (83,731,943)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation and amortization	2,898,301	3,280,347
Non-cash portion of pension expense	18,854,621	9,914,455
Non-cash portion of OPEB	23,951,047	5,734,047
Changes in operating assets and liabilities:		
Patient accounts receivable	5,018,718	(1,930,402)
Inventory	237,023	(879,023)
Contract and other receivables	42,031	(2,835,706)
Prepaid expenses	15,229	71,245
Accounts payable and accrued expenses	1,198,937	(1,400,927)
Due to Finance Corporation	5,294,518	757,389
Due from Other Funds	(125,625)	--
Due from State of Connecticut	(1,851,982)	--
Accrued payroll	114,214	1,702,767
Accrued compensated absences	558,397	215,665
Net Cash Used in Operating Activities	$ (99,034,036)	$ (69,102,086)

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 University of Connecticut Health Center UConn Medical Group (UConn Medical Group or UMG) clinical operations are modeled, in part, on private group practices and include approximately 470 providers practicing in a wide variety of specialties.

The financial statements include those assets, deferred outflows, liabilities, deferred inflows, revenue, and expense accounts reflected in the accounting records of UMG, which is operated as a separate, identifiable unit (included in the 12018 fund) of the University of Connecticut Health Center (UConn Health). The 12018 fund represents the operating fund for all the entities that comprise UConn Health. UMG has unlimited access to the funds available in the 12018 fund to fund their operations. The Governor of the State of Connecticut (the State) appoints the Board of Trustees of the University of Connecticut whose chairman then appoints the Board of Directors, which oversees UConn Health, including UMG. Reference is made to note 10 for related party transactions.

UMG is a component unit of the State and is, therefore, generally exempt from federal income taxes under Section 115 of the Internal Revenue Code of 1986.

COVID-19

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic which continues to spread throughout the United States and the World. The COVID-19 outbreak in the United States caused business disruption through mandated and voluntary closings of businesses across the country for non-essential services. UMG elected to pause elective procedures on March 13, 2020 and they did not resume until May 20, 2020. As a result, UMG went from being favorable to budget in February 2020 to finishing the year significantly behind budget. The increase in the operating loss for the year ended June 30, 2020 is mainly attributable to the last three and a half months of the fiscal year from March 2020 to June 2020. Increased operating losses were caused primarily by lack of elective procedures, but also by increased operating costs resulting from the pandemic and increases in personal protective equipment (PPE), enhanced cleaning and disinfection protocols, and increased operational costs to pivot patient care to telehealth and much of the non-clinical workforce to telecommuting. UConn Health continues to monitor the outbreak of COVID-19 and its impact on operations, financial position, cash flows, inventory, supply chains, patient trends, payments, and the industry in general, in addition to the impact on its employees. Due to the rapid development and fluidity of this situation, the magnitude and duration of the pandemic and its impact on the UMG's financial condition or results of operations is uncertain as of the date of this report. See note 6 for additional details.

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

BASIS OF PRESENTATION

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

PROPRIETARY FUND ACCOUNTING

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

USE OF ESTIMATES

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

CASH AND CASH OVERDRAFT

Cash balances are included in a pooled cash account with the cash balances of the other entities included in the 12018 fund. Cash overdraft positions, which occur when total outstanding issued checks exceed available cash balances at the end of each reporting period, are presented as a liability within the statements of net position. See note 3 for discussion regarding UMG's available borrowing.

ACCOUNTS RECEIVABLE AND NET PATIENT SERVICE REVENUES

Patient accounts receivable and net patient service revenues are recorded at the estimated net realizable amounts from patients and third-party payors, when patient services are rendered.

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 3 for additional information relative to net patient revenues and third-party payor programs.

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

CONTRACT AND OTHER REVENUES

Contract and other revenues include services provided to area hospitals under various contractual agreements and certain agreements with outside providers. 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.

INTANGIBLE ASSETS

Intangible assets consist of capitalized computer software costs, including software internally developed. Costs incurred in the development and installation of internal use software are expensed or capitalized depending on whether they are incurred in the preliminary project stage, application development stage, or post-implementation stage, and the nature of the costs. Computer software costs are amortized on a straight-line basis over their expected useful lives which range from 3 to 10 years. Capitalized computer software costs are included with capital and intangible assets on the statements of net position. Reference is made to note 7 for the gross costs capitalized and the accumulated amortization of capitalized computer costs.

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

IMPAIRMENT OF LONG-LIVED ASSETS

UMG 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 2020, UMG disposed of information technology equipment and servers. The combined value of these assets was approximately $2.2 million and these assets were reported in equipment and building improvements in note 7. The total loss on disposal related to these assets was approximately $60,000.

During 2019, UMG disposed of a voice recognition system. The total loss on disposal was approximately $137,000.

RETIREMENT PLANS AND OTHER POSTEMPLOYMENT BENEFITS

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

The State is statutorily responsible for the pension benefits of UMG 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's Comprehensive Annual Financial Report.

UMG 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 be recorded at the entity level. UMG 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.

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

RETIREMENT PLANS AND OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

The State also provides other postemployment benefits other than pensions (OPEB), including health care and life insurance benefits to eligible UConn Health employees, including those of UMG, in accordance with Sections 5-257(d) and 5-259(a) of the Connecticut General Statutes. Upon retirement, the 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.

UMG recorded its pro rata share of the OPEB liability held at the State level in accordance with GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions* (GASB 75). UMG 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 note 9 for additional details.

PENSION LIABILITIES

UMG records its proportionate share of the collective net pension liability and collective pension expense for each defined benefit plan offered to its employees. The collective net pension liability for each plan is measured as the total pension liability, less the amount of the pension plan's fiduciary net position. The total pension liability is the portion of the actuarial present value of projected benefits payments that are attributable to past periods of plan member service. Information about the fiduciary net position and additions to/deductions from each pension plan's fiduciary net position 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. UMG 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 UMG are eligible to participate in the State's group health plan and are also eligible to continue benefits upon retirement. Retirees under the age of 65 pay the same premium for medical, prescription drugs, 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. UMG 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. UMG recorded its proportionate share of the net OPEB liability for the years ended June 30, 2020 and 2019.

DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES

UMG 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 the 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 UMG 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

UMG'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 UMG may convert accumulated sick leave to termination payments at varying rates, depending on the employee's contract. Amounts recorded on the statements of net position are based on historical experience. Since adoption of GASB 68, certain fringe benefit costs associated with compensated absences were included in the pension liability and excluded from the compensated absences accrual in the accompanying statements of net position. All other compensated absences are accrued at 100% of their balance. Compensated absences in the accompanying statements of net position have been allocated between current and noncurrent liabilities based on historical 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 are subject to interpretation. Each year, as the Office of Inspector General's (OIG) work plan changes, new areas of scrutiny surface. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in any given period.

MEDICAL MALPRACTICE

The physicians, health care providers and support staff of UMG are fully protected by State Statutes from any claim for damage or injury, not wanton, reckless or malicious, caused in the discharge of their duties or within the scope of their employment (statutory immunity). Any claims paid for actions brought against the State as permitted by waiver of statutory immunity are charged against UConn Health's malpractice self-insurance fund. UConn Health allocates an annual malpractice premium to UMG, designed to reflect an estimate for the current year's cash claims to be processed. For the years ended June 30, 2020 and 2019, annual premiums were approximately $303,000 and $150,000, respectively. In 2020, additional premiums were paid from the Home Office allocation (see note 10). These premiums are included in insurance expense in UMG'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, 2020 and 2019, respectively.

NET POSITION

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

RECLASSIFICATIONS

Certain reclassifications were made to the 2019 statement of revenues, expenses, and changes in net position related to the Home Office allocation, which allocated substantially all central administrative expenses to its separate business units, to conform to the current year presentation. Additional information related to the Home Office allocation is located in note 10. Reclassifications were also made to the 2019 statement of revenues, expenses, and

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

RECLASSIFICATIONS (CONTINUED)

changes in net position to reclassify contract and other revenue from gross charges to conform to the current year presentation. Additional reclassifications were made to the 2019 statement of cash flows related to certain reclassifications of non-cash transactions for cash paid to employees for salaries and fringe benefits to cash paid for other than personnel services.

NOTE 2 – RECENTLY ADOPTED AND UPCOMING ACCOUNTING PRONOUNCEMENTS

RECENTLY ADOPTED ACCOUNTING PRONOUNCEMENT

In June 2020, GASB issued Technical Bulletin No. 2020-1, *Accounting and Financial Reporting Issues Related to the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) and Coronavirus Diseases*. The bulletin clarifies the application of the recognition requirements of GASB Statements No. 33, 56, and 70 to resources received from certain programs established by the CARES Act. The CARES Act was passed and signed into law in March 2020. The CARES Act provides resources for various programs including the Coronavirus Relief Fund (CRF), the Provider Relief Fund, and the Paycheck Protection Program. In addition, the bulletin clarifies the presentation of certain inflows of CARES Act resources and the additional unplanned outflows of resources incurred in response to a coronavirus disease. The requirements of this bulletin were effective immediately.

Based on the provisions in paragraph 15 of GASB Statement 33, as amended, a recipient government should recognize resources received from the CRF as liabilities until the applicable eligibility requirements are met, including the incurrence of eligible expenditures. When the recipient government has met the eligibility requirements established in the CARES Act, that government should recognize revenue for CRF resources received.

Certain CARES Act programs provide resources to address a government’s loss of revenue attributable to the effects of COVID-19. Resources from the Provider Relief Fund can be used to address healthcare entities’ loss of revenue. Resources received from CARES Act programs that specifically include an eligibility requirement for loss of revenue should be recognized as revenue when the government meets the action based eligibility requirement.

Amendments to the CARES Act if enacted after a government’s statement of net position date but prior to the issuance of financial statements, should be considered a nonrecognized subsequent event pursuant to GASB Statement 56, as amended. Any amendments to the CARES Act enacted subsequent to the statement of net position date will be considered in the financial statements for the reporting period in which the amendment was enacted.

See Note 6 for additional details.

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

UPCOMING ACCOUNTING PRONOUNCEMENTS

In May 2020, GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance* (GASB 95). The primary objective of the Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. The Statement extended the effective dates of GASB 84 to reporting periods beginning after December 15, 2019. It also extended the effective date of GASB 87 to fiscal years beginning after June 15, 2021. The Statement also extended the effective dates of GASB 92 to fiscal years beginning after June 15, 2021.

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities* (GASB 84). The principal objective of this Statement is to enhance the consistency and comparability of fiduciary activity reporting by state and local governments. This Statement also is intended to improve the usefulness of fiduciary activity information primarily for assessing the accountability of governments in their roles as fiduciaries. This Statement establishes standards of accounting and financial reporting for fiduciary activities. The requirements of this Statement apply to all state and local governments. Governments should report fiduciary activities in the fiduciary fund financial statements of the basic financial statements. Fiduciary activities include both pension and OPEB activities. UMG is currently evaluating the impact this Statement will have on its financial statements.

In June 2017, GASB issued Statement No. 87, *Leases* (GASB 87). 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 June 15, 2021. UMG is currently evaluating the impact this Statement will have on its financial statements.

In January 2020, GASB issued Statement No. 92, *Omnibus 2020* (GASB 92). The objectives of this Statement are to enhance the comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement establishes accounting and financial reporting requirements for specific issues related to leases, intra-entity transfers of assets, postemployment benefits, government acquisitions, risk financing, and insurance-related activities of public entity risk pools, fair value measurements, and derivative instruments. The requirements of this Statement apply to the financial statements of all state and local governments. UMG is currently evaluating the impact this Statement will have on its financial statements.

NOTE 3 – NET PATIENT SERVICE REVENUES

UMG provides health care services primarily to residents of the region. Revenues from the Medicare program accounted for approximately 29% and 30% of UMG's net patient service revenues for the years ended June 30, 2020 and 2019, respectively. Revenues from the Medicaid program accounted for approximately 14% and 13% of UMG's net patient service revenues for the years ended June 30, 2020 and 2019, respectively.

Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. UMG 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 UMG.

Patient accounts receivable included approximately 8% and 13% due from Medicaid at June 30, 2020 and 2019, respectively. Approximately 30% and 32% was due from Medicare at June 30, 2020 and 2019, respectively.

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

	2020	2019
Gross patient service revenues	$ 235,801,392	$ 274,149,148
Less contractual allowances and provision for bad debt	(133,217,244)	(160,349,400)
Net patient service revenues	$ 102,584,148	$ 113,799,748

HYPOTHECATION

In accordance with State Statute, UMG can borrow from the State up to 70% of its net patient receivables and contract and other receivables to fund operations. As of June 30, 2020, UMG had not drawn down any funds under the hypothecation. As of June 30, 2019, UMG had drawn down $2,129,572. As of June 30, 2020 and 2019, UMG had available amounts of $6,232,398 and $7,645,350, respectively, under the State Statute.

NOTE 3 – NET PATIENT SERVICE REVENUES (CONTINUED)

SIGNIFICANT CONCENTRATIONS

UMG has contracts with certain third-party payors that provide for payments to UMG 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

All services provided to traditional Medicare participants are reimbursed based on the resource-based relative value system (RBRVS). Various third-party payors, with the approval of the Centers for Medicare and Medicaid Services (CMS), provide Medicare managed care programs to its members, which reimburse UMG based on their own fee schedules.

MEDICAID

Services are reimbursed based on Medicaid fee schedules, except for select third-party payors and out of state Medicaid. These third-parties reimburse UMG based upon their own individual fee schedules. In fiscal years 2020 and 2019, UMG received $16.7 million and $10.0 million, respectively, in supplemental payments from the Department of Social Services (DSS), which have been recorded as net patient service revenues in the statements of revenues, expenses, and changes in net position.

BLUE CROSS HOSPITAL-BASED PROVIDERS

Hospital-based practices, including radiology, are reimbursed based on the Blue Cross Hospital-Based Providers (HBP) fee schedule.

BLUE SHIELD

Physicians are reimbursed according to Blue Shield’s published fee schedule.

MANAGED CARE

UMG has entered into contracts with managed care companies. The basis for payment under these arrangements is primarily agreed-upon fee schedules with limited capitated contracts for primary care services.

NOTE 3 – NET PATIENT SERVICE REVENUES (CONTINUED)

ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS

UMG'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 UMG's collection efforts. UMG'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, UMG reviews its accounts receivable balances, the effectiveness of UMG'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.

UMG 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 4 – CONTRACT AND OTHER REVENUES

UMG enters into contracts with external entities including hospitals, retirement homes, and the State's Department of Corrections to provide physician services. UMG also provides physician services to entities within UConn Health, including the School of Medicine, School of Dental Medicine, the Dental Clinic, and John Dempsey Hospital. Other miscellaneous revenues, including revenues related to the performance of administrative duties at UConn Health, are included in contract and other revenues in the statements of revenues, expenses, and changes in net position. Contract and other revenues are recorded when the services are rendered.

NOTE 5 – CHARITY CARE

UMG 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 2020 and 2019, UMG provided charity care services of $259,538 and $44,601, respectively. The estimated cost of these services was $73,787 and $12,680, respectively, for the years ended June 30, 2020 and 2019. No net patient service revenue was recorded for these services; however, expenses associated with these services were included in operating expenses.

NOTE 6 – COVID-19 RELIEF REVENUE

The CARES Act was passed to mitigate the impact of the economic downturn set in motion by the global COVID-19 pandemic. Congress allocated $175 billion to provide financial relief during the COVID-19 pandemic to be allocated mainly through the Department of Health and Human Services (HHS). UMG qualified for the distribution of funds during the year ended June 30, 2020 as a provider billing Medicare fee-for-service. UMG was eligible for and recognized approximately $2.4 million in total COVID-19 relief revenue in fiscal year 2020. UMG received COVID-19 relief revenue from two different rounds, or tranches, of Provider Relief Funding. The first tranche was based on previous Medicare payments and totaled approximately $1.2 million. The second tranche was based on net revenue and totaled $1.2 million. Criteria and reporting requirements for the Provider Relief Funding continues to be clarified and modified by HHS subsequent to June 30, 2020, and such criteria will be measured on a calendar year basis for the year ending December 31, 2020. Regardless of the changes to the criteria and the incomplete measurement period at June 30, 2020, management of UMG believes that eligibility requirements have been met for the complete amount received based on increased operating expenses and lost revenues. As such, UMG recognized the funds received as nonoperating revenues in the 2020 statement of revenues, expenses, and changes in net position.

Certain of the COVID-19 relief programs require that the funds be utilized for lost revenues and COVID-related costs, and place limitations on the amounts that providers can collect from COVID-19 patients.

Management's estimates of the amount of revenues recognized in fiscal 2020 could change materially in the future as the December 31, 2020 measurement period is completed and the regulations regarding the COVID-19 relief programs are modified in future periods. Any future adjustments to these estimates will be reported in the earnings of future periods.

NOTE 7 – CAPITAL AND INTANGIBLE ASSETS, NET

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

	2020	2019
Land	$ 89,132	$ 89,132
Construction in progress (estimated costs to complete of $24,000 and $39,000 at June 30, 2020 and 2019, respectively)	1,184,954	932,393
Buildings and leasehold improvements	12,560,232	13,250,986
Equipment	9,619,036	10,516,956
Computer software	13,367,506	13,367,506
Capital leases	40,608	--
	36,861,468	38,156,973
Less accumulated depreciation and amortization	21,078,025	20,289,301
Capital and intangible assets, net	$ 15,783,443	$ 17,867,672

Activity for the years ended June 30, 2020 and 2019 is as follows:

	2019	Additions	Deductions	2020
Land	$ 89,132	$ --	$ --	$ 89,132
Construction in progress	932,393	492,054	(239,493)	1,184,954
Buildings and leasehold improvements	13,250,986	239,493	(930,247)	12,560,232
Equipment	10,516,956	341,526	(1,239,446)	9,619,036
Computer software	13,367,506	--	--	13,367,506
Capital leases	--	40,608	--	40,608
	$ 38,156,973	$ 1,113,681	$ (2,409,186)	$ 36,861,468

	2018	Additions	Deductions	2019
Land	$ 89,132	$ --	$ --	$ 89,132
Construction in progress	1,159,803	2,820,179	(3,047,589)	932,393
Buildings and leasehold improvements	13,183,237	67,749	--	13,250,986
Equipment	12,104,019	254,831	(1,841,894)	10,516,956
Computer software	14,354,496	--	(986,990)	13,367,506
	$ 40,890,687	$ 3,142,759	$ (5,876,473)	$ 38,156,973

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

Related information on accumulated depreciation and amortization for the years ended June 30, 2020 and 2019 is as follows:

	2019	Additions	Deductions	2020
Buildings and leasehold improvements	$ 9,952,110	$ 527,597	$ (870,131)	$ 9,609,576
Equipment	8,579,806	831,401	(1,239,446)	8,171,761
Computer software	1,757,385	1,531,181	--	3,288,566
Capital leases	--	8,122	--	8,122
	$ 20,289,301	$ 2,898,301	$ (2,109,577)	$ 21,078,025

	2018	Additions	Deductions	2019
Buildings and leasehold improvements	$ 9,179,732	$ 772,378	$ --	$ 9,952,110
Equipment	9,307,314	972,901	(1,700,409)	8,579,806
Computer software	1,209,308	1,535,068	(986,991)	1,757,385
	$ 19,696,354	$ 3,280,347	$ (2,687,400)	$ 20,289,301

NOTE 8 – LONG-TERM LIABILITIES AND LEASES

Activity related to capital leases and compensated absences for the years ended June 30, 2020 and 2019 is as follows:

	June 30, 2019 Balance	Additions	Deductions	June 30, 2020 Balance	Amounts due within 1 year
Capital lease obligation - Payments including interest at 1.76% began July 2019 and continue until July 2025, collateralized by financed equipment	$ --	$ 40,608	$ (6,041)	$ 34,567	$ 6,157
Total Capital Leases	--	40,608	(6,041)	34,567	6,157
Total Accrued Compensated Absences	8,278,413	5,937,049	(5,378,652)	8,836,810	4,035,771
Total Long-Term Debt	$ 8,278,413	$ 5,977,657	$ (5,384,693)	$ 8,871,377	$ 4,041,928

	June 30, 2018 Balance	Additions	Deductions	June 30, 2019 Balance	Amounts due within 1 year
Total Accrued Compensated Absences	$ 8,062,748	$ 5,525,826	$ (5,310,161)	$ 8,278,413	$ 3,049,767

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

Future minimum capital lease payments at June 30, 2020 are as follows:

Year ending June 30,		
2021	$	7,746
2022		7,746
2023		7,746
2024		7,746
2025		7,746
Thereafter		467
Total minimum payments		39,197
Less: interest		(4,630)
Present value of capital leases		34,567
Less: current portion of capital leases		(6,157)
Noncurrent capital leases	$	28,410

UMG leases office space under operating leases. Total rent expense for the years ended June 30, 2020 and 2019 was $10,305,538 and $9,895,798, respectively, which is included in internal contractual support expense and outside purchased services expense in the statements of revenues, expenses and changes in net position. The portion of rent expense paid to UConn Health and recorded as internal contractual support for the years ended June 30, 2020 and 2019, was $7,401,936 and $7,330,154, respectively.

The Outpatient Pavilion was opened in 2015 and UMG leases space in the facility 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 Outpatient Pavilion from Finance Corporation, a related party through common ownership, under a direct financing lease that expires on March 31, 2040. Rent expense related to the Outpatient Pavilion and based on square footage was approximately $6.5 million for the years ended June 30, 2020 and 2019.

The following is a schedule by year of existing future minimum lease payments under non-cancellable operating leases as of June 30, 2020, in addition to space in the Outpatient Pavilion through the sublease with UConn Health based on the assumption that the sublease will be extended annually through March 31, 2040.

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

Year ending June 30,	
2021	$ 8,767,435
2022	8,656,418
2023	8,576,953
2024	8,568,463
2025	8,501,830
Thereafter	136,219,957
	$ 179,291,056

NOTE 9 – PENSION AND OPEB PLANS

Employees of UMG 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 UMG holds significant liabilities under GASB 68 and GASB 75, respectively, is presented below.

SERS PLAN DESCRIPTION

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

Individuals hired on or after July 1, 2011, otherwise eligible for the ARP were eligible to convert to the Hybrid Plan by exercising a one-time option to buy in at the full actuarial cost. The deadline for this election was December 14, 2018. The Hybrid Plan has defined benefits identical to Tier II/IIA and Tier III for individuals hired on or after July 1, 2011, but requires employee contributions 3% higher than the contribution required from the Applicable Tier II/IIA/III Plan. An employee shall have the option, upon leaving State service, of accepting the

NOTE 9 – PENSION AND OPEB PLANS (CONTINUED)

SERS PLAN DESCRIPTION (CONTINUED)

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%. This change was made effective for all active members who retire on or after July 1, 2013 in Tier II, IIA, 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 is up to 0.72% of pensionable earnings.

The pension liability recorded as of June 30, 2020 and 2019 was based on the June 30, 2019 and 2018 actuarial valuations, respectively.

CHANGES IN ASSUMPTIONS

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

NOTE 9 – PENSION AND OPEB PLANS (CONTINUED)

CONTRIBUTIONS MADE

UMG'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 59.99%, 64.30% and 56.58% during fiscal years 2020, 2019, and 2018, respectively. The SERS contributions made compared to covered payroll follows:

	Years Ended June 30		
	2020	2019	2018
Total UMG payroll covered by SERS	$ 40,503,579	$ 32,551,400	$ 27,090,451
Total UMG SERS contributions	$ 14,735,859	$ 12,966,380	$ 9,338,042
Contributions as a percentage of covered payroll	36.4%	39.8%	34.5%

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

GASB 68 requires UMG 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, 2020 and 2019, UMG recorded a SERS related liability of $187.4 million and $140.3 million, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019 and 2018, and the total pension liability used to calculate the net pension liability was determined based on actuarial valuations performed as of June 30, 2019 and June 30, 2018, rolled forward based on plan experience. UMG's allocation of the net pension liability was based on UMG’s percentage of total overall contributions to the plan during the 2019 and 2018 fiscal years. At June 30, 2019 and 2018, UMG’s proportion of contributions was .82% and .65%, respectively.

NOTE 9 – PENSION AND OPEB PLANS (CONTINUED)

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

For the years ended June 30, 2020 and 2019, UMG recognized SERS pension expense of $33.6 million and $22.8 million, respectively. The pension expense is reported in UMG's financial statements as part of fringe benefits expenses.

At June 30, 2020 and 2019, UMG reported deferred outflows of resources and deferred inflows of resources related to the SERS plan from the following sources:

	2020		2019	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
	(in thousands)			
Change in proportionate allocation of pension expense	$ 33,225	$ --	$ 11,595	$ --
UMG contributions subsequent to measurement date	14,736	--	12,966	--
Net difference between projected and actual earnings on pension plan investments	--	(446)	--	(440)
Difference between expected and actual experience	12,733	--	4,953	--
Changes in assumptions	12,302	--	15,291	--
	$ 72,996	$ (446)	$ 44,805	$ (440)

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 5.58 years and 5.64, for the years ended June 30, 2020 and 2019, respectively.

NOTE 9 – PENSION AND OPEB PLANS (CONTINUED)

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

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

Year ending June 30,	Change in proportionate participation in SERS plan	Net difference between projected and actual earnings on pension plan investments	Difference Between expected and actual experience	Change in assumptions
		(in thousands)		
2021	$ 9,262	$ 183	$ 3,418	$ 6,049
2022	7,521	(876)	3,192	4,603
2023	6,696	86	2,583	694
2024	6,369	161	2,376	638
2025	3,377	--	1,164	318
Thereafter	--	--	--	--
	$ 33,225	$ (446)	$ 12,733	$ 12,302

The amortization of the aforementioned deferred inflows and deferred outflows increased fringe benefits expense by $18,890,918 and $9,869,280 during the years ended June 30, 2020 and 2019, respectively.

ACTUARIAL METHODS AND ASSUMPTIONS

The total SERS pension liability in the June 30, 2019 and 2018 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.

NOTE 9 – PENSION AND OPEB PLANS (CONTINUED)

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 UMG 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 2139.

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
Domestic Equity Fund	20%	5.6%
Developed Market Intl. Stock Fund	11%	6.0%
Emerging Market Intl. Stock Fund	9%	7.9%
Real Estate Fund	10%	4.5%
Private Equity	10%	7.3%
Alternative Investments	7%	2.9%
Core Fixed Income Fund	16%	2.1%
High Yield Bond Fund	6%	4.0%
Emerging Market Debt Fund	5%	2.7%
Inflation Linked Bond Fund	5%	1.1%
Liquidity Fund	1%	0.4%
	100%	

NOTE 9 – PENSION AND OPEB PLANS (CONTINUED)

CHANGES IN THE NET PENSION LIABILITY

	2019 Pension Liability	2018 Pension Liability	2017 Pension Liability
		(in thousands)	
Beginning balance - pension liability	$ 221,400	$ 204,722	$ 207,890
Changes for the year:			
Service cost	3,220	2,778	2,975
Interest	18,818	14,320	13,970
Differences between expected and actual experience	--	--	(8,945)
Changes of assumptions	10,058	3,125	--
Benefit payments, including refunds of member contributions	(16,703)	(12,707)	(11,494)
Change in proportionate allocation of pension liability	59,680	9,162	326
Net change in pension liability	75,073	16,678	(3,168)
Ending balance - pension liability (a)	$ 296,473	$ 221,400	$ 204,722

	2019 Fiduciary Net Position	2018 Fiduciary Net Position	2017 Fiduciary Net Position
		(in thousands)	
Beginning balance - fiduciary net position	$ 81,066	$ 74,213	$ 65,885
Changes for the year:			
Contributions - employer	12,966	9,338	9,553
Contributions - employee	4,018	1,255	821
Net investment income	5,840	5,668	9,352
Benefit payments, including refunds of member contributions	(16,703)	(12,707)	(11,494)
Administrative expenses	(6)	(3)	(4)
Other	30	(20)	(2)
Change in proportionate allocation of fiduciary net position	21,853	3,322	102
Net change in fiduciary net position	27,998	6,853	8,328
Ending balance - fiduciary net position (b)	$ 109,064	$ 81,066	$ 74,213
UMG's net pension liability - ending (a) - (b)	$ 187,409	$ 140,334	$ 130,509

NOTE 9 – PENSION AND OPEB PLANS (CONTINUED)

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

The following table presents UMG'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%)	Current Discount Rate (6.90%)	1% Increase (7.90%)
UMG's proportionate share of the net pension liability	$ 223,816,738	$ 187,409,436	$ 157,039,904

TEACHERS' RETIREMENT SYSTEM

UMG also has a limited number of participants in the TRS.

As of June 30, 2020 and 2019, UMG recorded the following amounts in the financial statements related to the TRS:

	2020	2019
	(in thousands)	
Deferred outflows of resources	$ 386	$ 239
Deferred inflows of resources	(19)	(31)
Pension liability	535	413

ALTERNATE RETIREMENT PLAN

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

All unclassified employees, not already in a pension plan, of a constituent unit of the State system of higher education and the central office staff of the Department of Higher Education, are eligible to participate in the ARP. Participants must contribute 5% of eligible compensation each pay period, while the State will contribute an amount up to 7.25% of the participant's eligible compensation for fiscal years 2020 and 2019, via a charge recouped from UMG.

NOTE 9 – PENSION AND OPEB PLANS (CONTINUED)

ALTERNATE RETIREMENT PLAN (CONTINUED)

Participant and State contributions are both 100% vested immediately. For fiscal years 2020 and 2019, UMG contributions to the ARP were approximately \$6.7 million and \$7.0 million, respectively. The liabilities as of June 30, 2020 and 2019 were approximately \$535,000 and \$413,000, respectively.

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

GENERAL INFORMATION ABOUT THE SEOPEBP

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

NOTE 9 – PENSION AND OPEB PLANS (CONTINUED)

GENERAL INFORMATION ABOUT THE SEOPEBP (CONTINUED)

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, 2019 and 2018, the SEOPEBP in total covered the following:

	2019	2018
Inactive employees or beneficiaries currently receiving benefit payments	77,141	74,579
Inactive employees entitled to but not yet receiving benefit payments	649	256
Active employees	48,015	49,538
Total covered employees	125,805	124,373

NET SEOPEBP LIABILITY

UMG's OPEB liability of $299.5 million as of June 30, 2020 for its proportionate share of the net OPEB liability was measured as of June 30, 2019 based on an actuarial valuation that was rolled forward to June 30, 2020. UMG's OPEB liability of $202.3 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. UMG's proportion of the net OPEB liability was based on UMG's percentage of total overall contributions to the plan. At June 30, 2019 and 2018, UMG's proportion of contributions was 1.45% and 1.17%, respectively.

NOTE 9 – PENSION AND OPEB PLANS (CONTINUED)

ACTUARIAL METHODS AND ASSUMPTIONS

The total OPEB liability in the June 30, 2019 and 2018 and actuarial valuations was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.5% as of June 30, 2019 and 3.5% as of June 30,2018
Salary increases	3.25% to 19.5% varying by years of service and retirement system
Discount rate	3.58% as of June 30, 2019 and 3.95% as of June 30, 2018
Healthcare cost trend rates	
Medical	6.0% graded to 4.5% over 6 years as of June 30, 2019 and 6.5% graded to 4.5% over 4 years as of June 30, 2018
Prescription Drug	6.0% graded to 4.5% over 6 years as of June 30, 2019 and 8.0% graded to 4.5% over 7 years as of June 30, 2018
Dental	3.0%
Part B	4.5%
Administrative expense	3.0%
Retirees' share of benefit-related costs	Contributions, if required, are determined by plan, employee start date, and benefit type

The discount rate is a blend of long-term expected rate of return on OPEB Trust assets and a yield or index rate for 20-year, tax exempt general obligation municipal bonds with an average rate of AA/Aa or higher (3.50% as of June 30, 2019 and 3.95% as of June 30, 2018). 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 2021 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, 2019 and 2018 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 covered payroll is as follows:

	2020	2019	2018
Total UMG payroll covered by SEOPEBP	$ 87,095,748	$ 80,717,114	$ 77,724,585
Total UMG SEOPEBP contributions	13,005,337	10,901,925	9,396,044
Contributions as a percentage of covered payroll	14.9%	13.5%	12.1%

CHANGES IN THE NET OPEB LIABILITY

	2019 Net OPEB Liability	2018 Net OPEB Liability	2017 Net OPEB Liability
	(in thousands)		
Beginning balance	$ 202,293	$ 189,230	$ 187,721
Changes for the year:			
Service cost	12,281	10,565	10,474
Interest	10,675	7,970	5,571
Differences between expected and actual experience	(9,348)	--	--
Changes in assumptions or other inputs	49,484	(8,485)	(5,567)
Benefit payments	(8,592)	(7,597)	(6,969)
Change in proportionate allocation of OPEB liability	42,670	10,610	(2,000)
Net changes	97,170	13,063	1,509
Ending balance	$ 299,463	$ 202,293	$ 189,230

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

The following table presents UMG's proportionate share of net OPEB liability using the discount rate of 3.58%, 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 (2.58%)	Discount Rate (3.58%)	1% Increase (4.58%)
		(in thousands)	
Net OPEB Liability	$ 348,528	$ 299,463	$ 259,633

NOTE 9 – PENSION AND OPEB PLANS (CONTINUED)

SENSITIVITY OF UMG'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 UMG, as well as what UMG'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	$ 256,714	$ 299,463	$ 353,420

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

For the years ended June 30, 2020 and 2019, UMG recognized OPEB expense of $24.0 million and $5.7 million, respectively. At June 30, 2020 and 2019, UMG reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	2020		2019	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
		(in thousands)		
Changes in proportion	$ 49,883	$ --	$ 12,008	$ --
UMG contributions subsequent to measurement date	13,005	--	10,902	--
Net difference between expected and actual experience in total OPEB liability	--	7,557	--	--
Changes in assumptions or other inputs	40,004	9,918	--	10,696
Net difference between projected and actual earnings	--	65	--	81
	$ 102,892	$ 17,540	$ 22,910	$ 10,777

NOTE 9 – PENSION AND OPEB PLANS (CONTINUED)

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

UMG contributions subsequent to the measurement date totaling $13.0 million reported as deferred outflows of resources will be recognized as a reduction of the OPEB liability in the year ending June 30, 2021. 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:

Years ending June 30:	Change in proportionate participation in OPEB plan	Changes in assumption s or other inputs	Net difference between expected and actual experience in total OPEB liability	Changes in assumptions or other inputs	Net difference between projected and actual earnings on OPEB plan investments
	(in thousands)				
2021	$ 12,346	$ 9,479	$ (1,790)	$ (3,096)	$ (38)
2022	12,346	9,479	(1,791)	(3,096)	(38)
2023	12,324	9,480	(1,791)	(2,501)	15
2024	10,750	9,480	(1,791)	(1,127)	(4)
2025	2,117	2,086	(394)	(98)	--
Thereafter	--	--	--	--	--
	$ 49,883	$ 40,004	$ (7,557)	$ (9,918)	$ (65)

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
Domestic Equity Fund	20%	5.6%
Developed Market International Stock Fund	11%	6.0%
Emerging Markets International Stock Fund	9%	7.9%
Real Estate Fund	10%	4.5%
Private Equity	10%	7.3%
Alternative Investments	7%	2.9%
Core Fixed Income	16%	2.1%
High Yield Bond Fund	6%	4.0%
Emerging Market Debt Fund	5%	2.7%
Inflation Linked Bond Fund	5%	1.1%
Liquidity Fund	1%	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, other than certain UConn School of Medicine faculty-related personnel expenses, which have been allocated to UMG based upon State funding and an estimated amount for UConn Health administrative services.

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

For the years ended June 30, 2020 and 2019, the Home Office allocation resulted in the following expenses being recorded by UMG with an offsetting cash transfer back to UConn Health's Central Administrative Services business unit:

Expense Category	2020 Expenses Allocated	2019 Amounts Reclassified *
Salaries and Wages	$ 7,827,448	$ 749,496
Fringe Benefits	5,613,644	--
Internal Contractual Support	874,411	(6,443,684)
Utilities	1,762,761	--
Outside and Purchased Services	5,763,573	3,592,967
Insurance	152,224	--
Repairs and Maintenance	1,727,968	2,101,221
Medical Supplies	85,012	--
Other Expenses	328,085	--
Grand Total	$ 24,135,126	$ --

*2019 amounts have been reclassified for presentation on the Statement of Revenues, Expenses, and Changes in Net Position, as disclosed in note 2.

NOTE 10 – RELATED PARTY TRANSACTIONS (CONTINUED)

UMG is party to an agreement with UConn Health whereby the salaries of certain employees are reimbursed by UConn Health operations. The reimbursed expenses are accounted for as a transfer from UConn Health under the heading "Net Transfers from UConn Health". As a result, the total net transfers from UConn Health were $107,923,790 and $72,760,866 for 2020 and 2019, respectively. Fringe recoveries of $29,018,326 and $27,618,735 were transferred from UConn Health in 2020 and 2019, respectively. Management of UMG and UConn Health expect that this agreement will continue in the future. UConn Health also allocates working capital based on organizational need throughout the year on an as needed basis. UConn Health transferred $70,515,685 and $44,438,131 to UMG in 2020 and 2019, respectively, in working capital support. During the years ended June 30, 2020 and 2019, UMG received other transfers totaling $450,085 and $704,000, respectively, from UConn Health related to workers' compensation appropriations.

As described in note 1 and note 9, UMG participates in certain State retirement and fringe benefit plans. During the years ended June 30, 2020 and 2019, UMG expensed $104,354,672 and $66,691,316, respectively, for employee fringe benefits including contributions to the State employee retirement funds. Related salary costs were $112,917,478 and $96,071,710, respectively.

Contributions to the State for an assessment of postemployment benefits other than pensions are included in fringe benefits expenses. The related accrued postemployment benefit liability is a liability of the State. As disclosed in note 2, UMG has recorded its proportionate share of postemployment benefits, liabilities, and expenses in accordance with GASB 75.

UMG'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.

Included in contract and other revenues of approximately $12,665,000 and $14,192,000 in 2020 and 2019, respectively, is professional service revenues arising under contracts with UConn Health, John Dempsey Hospital, and other State agencies.

UMG provided faculty to UConn Health in the form of administrative leadership and other support. As a result of these efforts, UConn Health reimbursed UMG for physician salaries during fiscal year 2019. The amount received totaled approximately $4,900,000 and was recorded as contract and other revenues in the statements of revenues, expenses, and changes in net position. No such revenue was recorded in fiscal year 2020, as the program ended at the end of fiscal year 2019.

NOTE 10 – RELATED PARTY TRANSACTIONS (CONTINUED)

Effective July 1, 1987, 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 UMG and other UConn Health units to promote the more efficient provision of health care services. As such, Finance Corporation has been empowered to enter into purchase agreements, acquire facilities, approve write-offs of patient accounts receivable, process malpractice claims on behalf of UMG and UConn Health, as well as negotiate joint ventures, shared service, and other agreements for the benefit of UMG.

During fiscal years 2020 and 2019, UConn Health Pharmacy Services, Inc. (UHPSI), a wholly-owned subsidiary of Finance Corporation, provided pharmaceuticals to UMG in the amount of approximately $5.6 million and $2.4 million, respectively. Pharmaceutical expense to UMG is recorded as a chargeback from UHPSI. The chargeback amounts are netted against pharmaceutical purchases on the statements of revenue, expenses, and changes in net position. During the years ended June 30, 2020 and 2019, UMG made payments to UHPSI in the amount of $-0- and $1.9 million, respectively. UMG has amounts due to UHPSI at June 30, 2020 and 2019 of approximately $6.1 million and $0.5 million, respectively, which is included in due to Finance Corporation on the statements of net position.

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. UMG provides timely incident reporting to UConn Health to assist UConn Health in maintaining appropriate reserve balances.

To the extent that claims for cases exceed current year premiums charged by UConn Health, UConn Health may petition the State to make up the difference. UMG 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, 2020 and 2019, UConn Health's Malpractice Fund had actuarial reserves of approximately $9.4 million and $12.2 million and assets of approximately $6.1 million and $4.2 million, respectively.

NOTE 12 – SUBSEQUENT EVENTS

UMG has evaluated subsequent events through December 7, 2020, which represents the date the financial statements were available to be issued. No subsequent events requiring recognition or disclosure in the financial statements, other than the following, were identified.

In October 2020, UMG paid UHPSI $2.0 million towards its Due to UHPSI balance for pharmaceutical purchases, as described in note 10.

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 UConn Medical Group (UConn Medical Group or Company), which comprise the statement of net position as of June 30, 2020 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 December 7, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Company's internal control over financial reporting (internal control) as a basis for designing 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 Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company'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.

Marcum LLP ▪ CityPlace I ▪ 185 Asylum Street ▪ 25th Floor ▪ Hartford, CT 06103 ▪ Phone 860.760.0600 ▪ Fax 860.760.0601 ▪ www.marcumllp.com

Compliance and Other Matters

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

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Company’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 Company’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Marcum LLP

Hartford, CT
December 7, 2020

UNIVERSITY OF CONNECTICUT HEALTH CENTER
UCONN MEDICAL GROUP

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

	2019	2018	2017	2016	2015	2014
			(dollars in thousands)			
Total Pension Liability						
Service cost	$ 3,220	$ 2,778	$ 2,975	$ 1,992	$ 1,800	$ 1,471
Interest	18,818	14,320	13,970	13,023	11,900	10,226
Differences between expected and actual experience	--	--	(8,945)	4,779	--	--
Changes of assumptions	10,058	3,125	--	30,671	--	--
Benefit payments, including refunds of member contributions	(16,703)	(12,707)	(11,494)	(10,737)	(9,609)	(8,017)
Change in proportionate allocation of pension liability	59,680	9,162	326	10,521	18,039	--
Net Change in Total Pension Liability	75,073	16,678	(3,168)	50,249	22,130	3,680
Total Pension Liability - Beginning	221,400	204,722	207,890	157,641	135,511	131,831
Total Pension Liability - Ending (a)	$ 296,473	$ 221,400	$ 204,722	$ 207,890	$ 157,641	$ 135,511
Fiduciary Net Position						
Contributions - employer	$ 12,966	$ 9,338	$ 9,553	$ 9,287	$ 7,953	$ 6,492
Contributions - employee	4,018	1,255	821	835	1,086	741
Net investment income	5,840	5,668	9,352	(1)	1,706	7,385
Benefit payments, including refunds of member contributions	(16,703)	(12,707)	(11,494)	(10,737)	(9,609)	(8,017)
Administrative expenses	(6)	(3)	(4)	(4)	--	--
Other	30	(20)	(2)	530	--	--
Change in proportionate allocation of fiduciary net position	21,853	3,322	102	4,127	7,132	--
Net Change in Fiduciary Net Position	27,998	6,853	8,328	4,037	8,268	6,601
Fiduciary Net Position - Beginning	81,066	74,213	65,885	61,848	53,580	46,979
Fiduciary Net Position - Ending (b)	$ 109,064	$ 81,066	$ 74,213	$ 65,885	$ 61,848	$ 53,580
UMG's Net Pension Liability - Ending (a) - (b)	$ 187,409	$ 140,334	$ 130,509	$ 142,005	$ 95,793	$ 81,931
UMG's portion of SERS Net Pension Liability	0.82%	0.65%	0.62%	0.62%	0.58%	0.51%
Fiduciary Net Position as a Percentage of the Total Pension Liability	36.79%	36.62%	36.25%	31.69%	39.23%	39.54%
UMG's Covered-Employee Payroll	$ 32,551	$ 27,090	$ 26,025	$ 25,860	$ 23,424	$ 19,273
UMG's Net Pension Liability as a Percentage of Covered-Employee Payroll	575.74%	518.03%	501.48%	549.13%	408.95%	425.11%

UNIVERSITY OF CONNECTICUT HEALTH CENTER
UCONN MEDICAL GROUP

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
						(dollars in thousands)					
Contractually required contributions	$ 14,736	$ 12,966	$ 9,338	$ 9,553	$ 9,366	$ 7,953	$ 6,492	$ 5,672	$ 4,958	$ 5,053	$ 4,804
Contributions in relation to the contractually required contribution	14,736	12,966	9,338	9,553	9,287	7,953	6,492	5,664	4,958	4,420	3,857
Contribution deficiency	$ --	$ --	$ --	$ --	$ 79	$ --	$ --	$ 8	$ --	$ 633	$ 947
UMG's covered-employee payroll	$ 40,504	$ 32,551	$ 27,090	$ 26,025	$ 25,860	$ 23,424	$ 19,273	$ 17,688	$ 17,181	$ 17,709	$ 15,633
Contributions as a percentage of covered-employee payroll	36.38%	39.83%	34.47%	36.71%	35.91%	33.95%	33.68%	32.02%	28.86%	24.96%	24.67%

UNIVERSITY OF CONNECTICUT HEALTH CENTER
UCONN MEDICAL GROUP

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CHANGES IN UMG'S NET OPEB LIABILITY AND RELATED RATIOS

	2019	2018	2017
		(dollars in thousands)	
Net OPEB Liability			
Service cost	$ 12,281	$ 10,565	$ 10,474
Interest	10,675	7,970	5,571
Differences between expected and actual experience	(9,348)	--	--
Changes of assumptions or other inputs	49,484	(8,485)	(5,567)
Benefit payments	(8,592)	(7,597)	(6,969)
Change in proportionate allocation of OPEB liability	42,670	10,610	(2,000)
Change in Net OPEB Liability	97,170	13,063	1,509
Net OPEB Liability - Beginning	202,293	189,230	187,721
Net OPEB Liability - Ending	$ 299,463	$ 202,293	$ 189,230
Covered-Employee Payroll	$ 80,717	$ 77,725	$ 76,699
Total OPEB Liability as a Percentage of Covered-Employee Payroll	371.00%	260.27%	246.72%

UNIVERSITY OF CONNECTICUT HEALTH CENTER
UCONN MEDICAL GROUP

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF UMG'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY

	2019	2018	2017	2016
	(dollars in thousands)			
UMG's proportion of the net OPEB liability	1.15%	1.11%	1.09%	1.09%
UMG's proportionate share of the net OPEB liability	$ 299,463	$ 202,293	$ 189,230	$ 187,721
UMG's covered-employee payroll	$ 80,717	$ 77,725	$ 76,699	$ 79,921
UMG's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	371.00%	260.27%	246.72%	234.88%
Plan fiduciary net position (assets)	$ 1,196,008	$ 849,889	$ 542,342	$ 340,618
Plan fiduciary total OPEB liability	$ 21,878,399	$ 18,114,287	$ 17,904,922	$ 17,583,045
Plan fiduciary net position as a percentage of the total OPEB liability	5.47%	4.69%	3.03%	1.94%

UNIVERSITY OF CONNECTICUT HEALTH CENTER
UCONN MEDICAL GROUP

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF UMG'S OPEB CONTRIBUTIONS

	2020	2019	2018	2017	2016
			(dollars in thousands)		
Contractually required contribution	$ 13,005	$ 10,902	$ 9,396	$ 7,274	$ 6,626
Contributions in relation to the contractually required contribution	13,005	10,902	9,396	7,274	6,626
Contribution deficiency (excess)	$ --	$ --	$ --	$ --	$ --
UMG's covered-employee payroll	$ 87,096	$ 80,717	$ 77,725	$ 76,699	$ 79,921
Contributions as a percentage of covered-employee payroll	14.93%	13.51%	12.09%	9.48%	8.29%

Changes of Benefit Terms

In the June 30, 2019 and 2018 actuarial valuations, there were no changes of benefit terms.

Changes of Assumptions

In the June 30, 2019 and 2018 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.