UNIVERSITY OF CONNECTICUT HEALTH CENTER
UCONN MEDICAL GROUP

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

JUNE 30, 2021 AND 2020

UNIVERSITY OF CONNECTICUT HEALTH CENTER
UCONN MEDICAL GROUP

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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, 2021, 2020, and 2019. 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 450 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. UMG also partners closely with John Dempsey Hospital (JDH), with many providers performing procedures in its facilities.

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. UMG chose to pause elective procedures on March 13, 2020 and did not resume until May 20, 2020. As a result, clinical volumes and results were lower in fiscal 2020 than in fiscal 2021. UConn Health continues to diligently navigate the pandemic and its many associated business challenges including personal protective equipment (PPE) shortages, supply chain disruption, aid application and reporting requirements, variant waves, and staffing shortages. Management remains focused on providing exceptional, reliable, and safe patient care to our community. UConn Health implemented a mandatory masking policy for patients, staff, and visitors in 2021, and has adopted a mandatory vaccine policy in fiscal year 2022. Both policies focus on ensuring the health of our patients, staff, and visitors. Due to the continued rapid development and fluidity of this situation, including variant spread, it is difficult to assess the impact that the pandemic will continue to have on UMG's financial condition or results of operations at this time.

During fiscal year 2021, UMG received $2.0 million via the Coronavirus Aid, Relief, and Economic Security (CARES) Act General Distribution Phase 3 based on lost revenue. Funds received under this program carry reporting and other requirements outlined by the federal government, which began September 30, 2021. UMG has met these requirements. During fiscal year 2020, UMG received $2.4 million from the CARES Act. Funding came from both general and targeted distributions. Targeted distributions were made to physician practices based on, among other metrics, the total number of COVID-19 positive patients treated. UMG was also eligible for distributions for treating uninsured patients, though this population is not considered material.

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

UMG, as part of UConn Health, was also eligible to apply for reimbursement of expenses under two additional funding mechanisms: the Federal Emergency Management Agency (FEMA) and the Coronavirus Relief Fund (CRF). UConn Health was eligible to submit expenditures incurred in responding to the public health emergency to FEMA for consideration, 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. The FEMA application process can be time intensive, and, to date, no funds have been received related to UConn Health's claims. UConn Health is working towards receipt of funds from these funding mechanisms in fiscal year 2022.

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, 2021 and 2020, 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 classifies them as operating, investing, noncapital financing activities, and capital and related financing activities. The financial statement footnotes include notes that explain information in the financial statements and provide more detailed data.

FINANCIAL HIGHLIGHTS

UMG's financial position at June 30, 2021, consisted of assets of approximately $32.9 million, deferred outflows of approximately $197.6 million, liabilities of approximately $605.2 million (of which $571.3 million is related to GASB Statements No. 68 and 75), and deferred inflows of approximately $15.1 million. UMG's financial position at June 30, 2020, consisted of assets of approximately $32.3 million, deferred outflows of approximately $176.3 million, liabilities of approximately $518.1 million (of which $487.4 million is related to GASB Statements No. 68 and 75), and deferred inflows of approximately $18.0 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 $62.3 million from fiscal year 2020 to a net deficit position of approximately $389.8 million as of June 30, 2021.

Financial Highlights (Continued)

UMG finished the year with an operating loss of $165.3 million compared to an operating loss of $155.2 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 10. These expenses reflect changes to the pension and other post-employment benefits (OPEB) plans on a State level. UMG recorded an additional $59.6 million and $42.8 million of expenses related to pension and OPEB liabilities in fiscal years 2021 and 2020, respectively. Operating losses exclusive of these entries were $105.7 million and $112.4 million in fiscal years 2021 and 2020, respectively.

UMG received net transfers from UConn Health of $101.0 million and $107.9 million in fiscal years 2021 and 2020, respectively. Current year transfers included $70.2 million from UConn Health as working capital support and $30.8 million related to fringe benefit support. Prior year transfers included $74.8 million from UConn Health related to working capital support and $33.1 million of fringe benefit support. Total net position decreased by approximately $62.3 million in fiscal year 2021, compared to a decrease of approximately $45.0 million in fiscal year 2020.

Summary of Assets and Liabilities

Summarized components of UMG's Statements of Net Position as of June 30, 2021, 2020, and 2019 are presented below.

	2021	2020	2019
		(in thousands)	
Summary of assets, liabilities and net position at June 30:			
Current assets	$ 20,097	$ 16,564	$ 15,126
Capital and intangible assets, net	12,822	15,784	17,868
Total assets	$ 32,919	$ 32,348	$ 32,994
Deferred amount for pensions	79,428	73,382	45,044
Deferred amount for OPEB	118,197	102,892	22,911
Total deferred outflows	$ 197,625	$ 176,274	$ 67,955
Current liabilities	$ 28,216	$ 25,884	$ 23,959
Noncurrent liabilities	577,016	492,236	348,268
Total liabilities	605,232	518,120	372,227
Deferred amount for pensions	$ 63	$ 465	$ 471
Deferred amount for OPEB	15,005	17,540	10,777
Total deferred inflows	$ 15,068	$ 18,005	$ 11,248
Net investment in capital assets	$ 12,793	$ 15,749	$ 17,868
Unrestricted deficit	(402,549)	(343,252)	(300,394)
Total net position	$ (389,756)	$ (327,503)	$ (282,526)

FINANCIAL HIGHLIGHTS (CONTINUED)

SIGNIFICANT VARIANCES IN THE FINANCIAL STATEMENTS – ASSETS AND LIABILITIES

In this section, UMG explains the reasons for those financial statement items with significant variances relating to fiscal year 2021 amounts compared to fiscal year 2020 amounts.

Changes in assets included the following:

- *Patient accounts receivable, net* – increased by approximately $3.1 million from June 30, 2020 to June 30, 2021, due to increased patient revenues and associated receivables related to the increase in gross charges and visits from prior year.

- *Contract and other receivables* – increased by approximately $2.6 million from June 30, 2020 to June 30, 2021, due to the Department of Social Services (DSS) supplemental payment accrual. Based on historical payments, UMG expects to collect approximately $5.2 million for the fourth quarter of fiscal year 2021, as Medicaid pays approximately 30% of the total quarterly charges.

- *Due from State of Connecticut* – decreased by approximately $640,000 from June 30, 2020 to June 30, 2021. Amounts due from the State of Connecticut represent the receivable from the General Fund of the State for certain employee salaries charged to the State's General Fund.

- *Capital and intangible assets, net* – decreased by approximately $3.0 million from June 30, 2020 to June 30, 2021, as depreciation and disposals outpaced capital acquisitions during the current fiscal year.

Changes in liabilities included the following:

- *Accounts payable and accrued expenses* – decreased by approximately $1.1 million from June 30, 2020 to June 30, 2021, which reflects normal operational variances in the timing of invoice payments.

- *Accrued payroll* – increased by approximately $765,000 from June 30, 2020 to June 30, 2021. The payroll accrual is based on the number of remaining days in the fiscal year after the last payroll period is processed, as well as aggregate staffing and salary levels.

- *Due to State of Connecticut* – increased by approximately $670,000 from June 30, 2020 to June 30, 2021. This amount represents the portion of fringe benefits related to accrued salaries owed to the State at the end of the fiscal year.

FINANCIAL HIGHLIGHTS (CONTINUED)

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

- *Due to John Dempsey Hospital (JDH)* – increased by approximately $1.9 million from June 30, 2020 to June 30, 2021. The 2021 balance primarily consists of patient deposits posted to a central clearing account for UMG that were owed back to JDH at year-end. A subsequent transfer was posted in fiscal year 2022 to move the funds from UMG to JDH.

- *Due to Finance Corporation* – decreased by approximately $6.1 million from June 30, 2020 to June 30, 2021. The Finance Corporation, through its subsidiary UConn Health Pharmacy Services, Inc., purchases drugs on behalf of UMG, which amounted to approximately $5.7 million in fiscal year 2021. UMG repaid approximately $11 million during fiscal year 2021 related to purchases from fiscal 2020 and 2021, and received $1 million of rent relief from the Finance Corporation (see note 9).

- *Due to Central Administrative Services* – increased by approximately $1.4 million from June 30, 2020 to June 30, 2021, due to the allocation of charges to UMG.

- *Pension and OPEB liabilities* – increased by approximately $83.9 million from June 30, 2020 to June 30, 2021, due to an increased percentage of overall plan contributions and changes at the State plan level to underlying assumptions, such as the discount rate.

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, 2021, 2020, and 2019 are presented below:

	2021	2020	2019
		(in thousands)	
Summary of revenues, expenses and transfers for the year ended June 30:			
Operating revenues	$ 137,063	$ 115,249	$ 127,992
Operating expenses	302,359	270,489	211,724
Operating loss	(165,296)	(155,240)	(83,732)
Nonoperating revenues (expenses), net	2,009	2,339	(141)
Loss before transfers	(163,287)	(152,901)	(83,873)
Net transfers	101,034	107,924	72,761
Decrease in net position	$ (62,253)	$ (44,977)	$ (11,112)

FINANCIAL HIGHLIGHTS (CONTINUED)

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

Operating revenues

Total operating revenues increased from the year ended June 30, 2020 to the year ended June 30, 2021 by approximately $21.8 million or 18.9%.

- *Net patient service revenues* – increased by approximately $22.3 million or 21.7% from prior year due to increased clinical volumes in fiscal year 2021, which were negatively impacted in the prior year due to COVID-19 related closures.

Operating expenses

Total operating expenses increased from the year ended June 30, 2020 to the year ended June 30, 2021 by approximately $31.9 million or 11.8%.

- *Salaries and wages* – increased by approximately $8.1 million from prior year due to contractually bargained salary wage increases and an overall increase in provider full-time employees (FTEs). UMG had 217 and 209 total provider FTEs as of June 30, 2021 and 2020, respectively.

- *Fringe benefits* – increased by approximately $24.8 million from prior year due to UMG recording its proportionate share of pension and OPEB expenses. Total pension and OPEB expenses were approximately $59.6 million and $42.8 million in fiscal years 2021 and 2020, respectively.

- *Medical contractual support* – decreased by approximately $1.1 million from prior year, primarily driven by dissolution of contracts in the dermatology department.

- *Outside agency per diems* – increased by approximately $604,000 from prior year, due to increasing clinical volumes, which generated a need for increased clinical staffing, including temporary nurse staffing and testing personnel.

- *Outside and other purchased services* – decreased by approximately $1.8 million from prior year, primarily driven by the decrease in collection fees and professional services. Collection fees decreased due to UMG bringing its accounts receivable follow-up process back in-house and cancelling its outside contract. UMG also decreased its use of scribes and locum tenens services from the prior year.

FINANCIAL HIGHLIGHTS (CONTINUED)

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

- *Repairs and maintenance* – increased by approximately $441,000 from prior year, due to the impact of enhanced cleaning protocols and maintenance needs resulting from the COVID-19 pandemic.

- *Other expenses* – increased by approximately $1.4 million from prior year, driven primarily by the expensing of equipment from capital project close-outs.

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, 2021, 2020 and 2019 are as follows:

	2021	2020	2019
		(in thousands)	
Cash received from operations	$ 131,360	$ 120,309	$ 123,226
Cash expended for operations	(241,783)	(219,149)	(192,328)
Net cash used in operations	(110,423)	(98,840)	(69,102)
Net cash provided by noncapital financing activities	107,930	108,195	69,268
Net cash used in capital and related financing activities	(491)	(6,371)	(166)
Net change in cash	(2,984)	2,984	--
Cash - Beginning	2,984	--	--
Cash - Ending	$ --	$ 2,984	$ --

OPERATIONAL HIGHLIGHTS

UMG patient visits of approximately 764,000 represent an increase of approximately 139,000 from 2020. Prior year visits were negatively impacted by the cancellation of elective procedures from March 13, 2020 to May 20, 2020 due to the COVID-19 pandemic.

FINANCIAL HIGHLIGHTS (CONTINUED)

CAPITAL AND INTANGIBLE ASSETS

At June 30, 2021, UMG had capital and intangible assets of $35.7 million before accumulated depreciation, compared to $36.9 million at June 30, 2020. Construction in progress (CIP) decreased by approximately $914,000 from June 30, 2020 to June 30, 2021, as UMG completed projects and capitalized assets or expensed non-capitalizable costs from CIP accounts. Equipment decreased by approximately $464,000 due to the disposal of computer systems and servers associated with UMG's prior generation EMR system, which has since been replaced with EPIC. A summary of capital and intangible asset balances is shown in the table below:

	2021	2020
Land	$ 89,132	$ 89,132
Construction in progress (estimated costs to complete of $97,000 and $24,000 at June 30, 2021 and 2020, respectively)	270,916	1,184,954
Buildings and leasehold improvements	12,560,232	12,560,232
Equipment	9,154,613	9,619,036
Computer software	13,543,506	13,367,506
Capital leases	40,608	40,608
Total capital and intangible assets	35,659,007	36,861,468
Less: accumulated depreciation and amortization	22,836,906	21,078,025
Capital and intangible assets, net	$ 12,822,101	$ 15,783,443

For fiscal 2022, 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 8 to the financial statements.

FISCAL 2022 OUTLOOK

As we look forward to fiscal year 2022, UConn Health continues to adapt its business models to changing landscapes: operational, pandemic, and regulatory. UConn Health continues to work and plan for the new operational realities, including labor and supply shortages through continual re-prioritization, forward thinking, teamwork, and creativity. The COVID-19 pandemic continues to evolve creating new community needs and challenges. UConn Health will continue to respond to these new needs, such as for vaccine boosters and community resources, and to serve the people of Connecticut.

FISCAL 2022 OUTLOOK (CONTINUED)

Healthcare, already a high oversight industry, has received additional regulatory mandates as a result of the pandemic and pandemic related relief funds received. Tracking and reporting these funds will continue to be a focus for UConn Health moving forward to monitor the increasing levels of regulations from authoritative agencies, including those assisting with pandemic relief.

Research, education, and patient care remain the cornerstones of UConn Health's mission. These pillars remain as fundamental and relevant as ever. UConn Health is focused on maximizing our efforts in these areas, while navigating uncertainty surrounding both State and Federal funding. Federal and State aid remain vital in shepherding public institutions through the challenges of COVID-19, but also in allowing institutions such as UConn Health to protect and serve socially or economically disadvantaged groups. UConn Health has benefitted from federal CARES Act support and has secured commitments from the State for CRF during the current year. Some level of additional benefits is expected to be realized in the upcoming year though exact future funding levels remain uncertain.

A combination of institution-wide financial initiatives and additional State funding allowed UConn Health to balance its 2021 spending plan. UConn Health approaches fiscal year 2022 cautiously optimistic. While vaccines have helped stem some of the impact of COVID-19, the surging Delta variant and pandemic fatigue have contributed to an uncertain outlook. While clinical volumes have rebounded in many areas, some of which have exceeded pre-pandemic volumes, a continued spike in cases could impact UConn Heath's ability to perform elective surgeries, which are essential for the continued fiscal health of the institution.

Clinically, the focus remains on cautiously returning to patient care, while assuring patients that it is safe to do so. Significant concerns nationally about patients putting off care due to COVID-19 have lent greater urgency to handling the current Delta spike effectively and safely. UConn Health has worked continually over the past 12 months to strengthen its supply lines and broaden its access to the required types and amounts of PPE. We continue to update our treatment protocols and have proactively taken steps to ensure patient and staff safety across all its clinical units.

Among the initiatives that UConn Health has implemented are joining with the Connecticut Hospital Association in implementing mandatory vaccination at our facilities, universal masking, and screening of all staff and visitors in all facilities regardless of vaccination status.

UConn Health continues to work at leveraging its electronic medical record system (EPIC system). In the current year, our EPIC system allowed us to track and facilitate vaccine roll outs for staff and the public, and helped transmit COVID-19 testing results from Jackson Labs to other EPIC facilities in Connecticut. We also continued progress towards upgrading and optimizing the system. UConn Health is now on a quarterly upgrade schedule and is up-to-date with current EPIC functionality.

FISCAL 2022 OUTLOOK (CONTINUED)

On June 30, 2021, all existing bargaining unit contracts concluded without new agreements being ratified and approved by the legislature. Affected unions are currently working under an extension agreement that runs through June 30, 2022, and keeps substantially all of the prior contract provisions, but which does not allow for general wage increases during the hold-over period.

The State, lifted by strong tax receipts and federal aid, reported a surplus for fiscal year 2021, and is anticipating a robust fiscal year 2022. The State's financial outlook has a direct role in that of UConn Health. Any potential negative changes to the State's economic outlook result in additional unpredictability of State support across UConn Health. While we are grateful for State support, UConn Health leadership remains diligent in seeking out continued, appropriate external funding, cost reductions, and programmatic enhancements while protecting quality of care.

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, 2021 and 2020, 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.

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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, 2021 and 2020, 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 56, the Schedule of Pension Contributions on page 57, the Schedule of Changes in UConn Medical Group's Net OPEB Liability and Related Ratios on page 58, the Schedule of UConn Medical Group's Proportionate Share of the Net OPEB Liability on page 59, and the Schedule of UConn Medical Group's OPEB Contributions on page 60, 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 13, 2021, 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 13, 2021

UNIVERSITY OF CONNECTICUT HEALTH CENTER
UCONN MEDICAL GROUP

STATEMENTS OF NET POSITION

JUNE 30, 2021 AND 2020

	2021	2020
Assets		
Current Assets		
Cash	$ --	$ 2,984,188
Patient accounts receivable, net of estimated uncollectibles of $6,707,000 and $6,840,000 at June 30, 2021 and 2020, respectively	9,102,710	6,012,914
Inventory	886,701	905,692
Contract and other receivables	5,503,929	2,890,512
Due from Finance Corporation	239,649	--
Due from other funds	1,342,928	125,625
Due from State of Connecticut	3,002,402	3,641,430
Prepaid expenses	18,664	3,986
Total Current Assets	20,096,983	16,564,347
Noncurrent Assets		
Capital and intangible assets, net (note 8)	12,822,101	15,783,443
Total Noncurrent Assets	12,822,101	15,783,443
Total Assets	32,919,084	32,347,790
Deferred Outflows of Resources		
Deferred amount for pensions (note 10)	79,427,985	73,381,566
Deferred amount for OPEB (note 10)	118,197,101	102,892,367
Total Deferred Outflows of Resources	$ 197,625,086	$ 176,273,933

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

UNIVERSITY OF CONNECTICUT HEALTH CENTER
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STATEMENTS OF NET POSITION (CONTINUED)

JUNE 30, 2021 AND 2020

	2021	2020
Liabilities and Net Position		
Current Liabilities		
Cash overdraft	$ 4,882,505	$ --
Accounts payable and accrued expenses	2,972,638	4,063,313
Accrued payroll	8,064,282	7,298,944
Due to State of Connecticut	4,889,732	4,220,557
Due to UConn Health Malpractice Fund (note 1)	12,539	12,539
Due to John Dempsey Hospital (note 11)	2,053,679	194,548
Due to Finance Corporation	--	6,051,907
Due to Central Administrative Services	1,373,722	--
Capital leases, current portion (note 9)	6,456	6,157
Accrued compensated absences, current portion (note 9)	3,960,818	4,035,771
Total Current Liabilities	28,216,371	25,883,736
Noncurrent Liabilities		
Pension liabilities (note 9 and 10)	218,230,824	187,944,495
OPEB liabilities (note 9 and 10)	353,032,201	299,462,704
Capital leases, net of current portion (note 9)	22,513	28,410
Accrued compensated absences, noncurrent portion (note 9)	5,730,442	4,801,039
Total Noncurrent Liabilities	577,015,980	492,236,648
Total Liabilities	605,232,351	518,120,384
Deferred Inflows of Resources		
Deferred amount for pensions (note 10)	63,332	465,064
Deferred amount for OPEB (note 10)	15,004,459	17,539,889
Total Deferred Inflows of Resources	15,067,791	18,004,953
Net Position		
Net investment in capital assets	12,793,132	15,748,876
Unrestricted deficit	(402,549,104)	(343,252,490)
Total Net Position	$ (389,755,972)	$ (327,503,614)

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, 2021 AND 2020

	2021	2020
Operating Revenues		
Net patient service revenues (note 3)	$ 124,933,707	$ 102,676,073
Contract and other revenues	12,129,442	12,572,969
Total Operating Revenues	137,063,149	115,249,042
Operating Expenses		
Salaries and wages	120,992,554	112,917,478
Fringe benefits	129,143,256	104,354,672
Medical contractual support	7,563,099	8,657,817
Internal contractual support	8,616,786	8,779,439
Outside agency per diems	1,073,687	469,272
Depreciation and amortization (note 8)	2,653,731	2,898,301
Pharmaceutical/medical supplies	8,470,059	8,554,913
Utilities	2,131,571	1,987,252
Outside and other purchased services	15,162,651	16,979,185
Insurance	1,153,365	1,328,174
Repairs and maintenance	3,015,326	2,574,082
Other expenses	2,382,844	987,922
Total Operating Expenses	302,358,929	270,488,507
Operating Loss	(165,295,780)	(155,239,465)
Nonoperating Revenues (Expenses)		
COVID-19 relief revenue (note 7)	2,012,523	2,400,351
Interest expense	(2,342)	(1,720)
Loss on disposals (note 8)	(1,134)	(60,116)
Net Nonoperating Revenues	2,009,047	2,338,515
Loss before Transfers	(163,286,733)	(152,900,950)
Net Transfers from UConn Health - Unrestricted (note 11)	101,034,375	107,923,790
Decrease in Net Position	(62,252,358)	(44,977,160)
Net Position - Beginning of year	(327,503,614)	(282,526,454)
Net Position - End of year	$ (389,755,972)	$ (327,503,614)

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, 2021 AND 2020

	2021	2020
Cash Flows from Operating Activities		
Cash received from patients and third-party payors	$ 121,843,911	$ 107,694,791
Cash received from contract and other revenues	9,516,025	12,615,000
Cash (returned to) received from related parties	(3,058,703)	5,489,066
Cash paid to employees for salaries and fringe benefits	(188,948,511)	(176,224,980)
Cash paid for other than personnel services	(49,775,560)	(48,413,365)
Net Cash Used in Operating Activities	(110,422,838)	(98,839,488)
Cash Flows from Noncapital Financing Activities		
Net transfers from UConn Health's unrestricted net assets to support operations	101,034,375	107,923,790
Net borrowings (repayments) on cash overdraft	4,882,505	(2,129,572)
COVID-19 relief revenue received	2,012,523	2,400,351
Net Cash Provided by Noncapital Financing Activities	107,929,403	108,194,569
Cash Flows from Capital and Related Financing Activities		
Purchases of capital assets	(482,813)	(833,580)
Payments on capital leases	(5,598)	(6,041)
Interest paid	(2,342)	(1,720)
Repayment to John Dempsey Hospital	--	(5,529,552)
Net Cash Used in Capital and Related Financing Activities	(490,753)	(6,370,893)
Net Change in Cash	(2,984,188)	2,984,188
Cash - Beginning	2,984,188	--
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, 2021 AND 2020

	2021	2020
Reconciliation of Operating Loss to Net Cash Used in Operating Activities		
Operating loss	$ (165,295,780)	$ (155,239,465)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation and amortization	2,653,731	2,898,301
Non-cash portion of other expenses	789,290	--
Non-cash portion of pension expense	23,838,178	18,854,621
Non-cash portion of OPEB expense	35,729,333	23,951,047
Changes in operating assets and liabilities:		
Patient accounts receivable	(3,089,796)	5,018,718
Inventory	18,991	237,023
Contract and other receivables	(2,613,417)	42,031
Prepaid expenses	(14,678)	15,229
Accounts payable and accrued expenses	(1,090,675)	1,198,937
Due to Central Administrative Services	1,373,722	--
Due to John Dempsey Hospital	1,859,131	194,548
Due to Finance Corporation	(6,291,556)	5,294,518
Due to State of Connecticut	669,175	4,220,557
Due from other funds	(1,217,303)	(125,625)
Due from State of Connecticut	639,028	(3,641,430)
Accrued payroll	765,338	(2,316,895)
Accrued compensated absences	854,450	558,397
Net Cash Used in Operating Activities	$ (110,422,838)	$ (98,839,488)

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 450 providers practicing in a wide variety of specialties.

The financial statements include those assets, deferred outflows, liabilities, deferred inflows, net position, 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 11 for related party transactions.

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

COVID-19 PANDEMIC

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic. 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 experienced significant operating losses in fiscal 2020, which were only partially offset via government and other aid programs (see note 7). Although UMG remained open for elective procedures throughout fiscal 2021, UMG continued to be affected by the COVID-19 pandemic. Many patients were at least initially reluctant to return for routine procedures. At the same time, staffing and supply shortages, increased cleaning and safety protocols, and changing community needs (including testing and vaccination) have increased costs and challenged operations.

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 continued rapid development and fluidity of this situation, including the variant spread, it is difficult to assess the impact that the pandemic will continue to have on UMG's financial condition or results of operations at this time. See note 7 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 4 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 service 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. See note 8 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 2021, UMG disposed of information technology equipment, servers and general equipment totaling approximately $896,000. These assets were reported in equipment in note 8. The total loss on disposal related to these assets was approximately $1,000.

During 2020, UMG disposed of information technology equipment and servers. The combined value of these assets was approximately $2.2 million, and the total loss on disposal was approximately $60,000.

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 to such plans at an actuarially determined rate, which may be reduced by an act of the State legislature. These plans do not issue stand-alone financial reports. Summary information on the plans is publicly available in the State's Annual Comprehensive Financial Report.

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

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's Employee OPEB Plan (SEOPEBP) on a pay-as-you-go basis, but has recorded its corresponding liability and deferred inflows and outflows as prescribed by GASB 75. See note 10 for additional details.

PENSION LIABILITIES

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 benefit payments that are attributable to past periods of plan member service. Information about the fiduciary net position and additions to/deductions from each pension plan's fiduciary net position has been determined on the same basis as they are reported by each pension plan. For this purpose, plan member contributions are recognized in the period in which the contributions are due. 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 pension liability for the years ended June 30, 2021 and 2020.

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, 2021 and 2020.

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 experience.

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, 2021 and 2020, annual premiums were approximately $150,000 and $303,000, respectively. 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, 2021 and 2020, 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.

DUE TO AND FROM STATE OF CONNECTICUT

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

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

DUE TO AND FROM STATE OF CONNECTICUT (CONTINUED)

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

RECLASSIFICATIONS

Certain reclassifications were made to the 2020 statement of revenues, expenses, and changes in net position to reclassify bad debt recoveries from contract and other revenue to net patient service revenue to conform to the current year presentation; reclassifications were also made to the 2020 statement of cash flows related to this reclassification. Additional reclassifications were made to the 2020 statement of net position to reclassify state fringe benefits and in-kind fringe benefits from accrued payroll to Due to and Due from State of Connecticut, respectively; reclassifications were also made to the 2020 statement of cash flows related to these fringe benefit reclassifications. Further reclassifications were made to the 2020 statement of cash flows to reclassify repayments made to John Dempsey Hospital (JDH) for operating expenses from financing activities to operating activities to conform to the current year presentation.

NOTE 2 – RECENTLY ADOPTED AND UPCOMING ACCOUNTING PRONOUNCEMENTS

RECENTLY ADOPTED ACCOUNTING PRONOUNCEMENT

The following GASB accounting pronouncements were adopted by UMG during fiscal year 2021, none of which had a material impact on its financial statements: GASB Statement No. 84, *Fiduciary Activities* (GASB 84); GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period* (GASB 89); GASB Statement No. 90, *Majority Equity Interests* (GASB 90); GASB Statement No. 93, *Replacement of Interbank Offered Rates* (GASB 93); and GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans* (GASB 97).

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

UPCOMING ACCOUNTING PRONOUNCEMENTS

UMG is considering the impact on its financial statements of the following upcoming GASB accounting pronouncements: GASB Statement No. 87, *Leases* (GASB 87) effective for reporting periods beginning after June 15, 2021, in accordance with GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance* (GASB 95); GASB Statement No. 91, *Conduit Debt Obligations* (GASB 91) effective for reporting periods beginning after December 15, 2021, in accordance with GASB 95; GASB Statement No. 92, *Omnibus 2020* (GASB 92) effective for fiscal years beginning after June 15, 2021 and reporting periods thereafter, in accordance with GASB 95; GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* (GASB 94) effective for fiscal years beginning after June 15, 2022 and all reporting periods thereafter; and GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* (GASB 96) effective for fiscal years beginning after June 15, 2022 and all reporting periods thereafter.

NOTE 3 – NET PATIENT SERVICE REVENUES

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

	2021	2020
Gross patient service revenues	$ 284,464,823	$ 235,801,392
Less contractual allowances and provision for bad debt	(159,531,116)	(133,125,319)
Net patient service revenues	$ 124,933,707	$ 102,676,073

NOTE 3 – NET PATIENT SERVICE REVENUES (CONTINUED)

SIGNIFICANT CONCENTRATIONS

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

	Medicare		Medicaid	
	2021	2020	2021	2020
Net patient service revenue	29%	29%	16%	14%
Patient accounts receivable	25%	30%	9%	8%

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.

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.

NOTE 3 – NET PATIENT SERVICE REVENUES (CONTINUED)

SIGNIFICANT CONCENTRATIONS (CONTINUED)

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 2021 and 2020, UMG recorded $19.9 million and $15.5 million, respectively, in supplemental revenue from the Department of Social Services (DSS), which is included in net patient service revenues in the statements of revenues, expenses, and changes in net position.

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.

CONTRACT MANAGEMENT SYSTEM

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

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 – HYPOTHECATION

In accordance with State Statute, UMG can borrow from the State up to 70% of its net patient accounts receivable and contract and other receivables to fund operations. As of June 30, 2021, UMG had drawn down $4,882,505 under the hypothecation. As of June 30, 2020, UMG had not drawn down any funds under the hypothecation. As of June 30, 2021 and 2020, UMG had available amounts of $5,342,142 and $6,232,398, respectively, under the State Statute.

NOTE 5 – 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, Dental Clinics, and JDH. 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.

NOTE 6 – 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 2021 and 2020, UMG provided charity care services of $470,698 and $259,538, respectively. The increase in charity care for fiscal year 2021 reflects increased applications due to community need, partially attributed to economic stresses due to the COVID-19 pandemic. The estimated cost of these services was $140,890 and $73,787, respectively, for the years ended June 30, 2021 and 2020. No net patient service revenue was recorded for these services; however, expenses associated with these services were included in operating expenses in the statements of revenues, expenses, and changes in net position.

NOTE 7 – COVID-19 RELIEF

The CARES Act was passed to mitigate the impact of the economic downturn set in motion by the global COVID-19 pandemic. Congress allocated funding to provide financial relief during the COVID-19 pandemic to be allocated mainly through the Department of Health and Human Services (HHS). UMG qualified for the distribution of funds during the years ended June 30, 2021 and 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 during fiscal year 2020. 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. In fiscal year 2021, Congress allocated $24.5 billion for General Distribution Phase 3, of which UMG received $2.0 million based on lost revenues. Criteria and reporting requirements for the Provider Relief Funding have been finalized by HHS. UMG management believes that the 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 statements of revenues, expenses, and changes in net position for the years ended June 30, 2021 and 2020.

NOTE 7 – COVID-19 RELIEF REVENUE (CONTINUED)

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

NOTE 8 – CAPITAL AND INTANGIBLE ASSETS, NET

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

	2021	2020
Land	$ 89,132	$ 89,132
Construction in progress (estimated costs to complete of $97,000 and $24,000 at June 30, 2021 and 2020, respectively)	270,916	1,184,954
Buildings and leasehold improvements	12,560,232	12,560,232
Equipment	9,154,613	9,619,036
Computer software	13,543,506	13,367,506
Capital leases	40,608	40,608
Total capital and intangible assets	35,659,007	36,861,468
Less: accumulated depreciation and amortization	22,836,906	21,078,025
Capital and intangible assets, net	$ 12,822,101	$ 15,783,443

Activity for the years ended June 30, 2021 and 2020 is as follows:

	2020	Additions	Deductions	2021
Land	$ 89,132	$ --	$ --	$ 89,132
Construction in progress	1,184,954	78,868	(992,906)	270,916
Buildings and leasehold improvements	12,560,232	--	--	12,560,232
Equipment	9,619,036	431,561	(895,984)	9,154,613
Computer software	13,367,506	176,000	--	13,543,506
Capital leases	40,608	--	--	40,608
	$ 36,861,468	$ 686,429	$ (1,888,890)	$ 35,659,007

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

	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

Related information on accumulated depreciation and amortization for the years ended June 30, 2021 and 2020 is as follows:

	2020	Additions	Deductions	2021
Buildings and leasehold improvements	$ 9,609,576	$ 329,367	$ --	$ 9,938,943
Equipment	8,171,761	801,166	(894,850)	8,078,077
Computer software	3,288,566	1,515,077	--	4,803,643
Capital leases	8,122	8,121	--	16,243
	$ 21,078,025	$ 2,653,731	$ (894,850)	$ 22,836,906

	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

NOTE 9 – LONG-TERM LIABILITIES AND LEASES

Activity related to capital leases and other long-term liabilities for the years ended June 30, 2021 and 2020 is as follows:

	June 30, 2020 Balance	Additions	Deductions	June 30, 2021 Balance	Amounts due within 1 year
Capital lease obligation - Payments including interest at 1.76% began July 2019 and continue until July 2024*, collateralized by financed equipment	$ 34,567	$ --	$ (5,598)	$ 28,969	$ 6,456
Total Capital Leases	34,567	--	(5,598)	28,969	6,456
Other Long-Term Liabilities					
Accrued compensated absences	8,836,810	5,566,644	(4,712,194)	9,691,260	3,960,818
Pension liabilities	187,944,495	55,173,698	(24,887,369)	218,230,824	--
OPEB liabilities	299,462,704	68,991,544	(15,422,047)	353,032,201	--
Total Other Long-Term Liabilities	496,244,009	129,731,886	(45,021,610)	580,954,285	3,960,818
Total Long-Term Liabilities	$ 496,278,576	$ 129,731,886	$ (45,027,208)	$ 580,983,254	$ 3,967,274

	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 June 2024*, collateralized by financed equipment	$ --	$ 40,608	$ (6,041)	$ 34,567	$ 6,157
Total Capital Leases	--	40,608	(6,041)	34,567	6,157
Other Long-Term Liabilities					
Accrued compensated absences	8,278,413	5,937,049	(5,378,652)	8,836,810	4,035,771
Pension liabilities	140,746,686	67,980,195	(20,782,386)	187,944,495	--
OPEB liabilities	202,292,652	117,559,613	(20,389,561)	299,462,704	--
Total Other Long-Term Liabilities	351,317,751	191,476,857	(46,550,599)	496,244,009	4,035,771
Total Long-Term Liabilities	$ 351,317,751	$ 191,517,465	$ (46,556,640)	$ 496,278,576	$ 4,041,928

*In fiscal year 2021, the GE lease was amended due to a COVID-19 restructure deferral payment agreement. Specifically, this agreement allowed for a one-month deferral of payment in fiscal year 2021, which extended the lease termination date to July 2024.

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

Future minimum capital lease payments at June 30, 2021 are as follows:

Year ending June 30,	
2022	$ 7,746
2023	7,746
2024	7,746
2025	8,824
Total minimum payments	32,062
Less: interest	(3,093)
Present value of capital leases	28,969
Less: current portion of capital leases	(6,456)
Noncurrent capital leases	$ 22,513

UMG leases office space under operating leases. Total rent expense for the years ended June 30, 2021 and 2020 was $9,435,659 and $10,305,538, 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, 2021 and 2020, was $6,372,930 and $7,401,936, 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 the Finance Corporation, a related party through common ownership, under a direct financing lease that expires on March 31, 2040. The amount of rent expense that was charged to UMG related to the Outpatient Pavilion and based on square footage was approximately $5.8 million and $6.5 million for the years ended June 30, 2021 and 2020, respectively.

In fiscal year 2021, UMG was awarded $1.0 million of rent relief from the Finance Corporation as a result of a successful business interruption insurance claim based on UMG's COVID-19 related losses. The insurance policy was held by Circle Road Corporation for the Outpatient Pavilion. The claim filed was based on UMG's lost revenues exceeding the policy's deductible. The proceeds from the insurance claim were returned to UMG via a rent credit. No future rental credits are anticipated.

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

The following is a schedule by year of existing future minimum lease payments under non-cancellable operating leases as of June 30, 2021, including rental commitments for space in the Outpatient Pavilion through the sublease with UConn Health and based on the assumption that the sublease will be extended annually through March 31, 2040.

Year ending June 30,	
2022	$ 10,016,765
2023	9,553,105
2024	8,457,839
2025	8,020,126
2026	7,962,933
Thereafter	92,810,897
	$ 136,821,665

NOTE 10 – 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 Annual Comprehensive 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.

NOTE 10 – PENSION AND OPEB PLANS (CONTINUED)

SERS PLAN DESCRIPTION (CONTINUED)

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

NOTE 10 – PENSION AND OPEB PLANS (CONTINUED)

SERS PLAN DESCRIPTION (CONTINUED)

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, 2021 and 2020 was based on the June 30, 2020 and 2019 actuarial valuations, respectively.

CHANGES IN ASSUMPTIONS (SERS)

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

CONTRIBUTIONS MADE (SERS)

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 64.14%, 59.99%, and 64.30% during fiscal years 2021, 2020, and 2019, respectively. The SERS contributions made compared to covered payroll is as follows:

	Years Ended June 30		
	2021	2020	2019
Total UMG payroll covered by SERS	$ 43,496,018	$ 40,503,579	$ 32,551,400
Total UMG SERS contributions	$ 18,242,562	$ 14,735,859	$ 12,966,380
Contributions as a percentage of covered payroll	41.9%	36.4%	39.8%

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

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).

NOTE 10 – PENSION AND OPEB PLANS (CONTINUED)

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

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, 2021 and 2020, UMG recorded a SERS related liability of $216.3 million and $187.4 million, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020 and 2019, respectively, and the total pension liability used to calculate the net pension liability was determined based on actuarial valuations performed as of June 30, 2020 and June 30, 2019, respectively, 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 2020 and 2019 fiscal years, respectively. For the years ended June 30, 2020 and 2019, UMG's proportion of contributions was 0.91% and 0.82%, respectively.

For the years ended June 30, 2021 and 2020, UMG recognized SERS pension expense of $29.2 million and $33.6 million, respectively. The pension expense is reported in UMG's statements of revenues, expenses, and changes in net position as part of fringe benefits expenses.

At June 30, 2021 and 2020, UMG reported deferred outflows of resources and deferred inflows of resources related to the SERS plan from the following sources:

	2021		2020	
	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	$ 38,585	$ --	$ 33,225	$ --
UMG contributions subsequent to measurement date	18,243	--	14,736	--
Net difference between projected and actual earnings on pension plan investments	3,645	--	--	(446)
Difference between expected and actual experience	11,672	--	12,733	--
Changes in assumptions	5,761	--	12,302	--
	$ 77,906	$ --	$ 72,996	$ (446)

NOTE 10 – PENSION AND OPEB PLANS (CONTINUED)

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

Differences between projected and actual investment earnings are amortized over a five-year, closed-end period beginning in the year in which the difference occurs and will be recognized as an increase (decrease) to fringe benefits. Differences in proportionate participation are amortized over the remaining estimated service life of plan employees, estimated at 5.50 and 5.58, for the years ended June 30, 2021 and 2020, respectively.

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

Year ending June 30,	Change in proportionate participation in SERS plan	Net difference between projected and actual earnings on pension plan investments	Difference Between expected and actual experience	Change in assumptions
		(in thousands)		
2022	$ 10,770	$ 911	$ 3,716	$ 4,494
2023	9,945	911	3,107	584
2024	9,619	911	2,899	529
2025	6,626	912	1,688	209
2026	1,625	--	262	(55)
Thereafter	--	--	--	--
	$ 38,585	$ 3,645	$ 11,672	$ 5,761

The amortization of the aforementioned deferred inflows and deferred outflows increased fringe benefits expense by $23,504,357 and $18,890,918 during the years ended June 30, 2021 and 2020, respectively.

NOTE 10 – PENSION AND OPEB PLANS (CONTINUED)

ACTUARIAL METHODS AND ASSUMPTIONS (SERS)

The total SERS pension liability in the June 30, 2020 and 2019 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 increases:	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 service retirement and for dependent beneficiaries.

DISCOUNT RATE (SERS)

The discount rate used to measure the total pension liability was the long-term expected rate of return of 6.90%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rates and that 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 2140.

EXPECTED RATE OF RETURN ON INVESTMENTS (SERS)

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

NOTE 10 – PENSION AND OPEB PLANS (CONTINUED)

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

The target asset allocation and best estimate of arithmetic real rates of return for each major asset class 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%	

CHANGES IN THE NET PENSION LIABILITY (SERS)

	2020 Pension Liability	2019 Pension Liability	2018 Pension Liability
		(in thousands)	
Beginning balance - pension liability	$ 296,473	$ 221,400	$ 204,722
Changes for the year:			
Service cost	3,544	3,220	2,778
Interest	22,032	18,818	14,320
Changes of assumptions	1,898	10,058	3,125
Benefit payments, including refunds of member contributions	(19,421)	(16,703)	(12,707)
Change in proportionate allocation of pension liability	32,540	59,680	9,162
Net change in pension liability	40,593	75,073	16,678
Ending balance - pension liability (a)	$ 337,066	$ 296,473	$ 221,400

NOTE 10 – PENSION AND OPEB PLANS (CONTINUED)

CHANGES IN THE NET PENSION LIABILITY (CONTINUED)

	2020 Fiduciary Net Position	2019 Fiduciary Net Position	2018 Fiduciary Net Position
		(in thousands)	
Beginning balance - fiduciary net position	$ 109,064	$ 81,066	$ 74,213
Changes for the year:			
Contributions - employer	14,736	12,966	9,338
Contributions - employee	1,757	4,018	1,255
Net investment income	2,696	5,840	5,668
Benefit payments, including refunds of member contributions	(19,421)	(16,703)	(12,707)
Administrative expenses	(7)	(6)	(3)
Other	--	30	(20)
Change in proportionate allocation of fiduciary net position	11,971	21,853	3,322
Net change in fiduciary net position	11,732	27,998	6,853
Ending balance - fiduciary net position (b)	$ 120,796	$ 109,064	$ 81,066
UMG's net pension liability - ending (a) - (b)	$ 216,270	$ 187,409	$ 140,334

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

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	$ 256,945,277	$ 216,270,265	$ 182,276,755

NOTE 10 – PENSION AND OPEB PLANS (CONTINUED)

TEACHERS' RETIREMENT SYSTEM

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

As of June 30, 2021 and 2020, UMG recorded the following amounts in the financial statements related to the TRS:

	2021	2020
	(in thousands)	
Deferred outflows of resources	$ 1,522	$ 386
Deferred inflows of resources	(63)	(19)
Pension liability	1,961	535

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 2021 and 2020, via a charge recouped from UMG.

Participant and State contributions are both 100% vested immediately. For fiscal years 2021 and 2020, UMG contributions to the ARP were approximately $7.0 million and $6.7 million, respectively. The liabilities as of June 30, 2021 and 2020 were approximately $518,000 and $535,000, 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.

NOTE 10 – PENSION AND OPEB PLANS (CONTINUED)

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 Annual Comprehensive Financial Report on the State's website.

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

Employees covered by benefit terms – Demographic data for individual State entities in the SEOPEBP is not readily available. At June 30, 2020 and 2019, the SEOPEBP was based on plan membership at June 30, 2019, covering the following:

Inactive employees or beneficiaries currently receiving benefit payments	77,141
Inactive employees entitled to but not yet receiving benefit payments	649
Active employees	48,015
Total covered employees	125,805

NOTE 10 – PENSION AND OPEB PLANS (CONTINUED)

NET SEOPEBP LIABILITY

UMG's OPEB liability of $353.0 million as of June 30, 2021 for its proportionate share of the net OPEB liability was measured as of June 30, 2020 based on an actuarial valuation that was rolled forward to June 30, 2021. 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 proportion of the net OPEB liability was based on UMG's percentage of total overall contributions to the plan. For the years ended June 30, 2020 and 2019, UMG's proportion of contributions was 1.50% and 1.45%, respectively.

ACTUARIAL METHODS AND ASSUMPTIONS (SEOPEBP)

The total OPEB liability in the June 30, 2020 and 2019 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:	2.50%
Payroll growth rate:	3.50%
Salary increase:	3.25% to 4.50% as of June 30, 2020 and 3.25% to 19.50% as of June 30, 2019, varying by years of service and retirement system, including
Discount rate:	2.38% as of June 30, 2020 and 3.58% as of June 30, 2019
Healthcare cost trend rates	
Medical	6.0% graded to 4.5% over 6 years
Prescription Drug	6.0% graded to 4.5% over 6 years
Dental	3.0%
Part B	4.5%
Administrative expense	3.0%
Retirees' share of benefit-related costs	Contributions, if required, are determined by plan, employee start date, and benefit type

The discount rate is a blend of long-term expected rate of return on OPEB Trust assets and a yield or index rate for 20-year, tax exempt general obligation municipal bonds with an average rate of AA/Aa or higher (2.21% as of June 30, 2020 and 3.50% as of June 30, 2019). The blending is based on the sufficiency of projected assets to make projected benefit payments.

NOTE 10 – PENSION AND OPEB PLANS (CONTINUED)

ACTUARIAL METHODS AND ASSUMPTIONS (SEOPEBP) (CONTINUED)

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

The actuarial assumptions used in the June 30, 2020 and 2019 valuations were based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2015.

The COVID-19 pandemic is rapidly evolving and is having a significant impact on the US economy in 2021, and will likely continue to have an impact in the future. The actuarial results do not include the impact of the following:

- Direct or indirect effects of COVID-19 on short-term health plan costs;
- Changes in the market value of plan assets since June 30, 2020;
- Changes in the interest rates since June 30, 2020;
- Short-term or long-term impacts on mortality of the covered population;
- The potential for federal or state fiscal relief.

Each of the above factors could significantly impact the overall actuarial results.

CONTRIBUTIONS MADE (SEOPEBP)

The SEOPEBP contributions made to covered payroll is as follows:

	2021	2020	2019
Total UMG payroll covered by SEOPEBP	$ 92,069,745	$ 87,095,748	$ 80,717,114
Total UMG SEOPEBP contributions	13,361,770	13,005,337	10,901,925
Contributions as a percentage of covered payroll	14.5%	14.9%	13.5%

NOTE 10 – PENSION AND OPEB PLANS (CONTINUED)

CHANGES IN THE NET OPEB LIABILITY

	2020 Net OPEB Liability	2019 Net OPEB Liability	2018 Net OPEB Liability
		(in thousands)	
Beginning balance	$ 299,463	$ 202,293	$ 189,230
Changes for the year:			
Service cost	14,542	12,281	10,565
Interest	12,101	10,675	7,970
Differences between expected and actual experience	(2,693)	(9,348)	--
Changes in assumptions or other inputs	33,379	49,484	(8,485)
Benefit payments	(9,344)	(8,592)	(7,597)
Change in proportionate allocation of OPEB liability	5,584	42,670	10,610
Net changes	53,569	97,170	13,063
Ending balance	$ 353,032	$ 299,463	$ 202,293

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 2.38%, as well as the proportionate share of the net OPEB liability using a 1.00% increase or decrease from the current discount rate:

	1% Decrease (1.38%)	Discount Rate (2.38%)	1% Increase (3.38%)
		(in thousands)	
Net OPEB Liability	$ 415,268	$ 353,032	$ 303,002

NOTE 10 – 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	$ 295,956	$ 353,032	$ 426,431

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

For the years ended June 30, 2021 and 2020, UMG recognized OPEB expense of $35.7 million and $24.0 million, respectively. At June 30, 2021 and 2020, UMG reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	2021		2020	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
		(in thousands)		
Changes in proportion	$ 45,539	$ --	$ 49,883	$ --
UMG contributions subsequent to measurement date	13,362	--	13,005	--
Net difference between expected and actual experience in total OPEB liability	--	8,149	--	7,557
Changes in assumptions or other inputs	58,600	6,855	40,004	9,918
Net difference between projected and actual earnings	696	--	--	65
	$ 118,197	$ 15,004	$ 102,892	$ 17,540

NOTE 10 – 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 $13.4 million reported as deferred outflows of resources will be recognized as a reduction of the OPEB liability in the year ending June 30, 2022. 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 assumptions or other inputs	Net difference between expected and actual experience in total OPEB	Changes in assumptions or other inputs	Net difference between projected and actual earnings on OPEB plan investments
	(in thousands)				
2022	$ 14,242	$ 16,133	$ (2,355)	$ (3,104)	$ 143
2023	14,221	16,133	(2,355)	(2,508)	196
2024	12,646	16,132	(2,356)	(1,135)	176
2025	4,013	8,738	(959)	(106)	181
2026	417	1,464	(124)	(2)	--
Thereafter	--	--	--	--	--
	$ 45,539	$ 58,600	$ (8,149)	$ (6,855)	$ 696

EXPECTED RATE OF RETURN ON INVESTMENTS (SEOPEBP)

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity Fund	20%	5.6%
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 11 – RELATED PARTY TRANSACTIONS

The expenses reported in the accompanying statements of revenues, expenses, and changes in net position do not include undetermined amounts for salaries, services, and expenses provided to and received from UConn Health and other State agencies, 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 stand-alone basis. The Home Office allocation allocates costs based on several different methodologies depending on cost type. The methodologies used are consistent with Medicare cost reporting and other federal costing standards, and include allocations based on square footage occupied, employee full time equivalent (FTE) counts, as well as overall and total clinical cost breakouts. The Home Office allocation amounts are charged to business units each month based on operational results. Allocated expenses are grouped in their natural classification category for financial reporting purposes.

For the years ended June 30, 2021 and 2020, UConn Health also allocated COVID-19 response expenses to its business units, which are included in the Home Office allocations disclosed below. Expenses were reviewed for applicable business units and Home Office allocation methodology was applied for shared expenses.

For the years ended June 30, 2021 and 2020, these Home Office allocations 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	2021 Expenses Allocated	2020 Expenses Allocated
Salaries and Wages	$ 8,535,497	$ 7,827,448
Fringe Benefits	6,431,639	5,613,644
Internal Contractual Support	1,487,360	874,411
Utilities	1,882,824	1,762,761
Outside and Purchased Services	6,138,210	5,763,573
Insurance	209,832	152,224
Repairs and Maintenance	2,154,941	1,727,968
Medical Supplies	7,911	85,012
Other Expenses	1,055,016	328,085
Grand Total	$ 27,903,230	$ 24,135,126

NOTE 11 – 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" in the statements of revenues, expenses, and changes in net position. As a result, the total net transfers from UConn Health were $101,034,375 and $107,923,790 for the years ended June 30, 2021 and 2020, respectively. Fringe recoveries of $30,779,820 and $33,109,840 were transferred from UConn Health during the years ended June 30, 2021 and 2020, 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 $70,254,555 and $74,813,950 to UMG during the years ended June 30, 2021 and 2020, respectively, in working capital support. During the years ended June 30, 2021 and 2020, UMG received other transfers totaling $450,084 and $450,085, respectively, from UConn Health related to workers' compensation appropriations, which are included in total fringe recoveries disclosed above.

As described in note 1 and note 10, UMG participates in certain State retirement and fringe benefit plans. UMG's pension and OPEB liabilities (note 10) represent its pro-rata share of the State's overall liabilities and are not current commitments. The State finances the pension and OPEB benefits on a pay-as-you-go basis through allocated retirement plan rates. During the years ended June 30, 2021 and 2020, UMG expensed $129,143,256 and $104,354,672, respectively, for employee fringe benefits, including contributions to the State employee retirement funds. Related salary costs for 2021 and 2020 were $120,992,554 and $112,917,478, respectively.

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

Included in contract and other revenues of $12,129,442 and $12,572,969 in 2021 and 2020, respectively, are professional service revenues arising under contracts with UConn Health, JDH, State agencies, and other outside entities.

NOTE 11 – 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, the 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 2021 and 2020, UConn Health Pharmacy Services, Inc. (UHPSI), a wholly-owned subsidiary of the Finance Corporation, provided pharmaceuticals to UMG in the amount of approximately $5.7 million and $5.6 million, respectively. UMG records this charge in pharmaceutical/medical supplies expense in its statements of revenues, expenses and changes in net position. During the years ended June 30, 2021 and 2020, UMG made payments to UHPSI in the amount of $11.0 million and $-0-, respectively. UMG had amounts due from/(to) Finance Corporation at June 30, 2021 and 2020 of approximately $240,000 and $(6.1) million, respectively, which is recorded in the statements of net position.

At June 30, 2021 and 2020, UMG owed JDH $2.1 million and $195,000, respectively. The 2021 balance consisted primarily of patient deposits posted to a central clearing account in UMG that were owed back to JDH at year-end. A subsequent transfer was posted in fiscal year 2022 to move the funds from UMG to JDH in fiscal year 2022.

NOTE 12 – REPORTING OF THE MALPRACTICE FUND

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

NOTE 12 – REPORTING OF THE MALPRACTICE FUND (CONTINUED)

At June 30, 2021 and 2020, UConn Health's Malpractice Fund had reserves of approximately $41.7 million and $9.4 million, respectively, and assets of approximately $3.8 million and $6.1 million, respectively. At June 30, 2021, UConn Health accrued for a verdict, as adjusted, rendered in June 2021, which UConn Health intends to vigorously appeal. Appeal documents were filed in September 2021.

NOTE 13 – SUBSEQUENT EVENTS

UMG has evaluated subsequent events through December 13, 2021, which represents the date the financial statements were available to be issued. The following matters were noted:

In November 2021, UMG paid UHPSI approximately $760,000 toward its outstanding balance at June 30, 2021. Additionally, in December 2021, Circle Road Corporation paid $1.0 million to UMG related to the rent credit described in note 9.

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

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, 2021 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 13, 2021.

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 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.

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 13, 2021

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

	2020	2019	2018	2017	2016	2015	2014
				(dollars in thousands)			
Total Pension Liability							
Service cost	$ 3,544	$ 3,220	$ 2,778	$ 2,975	$ 1,992	$ 1,800	$ 1,471
Interest	22,032	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	1,898	10,058	3,125	--	30,671	--	--
Benefit payments, including refunds of member contributions	(19,421)	(16,703)	(12,707)	(11,494)	(10,737)	(9,609)	(8,017)
Change in proportionate allocation of pension liability	32,540	59,680	9,162	326	10,521	18,039	--
Net Change in Total Pension Liability	40,593	75,073	16,678	(3,168)	50,249	22,130	3,680
Total Pension Liability - Beginning	296,473	221,400	204,722	207,890	157,641	135,511	131,831
Total Pension Liability - Ending (a)	$ 337,066	$ 296,473	$ 221,400	$ 204,722	$ 207,890	$ 157,641	$ 135,511
Fiduciary Net Position							
Contributions - employer	$ 14,736	$ 12,966	$ 9,338	$ 9,553	$ 9,287	$ 7,953	$ 6,492
Contributions - employee	1,757	4,018	1,255	821	835	1,086	741
Net investment income	2,696	5,840	5,668	9,352	(1)	1,706	7,385
Benefit payments, including refunds of member contributions	(19,421)	(16,703)	(12,707)	(11,494)	(10,737)	(9,609)	(8,017)
Administrative expenses	(7)	(6)	(3)	(4)	(4)	--	--
Other	--	30	(20)	(2)	530	--	--
Change in proportionate allocation of fiduciary net position	11,971	21,853	3,322	102	4,127	7,132	--
Net Change in Fiduciary Net Position	11,732	27,998	6,853	8,328	4,037	8,268	6,601
Fiduciary Net Position - Beginning	109,064	81,066	74,213	65,885	61,848	53,580	46,979
Fiduciary Net Position - Ending (b)	$ 120,796	$ 109,064	$ 81,066	$ 74,213	$ 65,885	$ 61,848	$ 53,580
UMG's Net Pension Liability - Ending (a) - (b)	$ 216,270	$ 187,409	$ 140,334	$ 130,509	$ 142,005	$ 95,793	$ 81,931
UMG's portion of SERS Net Pension Liability	0.91%	0.82%	0.65%	0.62%	0.62%	0.58%	0.51%
Fiduciary Net Position as a Percentage of the Total Pension Liability	35.84%	36.79%	36.62%	36.25%	31.69%	39.23%	39.54%
UMG's Covered-Employee Payroll	$ 40,504	$ 32,551	$ 27,090	$ 26,025	$ 25,860	$ 23,424	$ 19,273
UMG's Net Pension Liability as a Percentage of Covered-Employee Payroll	533.95%	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

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
					(dollars in thousands)					
Contractually required contributions	$ 18,243	$ 14,736	$ 12,966	$ 9,338	$ 9,553	$ 9,366	$ 7,953	$ 6,492	$ 5,672	$ 4,958
Contributions in relation to the contractually required contribution	18,243	14,736	12,966	9,338	9,553	9,287	7,953	6,492	5,664	4,958
Contribution deficiency	$ --	$ --	$ --	$ --	$ --	$ 79	$ --	$ --	$ 8	$ --
UMG's covered-employee payroll	$ 43,496	$ 40,504	$ 32,551	$ 27,090	$ 26,025	$ 25,860	$ 23,424	$ 19,273	$ 17,688	$ 17,181
Contributions as a percentage of covered-employee payroll	41.94%	36.38%	39.83%	34.47%	36.71%	35.91%	33.95%	33.68%	32.02%	28.86%

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

	2020	2019	2018	2017
	(dollars in thousands)			
Net OPEB Liability				
Service cost	$ 14,542	$ 12,281	$ 10,565	$ 10,474
Interest	12,101	10,675	7,970	5,571
Differences between expected and actual experience	(2,693)	(9,348)	--	--
Changes of assumptions or other inputs	33,379	49,484	(8,485)	(5,567)
Benefit payments	(9,344)	(8,592)	(7,597)	(6,969)
Change in proportionate allocation of OPEB liability	5,584	42,670	10,610	(2,000)
Change in Net OPEB Liability	53,569	97,170	13,063	1,509
Net OPEB Liability - Beginning	299,463	202,293	189,230	187,721
Net OPEB Liability - Ending	$ 353,032	$ 299,463	$ 202,293	$ 189,230
Covered-Employee Payroll	$ 87,096	$ 80,717	$ 77,725	$ 76,699
Total OPEB Liability as a Percentage of Covered-Employee Payroll	405.34%	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

	2020	2019	2018	2017	2016
			(dollars in thousands)		
UMG's proportion of the net OPEB liability	1.50%	1.45%	1.17%	1.09%	1.09%
UMG's proportionate share of the net OPEB liability	$ 353,032	$ 299,463	$ 202,293	$ 189,230	$ 187,721
UMG's covered-employee payroll	$ 87,096	$ 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	405.34%	371.00%	260.27%	246.72%	234.88%
Plan fiduciary net position (assets)	$ 1,537,194	$ 1,196,008	$ 849,889	$ 542,342	$ 340,618
Plan fiduciary total OPEB liability	$ 25,078,100	$ 21,878,399	$ 18,114,287	$ 17,904,922	$ 17,583,045
Plan fiduciary net position as a percentage of the total OPEB liability	6.13%	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

	2021	2020	2019	2018	2017	2016
			(dollars in thousands)			
Contractually required contribution	$ 13,362	$ 13,005	$ 10,902	$ 9,396	$ 7,274	$ 6,626
Contributions in relation to the contractually required contribution	13,362	13,005	10,902	9,396	7,274	6,626
Contribution deficiency (excess)	$ --	$ --	$ --	$ --	$ --	$ --
UMG's covered-employee payroll	$ 92,070	$ 87,096	$ 80,717	$ 77,725	$ 76,699	$ 79,921
Contributions as a percentage of covered-employee payroll	14.51%	14.93%	13.51%	12.09%	9.48%	8.29%

Changes of Benefit Terms

In the June 30, 2020 and 2019 actuarial valuations, there were no changes of benefit terms.

Changes of Assumptions

In the June 30, 2020 actuarial valuation, the discount rate was updated in accordance with GASB Statement No. 75 to 2.38% as of June 30, 2021. The trends for Medicare-eligible retiree costs were updated to reflect final negotiated changes in Medicare Advantage rates for calendar year 2022.

In the June 30, 2019 actuarial valuation, the discount rate was set at 3.58% as of June 30, 2020 to more closely reflect the expected long-term rate of return. The demographic assumptions were updated to match the most recent valuations or experience studies.