

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

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

JUNE 30, 2024 AND 2023



CPAs | CONSULTANTS | WEALTH ADVISORS

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

OVERVIEW OF THE FINANCIAL STATEMENTS

The following discussion and analysis provides an overview of the financial position and activities of the University of Connecticut Health Center John Dempsey Hospital (21002 Fund) (the Hospital) as of and for the fiscal years ended June 30, 2024, 2023, and 2022. The Hospital is operated as a separate, identifiable unit of the University of Connecticut Health Center (UConn Health). This discussion has been prepared by management and should be read in conjunction with the financial statements and the notes thereto, which follow this section.

Through the Hospital (a licensed acute care hospital with 224 certified general acute care beds and 10 bassinets, 233 staffed), UConn Health provides specialized and routine inpatient and outpatient services. The Hospital has long been regarded as the premier facility in the region for high-risk maternity services. It is recognized for its cardiovascular program (interventional cardiology and surgery), cancer, musculoskeletal, neurosurgical care, stroke services and behavioral mental health services. Additionally, the Hospital is home to the only Emergency Department in Connecticut's Farmington Valley. The Hospital also provides comprehensive healthcare services for the State of Connecticut's (State) incarcerated inmates. These services are provided through a variety of contracts with the Hospital and the State's Department of Correction (DOC).

The Hospital received aid from a number of governmental and other sources throughout the pandemic. Notably, the Hospital received federal funding via the Coronavirus Aid, Relief, and Economic Security (CARES) Act; the Coronavirus Relief Fund (CRF); and from the Federal Emergency Management Agency (FEMA). Funding came from both general and targeted distributions. Funds received under these programs carry reporting and other requirements outlined by the federal government, which began September 30, 2021 and ended September 30, 2024. The Hospital believes it has met these requirements.

This annual report consists of management's discussion and analysis and the financial statements. The basic financial statements (Statements of Net Position, Statements of Revenues, Expenses, and Changes in Net Position, Statements of Cash Flows and related notes to the financial statements) present the financial position of the Hospital at June 30, 2024 and 2023, and the results of its operations and its financial activities for the fiscal years then ended. These financial statements report information about the Hospital using accounting methods similar to those used by private-sector companies. The Statements of Net Position include all of the Hospital's assets, liabilities, and deferred inflows and outflows. The Statements of Revenues, Expenses, and Changes in Net Position reflect the years activities on the accrual basis of accounting (i.e., when services are provided or obligations are incurred, not necessarily when cash is received or paid).

**UNIVERSITY OF CONNECTICUT HEALTH CENTER
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MANAGEMENT'S DISCUSSION AND ANALYSIS

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

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

FINANCIAL HIGHLIGHTS

The Hospital's financial position at June 30, 2024, consisted of assets of approximately \$564.1 million, deferred outflows of approximately \$338.8 million, liabilities of approximately \$1,125.2 million (of which \$937.4 million is related to GASB Statements No. 68 and 75), and deferred inflows of approximately \$289.6 million. The Hospital's financial position at June 30, 2023, consisted of assets of approximately \$519.7 million, deferred outflows of approximately \$297.5 million, liabilities of approximately \$958.0 million (of which \$771.0 million is related to GASB Statements No. 68 and 75), and deferred inflows of approximately \$294.2 million. Net position, which represents the residual interest in the Hospital's assets and deferred outflows after liabilities and deferred inflows are deducted, decreased by approximately \$77.0 million from fiscal year 2023 to a net deficit position of approximately \$511.9 million as of June 30, 2024.

The Hospital finished the year with an operating loss of \$89.4 million compared to an operating loss of \$32.8 million in the prior year. Current year losses include the effect of the Hospital recording its pro-rata share of expenses under GASB Statements No. 68 and 75 as discussed in Note 9. These expenses reflect changes to the pension and other post-employment benefits (OPEB) plans on a State level. The Hospital recorded an increase of \$122.8 million in 2024 as opposed to a decrease of \$46.5 million of expenses in 2023. The change was driven by changes in plan assumptions and changes in the Hospital's allocated percentage overall liabilities from fiscal 2023 to fiscal 2024. Operating income (losses) exclusive of these entries were \$33.4 million and (\$79.3) million in fiscal years 2024 and 2023, respectively.

The Hospital received net transfers from UConn Health of \$14.9 million and \$68.6 million in fiscal years 2024 and 2023, respectively. Current year transfers from UConn Health included \$4.5 million related to fringe benefit support and \$10.4 million for capital improvements. In fiscal year 2023, UConn Health transferred \$77.0 million and \$9.5 million related to fringe benefit support and working capital, respectively. These transfers in were offset by \$17.9 million in transfers to UConn Health for operational support during fiscal year 2023. Total net position decreased by approximately \$77.0 million in fiscal year 2024, compared to an increase of approximately \$33.5 million in fiscal year 2023.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL HIGHLIGHTS (CONTINUED)

SUMMARY OF ASSETS AND LIABILITIES

Summarized components of the Hospital's Statements of Net Position as of June 30, 2024, 2023, and 2022 are presented below:

	2024	2023	2022
	<i>(in thousands)</i>		
Summary of assets, liabilities and net position at June 30:			
Current assets	\$ 151,337	\$ 95,046	\$ 143,694
Other assets	24,975	25,280	14,415
Property - right-to-use assets, net	78,966	93,083	106,277
Capital assets, net	308,793	306,272	315,345
Total assets	\$ 564,071	\$ 519,681	\$ 579,731
Deferred amount for pensions	\$ 107,038	\$ 168,794	\$ 163,360
Deferred amount for OPEB	231,736	128,736	161,057
Total deferred outflows	\$ 338,774	\$ 297,530	\$ 324,417
Current liabilities	\$ 90,760	\$ 82,486	\$ 119,566
Noncurrent Liabilities	1,034,398	875,469	1,084,437
Total liabilities	\$ 1,125,158	\$ 957,955	\$ 1,204,003
Deferred amount for lease liability	\$ 2,030	\$ 4,245	\$ 6,460
Deferred amount for pensions	69,297	91,282	32,025
Deferred amount for OPEB	218,305	198,678	130,126
Total deferred inflows	\$ 289,632	\$ 294,205	\$ 168,611
Net investment in capital assets	\$ 291,830	\$ 295,166	\$ 311,550
Unrestricted deficit	(803,775)	(730,115)	(780,016)
Total net position	\$ (511,945)	\$ (434,949)	\$ (468,466)

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MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL HIGHLIGHTS (CONTINUED)

SUMMARY OF ASSETS AND LIABILITIES (CONTINUED)

In this section, the Hospital explains the reasons for those financial statement items with significant variances relating to fiscal year 2024 amounts compared to fiscal year 2023 amounts.

Changes in assets included the following:

- *Due from other funds* – increased from June 30, 2023 to June 30, 2024 by approximately \$6.0 million primarily as a result of the State support for fringe benefits posted subsequent to year end.
- *Due from Finance Corporation* – increased from June 30, 2023 to June 30, 2024 by approximately \$4.4 million primarily associated with the increase in revenues from the UConn Health Pharmacy Services Inc. (UHPSI) 340B program revenue.
- *Property – right-to-use assets, net* – decreased from June 30, 2023 to June 30, 2024 by approximately \$14.1 million, as depreciation and disposals outpaced right-to-use acquisitions during the current fiscal year.

Changes in liabilities included the following:

- *Accounts payable and accrued expenses* – increased from June 30, 2023 to June 30, 2024 by approximately \$4.5 million, primarily due to the increased accruals for drug vendors associated with the increase in 340B transactions.
- *Accrued payroll* – increased from June 30, 2023 to June 30, 2024 by approximately \$2.6 million. The payroll accrual is impacted by FTE's, wage rates, and the payroll factor, which is calculated based on the number of days remaining unpaid at the end of the fiscal year. The payroll factor increased during the current fiscal year while FTEs increased by 221 from June 30, 2023 to June 30, 2024.
- *Due to third-party payors* – increased from June 30, 2023 to June 30, 2024 by approximately \$3.1 million, primarily due to the estimated expected decreases reimbursement resulting from the increase in staffed beds 28 beds which reduces expected IME (Indirect Medical Education) payments.
- *Pension and OPEB liabilities* – increased from June 30, 2023 to June 30, 2024 by approximately \$166.4 million primarily from changes in the Hospital's OPEB allocations. This represents the Hospital's proportional share of the State's OPEB liability as actuarially determined based on the Hospital's percentage of overall contributions.
- *Right-to-use liabilities* – decreased from June 30, 2023 to June 30, 2024 by approximately \$8.3 million, primarily as a result of scheduled paydowns of lease obligations along with there being minimal new leases in the current fiscal year.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL HIGHLIGHTS (CONTINUED)

SUMMARY OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

Summarized components of the Hospital's Statements of Revenues, Expenses, and Changes in Net Position for the fiscal years ended June 30, 2024, 2023, and 2022 are presented below:

	2024	2023	2022
	<i>(in thousands)</i>		
Summary of revenues, expenses and transfers for the year ended June 30:			
Operating revenues	\$ 761,729	\$ 699,116	\$ 617,438
Operating expenses	(851,121)	(731,915)	(749,777)
Operating Loss	(89,392)	(32,799)	(132,339)
Nonoperating revenue (expense), net	(2,484)	(2,313)	7,536
Loss before transfers	(91,876)	(35,112)	(124,803)
Net transfers	14,880	68,629	56,516
Cumulative effect of change in accounting method GASB 87	-	-	(258)
Increase (Decrease) in Net Position	\$ (76,996)	\$ 33,517	\$ (68,545)

Hospital discharges of 12,001 represent an increase of 1,155 from 2023 as demand for services has eclipsed pre-pandemic levels and continues to grow.

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

Operating revenues

Total operating revenues increased from the fiscal year ended June 30, 2023 to the fiscal year ended June 30, 2024 by approximately \$62.6 million or 9.0%.

- *Net patient service revenues* – increased by approximately \$70.1 million or 11.9% from prior year due to increased volumes along with certain payor contract increases made in fiscal year 2024.
- *Contract and other revenues* – decreased by approximately \$7.5 million or 6.9% from the prior year, which was driven by decreases in the Ryan White 340B contract and pharmacy 340B contract agreements (340B drug contract).

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MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL HIGHLIGHTS (CONTINUED)

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

Operating expenses

Total operating expenses increased from the fiscal year ended June 30, 2023 to the fiscal year ended June 30, 2024 by approximately \$119.2 million or 16.3%.

- *Salaries and wages* – increased by approximately \$30.1 million or 12.9% from the prior year due to contractually bargained wage increases. FTE's increased 221 from prior year in order to support the increase in volume and the additional beds added during fiscal year 2024.
- *Fringe benefits* – increased by approximately \$75.1 million or 62.0% from the prior year primarily from charges associated with the Hospital recording its proportionate share of expenses under GASB Statements No. 68 and 75.
- *Outside agency per diems* – decreased by approximately \$9.2 million or 32.5% from the prior year. The Hospital has increased efforts to hire permanent staff instead of using agency staffing during the year while per diem rates have declined from their peaks during COVID.
- *Pharmaceutical/medical supplies* – increased by approximately \$14.7 million or 8.4% from the prior year due to the increasing volume of transactions with UHPSI and increased supplies associated with higher surgical volumes during fiscal year 2024.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL HIGHLIGHTS (CONTINUED)

SUMMARY OF CASH FLOWS

The Statements of Cash Flows provide additional information about the Hospital's financial results by reporting the major sources and uses of cash. A summary of the Statements of Cash Flows for the fiscal years ended June 30, 2024, 2023, and 2022 are as follows:

	2024	2023	2022
	<i>(in thousands)</i>		
Cash received from operations	\$ 761,525	\$ 675,952	\$ 595,959
Cash expended for operations	(694,983)	(744,322)	(655,315)
Net cash (used in) provided by operations	66,542	(68,370)	(59,356)
Net cash (used in) investing activities	(25,765)	(14,419)	(56,927)
Net cash provided by noncapital financing activities	-	292	9,338
Net cash provided by capital and related financing activities	4,058	57,280	91,766
Net change in cash	44,835	(25,217)	(15,179)
Cash - Beginning	8,177	33,394	48,573
Cash - Ending	\$ 53,012	\$ 8,177	\$ 33,394

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MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL HIGHLIGHTS (CONTINUED)

CAPITAL AND INTANGIBLE ASSETS

At June 30, 2024, the Hospital had capital and intangible assets of \$561.2 million and property – right to use assets of \$131.8 million before accumulated depreciation and amortization, compared to \$542.3 million and \$136.7 million at June 30, 2023. A summary of capital and intangible asset balances is shown in the table below:

	2024	2023	2022
	<i>(in thousands)</i>		
Land	\$ 183	\$ 183	\$ 183
Construction in progress	15,747	7,664	2,970
Buildings	405,905	404,149	402,852
Equipment	81,711	73,277	72,895
Computer software	57,557	56,979	56,696
Equipment - financed	71	71	71
Total capital assets	561,174	542,323	535,667
Less accumulated depreciation and amortization	252,381	236,051	220,322
Capital assets, net	<u>\$ 308,793</u>	<u>\$ 306,272</u>	<u>\$ 315,345</u>
Property - right-to-use building	\$ 94,466	\$ 94,397	\$ 94,947
Property - right-to-use equipment	12,378	17,055	20,566
Property - right-to-use subscriptions	24,989	25,266	24,784
Total property - right-to-use assets	131,833	136,718	140,297
Less accumulated amortization	52,867	43,635	34,020
Property - right-to-use assets, net	<u>\$ 78,966</u>	<u>\$ 93,083</u>	<u>\$ 106,277</u>

For fiscal year 2025, all UConn Health capital requests will be considered for funding on an individual basis. Capital requests will be considered by UConn Health's Capital Prioritization Committee. More detailed information about the Hospital's capital and intangible assets are presented in Note 7 to the financial statements.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

FISCAL 2025 OUTLOOK

As we look forward to fiscal year 2025, UConn Health faces unique challenges as the world continues to move beyond the COVID pandemic. UConn Health continues to see increasing clinical volumes while dealing with staffing scarcity and inflationary pressures. Supply chains though stronger have not yet achieved pre-pandemic reliability. In addition, COVID continues to undulate while other emerging public health threats such as bird flu and monkeypox bear watching. Public sentiment continues to trend towards decreasing healthcare spending at a time when providers remain vulnerable. At the same time, an increasing focus on health equity and minimizing the impacts of health disparities in the general population puts additional focus on our ability to fulfill community need. UConn Health remains diligent in monitoring changing clinical and business models as it navigates changing operational, social, and regulatory landscapes.

UConn Health continues to adapt to changing healthcare environments including labor and supply shortages, funding challenges, and increased demand through continual re-prioritization, forward thinking, teamwork, and creativity. Continued and evolving public health challenges, including a focus on diversity and equity, require new methodologies, partnerships, and treatment options. We remain committed to responding to these needs to serve the people of Connecticut. UConn Health continues to evaluate partnerships with both public and private entities to bring additional tools and options to the public.

Research, education, patient care, and community service remain the cornerstones of UConn Health's mission. These pillars remain as fundamental and relevant as ever. UConn Health is focused on maximizing our efforts in these areas while navigating uncertainty surrounding both State and Federal funding. Federal and State aid are vital in shepherding public institutions through the many current challenges they face. This aid allows us to maintain access to a breadth of services and clinical specialties that might not otherwise be possible. Such aid also allows UConn Health to continue its public mission of protecting and serving the socially or economically disadvantaged. UConn Health benefitted from federal CARES Act support during the pandemic and continues to benefit from the allocation of American Rescue Plan Act (ARPA) funds from the State of Connecticut.

A combination of institution-wide financial initiatives and additional State funding allowed UConn Health to balance its 2024 spending plan. The new year brings its own challenges. As State and Federal governments reduce spending, funding is at the forefront of concerns. Public sentiment towards healthcare and education spending by the State has eroded and the focus has shifted to affordability, tax relief, and government sustainability. UConn Health begins fiscal 2025 with a projected deficit and has developed financial improvement programs to bring the budget into balance.

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MANAGEMENT’S DISCUSSION AND ANALYSIS

FISCAL 2025 OUTLOOK (CONTINUED)

Clinical volumes have rebounded and greatly exceed pre-pandemic volumes straining delivery mechanisms and demanding increased focus on space, staff, and resource utilization. Volume trends at UConn Health, in almost every aspect, exceed the experience of other region and statewide hospital averages now for three straight periods. The Hospital is working to maximize all its operating rooms including opening its second hybrid operating room expanding the total number of OR in the hospital to thirteen. JDH has expanded into the CT Tower to open all of its currently licensed beds, reopening the 7th floor for patient care in early 2024. UMG continues to add and expand existing satellite locations both around the main UConn Health campus and throughout the State. A new home infusion program will open in 2025 and new programs in imaging and wound care, opened at the end of the past year. Adding and replacing skilled labor has become increasingly difficult. Growing the skills of newer workers takes longer in hybrid environments. Competition for doctors, nurses, and other clinical specialties is intense. Wage and general inflation remains an issue as it continues to outpace payment increases. The global supply chain continues to work towards stabilization. Ports, rail transit, and trucking have stabilized during 2024 but are vulnerable to additional disruptions.

A recent study commissioned by the Governor of the State of Connecticut found that UConn Health will need to expand its overall scale to compete in a consolidating healthcare landscape. UConn Health remains committed to strategic growth both organically and through partnerships. We will continue to explore all options over the upcoming year as we seek to bring the best in research, education, and clinical care to the residents of the State of Connecticut.

CONTACTING THE HOSPITAL’S FINANCIAL MANAGEMENT

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



INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of The University of Connecticut Health Center John Dempsey Hospital (21002 Fund) (the Hospital), an enterprise fund of the State of Connecticut, as of and for the years ended June 30, 2024 and 2023, and the related notes to the financial statements, which collectively comprise the Hospital's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of The University of Connecticut Health Center John Dempsey Hospital (21002 Fund) as of June 30, 2024 and 2023, and the respective changes in net position, and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of The University of Connecticut Health Center John Dempsey Hospital's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about The University of Connecticut Health Center John Dempsey Hospital's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information, such as management’s discussion and analysis, the schedule of changes in the Hospital’s net position liability and related ratios, the schedule of pension contributions, the schedule of changes in the Hospital’s net OPEB liability and related ratios, the schedule of the Hospital’s proportionate share of the net OPEB liability, and the schedule of the Hospital’s OPEB contributions, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 2024, on our consideration of The University of Connecticut Health Center John Dempsey Hospital’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Hospital’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Hospital’s internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

West Hartford, Connecticut
November 20, 2024

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

STATEMENTS OF NET POSITION

JUNE 30, 2024 AND 2023

	2024	2023
Assets		
Current Assets		
Cash	\$ 53,012,002	\$ 8,177,490
Patient accounts receivable, net of estimated uncollectibles of \$39,519,185 and \$27,453,960 at June 30, 2024 and 2023, respectively	58,607,322	54,512,073
Inventory	17,334,825	15,320,803
Contract and other receivables (Note 6)	4,053,822	4,858,538
Lease receivable, current portion (Note 6)	2,171,140	2,215,086
Due from State of Connecticut	-	222,603
Due from other funds	6,040,802	-
Due from UMG	-	3,244,811
Due from Finance Corporation	8,895,996	4,641,730
Prepaid expenses	1,220,761	1,852,657
Total Current Assets	151,336,670	95,045,791
Noncurrent Assets		
Deposits with vendors (Note 1)	12,681,647	11,125,119
Other assets	117,543	117,543
Lease receivable, net of current portion (Note 6)	-	2,030,495
Due from Finance Corporation, noncurrent portion	12,176,334	12,007,648
Property - right-to-use assets, net (Note 7)	78,966,116	93,083,090
Capital and intangible assets, net (Note 7)	308,792,675	306,271,612
Total Noncurrent Assets	412,734,315	424,635,507
Total Assets	564,070,985	519,681,298
Deferred Outflows of Resources		
Deferred amount for pensions (Note 9)	107,038,539	168,793,761
Deferred amount for OPEB (Note 9)	231,735,981	128,736,254
Total Deferred Outflows of Resources	\$ 338,774,520	\$ 297,530,015

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

**UNIVERSITY OF CONNECTICUT HEALTH CENTER
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STATEMENTS OF NET POSITION

JUNE 30, 2024 AND 2023

	2024	2023
Liabilities and Net Position		
Current Liabilities		
Accounts payable and accrued expenses	\$ 27,488,168	\$ 22,944,901
Accrued payroll	11,481,665	8,848,291
Due to UConn Health Malpractice Fund	361,504	534,630
Due to other funds	-	3,786,683
Due to State of Connecticut	3,200,015	2,597,889
Due to third-party payors	26,513,543	23,426,706
Unearned revenue	4,419	4,419
Right-to-use liabilities, current portion (Note 8)	11,384,025	11,181,983
Note payable, current portion (Note 8)	-	2,917
Accrued compensated absences, current portion (Note 8)	10,326,782	9,157,394
Total Current Liabilities	90,760,121	82,485,813
Noncurrent Liabilities		
Pension liabilities (Note 9)	356,834,835	340,558,863
OPEB liabilities (Note 9)	580,578,711	430,420,277
Right-to-use liabilities, net of current portion (Note 8)	84,545,216	93,003,766
Accrued compensated absences, net of current portion (Note 8)	12,439,491	11,485,965
Total Noncurrent Liabilities	1,034,398,253	875,468,871
Total Liabilities	1,125,158,374	957,954,684
Deferred Inflows of Resources		
Deferred amount for resources right-to-use assets	2,030,495	4,245,581
Deferred amount for pensions (Note 9)	69,296,557	91,281,759
Deferred amount for OPEB (Note 9)	218,305,191	198,677,634
Total Deferred Inflows of Resources	289,632,243	294,204,974
Net Position		
Net investment in capital assets	291,829,550	295,166,036
Unrestricted deficit	(803,774,662)	(730,114,381)
Total Net Position	\$ (511,945,112)	\$ (434,948,345)

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

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

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

	2024	2023
Operating Revenues		
Net patient service revenues (Note 5)	\$ 660,401,437	\$ 590,258,174
Contract and other revenues	101,327,243	108,858,424
Total Operating Revenues	<u>761,728,680</u>	<u>699,116,598</u>
Operating Expenses		
Salaries and wages	264,042,860	233,913,029
Fringe benefits	196,168,993	121,088,632
Medical/dental house staff	3,816,823	3,695,641
Medical contractual support	4,326,937	2,439,996
Internal contractual support	47,429,079	43,580,737
Outside agency per diems	19,187,545	28,416,824
Depreciation (Note 7)	20,028,414	19,118,955
Amortization (Note 7)	17,270,138	17,532,514
Pharmaceutical/medical supplies	189,085,135	174,402,492
Utilities	4,922,200	5,763,274
Outside and other purchased services	59,148,857	57,546,671
Insurance	5,860,885	5,815,120
Repairs and maintenance	13,369,480	12,614,499
Other expenses	6,463,650	5,987,032
Total Operating Expenses	<u>851,120,996</u>	<u>731,915,416</u>
Operating Loss	<u>(89,392,316)</u>	<u>(32,798,818)</u>
Nonoperating Revenues (Expenses)		
Gift and endowment income	-	95,000
COVID-19 relief revenue	-	196,693
Interest income	118,970	197,212
Lease revenue	2,215,086	2,215,086
Interest expense	(4,755,591)	(4,981,464)
Loss on disposals	(62,626)	(35,580)
Net Nonoperating (Expenses)	<u>(2,484,161)</u>	<u>(2,313,053)</u>
Loss before Transfers	(91,876,477)	(35,111,871)
Transfers from UConn Health - Unrestricted (Note 10)	14,879,710	86,511,361
Transfers to UConn Health (Note 10)	-	(17,881,833)
Increase (Decrease) in Net Position	(76,996,767)	33,517,657
Net Position - Beginning of year	(434,948,345)	(468,466,002)
Net Position - End of year	<u>\$ (511,945,112)</u>	<u>\$ (434,948,345)</u>

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

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

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

	2024	2023
Cash Flows from Operating Activities		
Cash received from patients and third-party payors	\$ 659,393,025	\$ 564,230,173
Cash received from contract and other revenues	102,131,959	111,721,686
Cash paid to employees for salaries and fringe benefits	(331,798,580)	(429,937,513)
Cash (returned to) received from related parties	(11,005,626)	4,214,332
Cash paid for other than personnel services	(352,179,103)	(318,598,321)
Net Cash Provided (Used) in Operating Activities	66,541,675	(68,369,643)
Cash Flows from Investing Activities		
Additions to property and equipment	(25,765,268)	(14,419,168)
Net Cash Used in Investing Activities	(25,765,268)	(14,419,168)
Cash Flows from Noncapital Financing Activities		
COVID-19 relief received	-	196,693
Gifts and endowment income	-	95,000
Net Cash Provided by Noncapital Financing Activities	-	291,693
Cash Flows from Capital and Related Financing Activities		
Interest paid	(4,755,591)	(4,981,464)
Transfer from UConn Health - unrestricted	14,879,710	86,511,361
Transfer to UConn Health	-	(17,881,833)
Payments on right-to-use lease liabilities, net	(8,256,508)	(8,725,713)
(Payments) borrowing on notes payable	(2,917)	(51,771)
Interest income	118,970	197,212
Lease revenue	2,074,441	2,212,716
Net Cash Provided by Capital and Related Financing Activities	4,058,105	57,280,508
Net Change in Cash	44,834,512	(25,216,610)
Cash - Beginning	8,177,490	33,394,100
Cash - Ending	\$ 53,012,002	\$ 8,177,490
Supplemental Disclosure of Non-Cash Investing and Financing Activities		
Right-to-use assets acquired by entering into lease agreements	\$ 368,225	\$ 1,222,678
Right-to-use subscription acquired by entering into lease agreements	\$ 2,784,939	\$ 481,440

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

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

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
Reconciliation to Operating Loss to Net		
Cash Provided (Used) in Operating Activities		
Operating loss	\$ (89,392,316)	\$ (32,798,818)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation and amortization	37,298,552	36,651,469
Changes in operating assets and liabilities:		
Patient accounts receivable, net	(4,095,249)	(3,208,310)
Inventory	(2,014,022)	535,134
Contract and other receivables	804,716	2,863,262
Prepaid expenses	631,896	(542,042)
Deposit with vendors	(1,556,528)	(1,073,495)
Due from UMG	3,244,811	(2,938,618)
Due from Finance Corporation	(4,422,952)	(4,436,819)
Due from State of Connecticut	222,603	11,350,939
Due from other funds	(6,040,802)	7,803,086
Change in deferred inflows - pension	43,878	6,404
Change in deferred inflows - OPEB	(58,210,998)	(34,765,738)
Due to third-party payors	3,086,837	(22,819,691)
Due to malpractice	(173,126)	346,254
Due to other funds	(3,786,683)	3,786,683
Accounts payable and accrued expenses	4,543,267	(303,764)
Due to State of Connecticut	602,126	(10,434,052)
Change in deferred outflows - OPEB	54,126,531	21,407,796
Change in deferred outflows - pension	27,876,506	(35,259,971)
Change in net pension liability	28,125,609	(10,492,007)
Change in net OPEB liability	70,870,731	12,610,739
Accrued payroll	2,633,374	(9,064,059)
Accrued compensated absences	2,122,914	2,405,975
Net Cash Provided (Used) in Operating Activities	<u>\$ 66,541,675</u>	<u>\$ (68,369,643)</u>

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

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

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

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

REPORTING ENTITY

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

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

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

BASIS OF PRESENTATION

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

PROPRIETARY FUND ACCOUNTING

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

USE OF ESTIMATES

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

CASH

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

ACCOUNTS RECEIVABLE AND NET PATIENT SERVICE REVENUES

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

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

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

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

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 and other customers under various contractual agreements and certain agreements with outside providers and pharmacies. Revenue is recorded on the accrual basis of accounting in the period the related services are rendered.

The Hospital's 340B pharmacy has an agreement with UConn Health Pharmacy Services, Inc. (UHPSI) related to certain pharmaceutical sales. This revenue is included in contract and other revenues on the statements of revenues, expenses, and changes in net position. See Note 6 for additional details.

INVENTORY

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

DEPOSITS WITH VENDORS

As of June 30, 2024 and 2023, deposits with vendors totaled approximately \$12.7 million and \$11.1 million, respectively. The majority of these funds, approximately \$12.1 million and \$10.7 million, respectively, was held on deposit by AmerisourceBergen. This is the Hospital's primary pharmaceutical vendor. As part of its contract, the Hospital is required to maintain a deposit with AmerisourceBergen based on a percentage of the prior quarter purchases. The deposits are non-interest bearing and are considered subject to the credit risk of the vendor.

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

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

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

LEASES

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

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

In addition, the Hospital has entered various subscription-based information technology arrangements to support its services. Information on the types of arrangements entered into and their financial impact on the Hospital can be found in Note 8.

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

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

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

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.

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

INTANGIBLE ASSETS

Intangible assets consist of capitalized computer software costs, including software internally developed, that do not meet the definition of subscription-based information technology agreements. Costs incurred in the development and installation of internal use software are expensed or capitalized depending on whether they are incurred in the preliminary project stage, application development stage, or post-implementation stage, and the nature of the costs. Computer software costs are amortized on a straight-line basis over their expected useful lives, which range from 3 to 10 years. Capitalized computer software costs are included with capital and intangible assets on the statements of net position. See Note 7 for the gross costs capitalized and the accumulated amortization of capitalized computer costs.

IMPAIRMENT OF LONG-LIVED ASSETS

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

During 2024, the Hospital disposed of capital lease right to use equipment, right to use SBITA, and general equipment of approximately \$9.3 million due to equipment and software reaching the end of their life and having been retired. These assets are reported in Note 7 and there was no loss on disposal. The Hospital also disposed of a number of smaller items which resulted in a total loss on disposal of \$62,626. None of these items were individually significant.

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

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

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

IMPAIRMENT OF LONG-LIVED ASSETS (CONTINUED)

During 2023, the Hospital disposed of capital lease equipment, information technology, and general equipment of approximately \$3.4 million (excluding right-to-use assets), all of which had reached the end of their useful lives and were retired. An additional \$6.1 million relates to right-to-use assets which were fully amortized by the end of the fiscal year. The Hospital also disposed of a number of smaller items which resulted in a total loss on disposal of \$35,580.

STATE FUNDING FOR EMPLOYEE RETIREMENT AND OPEB PLANS

Effective July 1, 2023, the State covers all retirement costs for Hospital employees enrolled in the State's retirement systems and the Alternate Retirement Plan. Therefore, these costs are no longer charged to the Hospital through a fringe benefit rate assessment. As such, the State did not charge the Hospital for the contributions it made to the pension and OPEB plans in fiscal year 2024.

Since the Hospital is an enterprise fund of the State and is not a legally separate entity, the retirement costs funded by the State are not reflected as on-behalf revenues or expenses in the accompanying financial statements.

The Hospital's proportions of the collective net pension and net OPEB liabilities are based on its share of contributions, relative to total contributions made to the respective defined benefit plans. In accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, these liabilities are reported as of the measurement date of June 30, 2023, which is one year before the reported fiscal year-end of June 30, 2024. Because the State allocated pension and OPEB costs to the Hospital during the measurement period, the Hospital is required to report its proportionate share of the collective net pension and net OPEB liabilities, related deferred outflows and deferred inflows of resources, and related expenses in the accompanying financial statements for fiscal year 2024. Furthermore, the amounts reported do not reflect legislative changes effect after the measurement date of June 30, 2023. See Note 9 for additional details.

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

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

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

RETIREMENT PLANS AND OTHER POSTEMPLOYMENT BENEFITS

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

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

The Hospital has recorded and disclosed pensions in accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, as amended by GASB Statement No. 82 (collectively referred to herein as GASB 68). GASB 68 requires the pro-rata share of the State's pension liabilities be recorded at the entity level. The Hospital has historically paid into the State retirement plans on a pay-as-you-go basis but has recorded its corresponding liability and deferred inflows and outflows as prescribed by GASB 68. Beginning in fiscal year 2024, the State transferred responsibility for fringe benefit expenses from UConn Health to the Office of the State Comptroller. Under this legislation, the State Comptroller will pay retirement related fringe costs for all higher education constituent units including UConn and the Connecticut State Colleges and Universities. The change will impact how UConn Health records pension and OPEB liabilities in subsequent reporting periods. The impact of this change is still being evaluated.

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

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

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

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

RETIREMENT PLANS AND OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

The Hospital recorded its pro-rata share of the OPEB liability held at the State level in accordance with GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions* (GASB 75). The Hospital continues to pay its portion of the State of Connecticut’s Employee OPEB Plan (SEOPEBP) on a pay-as-you-go basis, but has recorded its corresponding liability and deferred inflows and outflows as prescribed by GASB 75. The aforementioned changes in funding of retirement benefits will also impact OPEB reporting in subsequent periods. The impact of these changes is still being evaluated. See Note 9 for additional details.

PENSION LIABILITIES

The Hospital records its proportionate share of the collective net pension liability and collective pension expense for each defined benefit plan offered to its employees. The pro-rata share of the pension liability is calculated based on the percentage of contributions to the plan in the valuation year. The collective net pension liability for each plan is measured as the total pension liability, less the amount of the pension plan’s fiduciary net position. The total pension liability is the portion of the actuarial present value of projected benefit payments that are attributable to past periods of plan member service. Information about the fiduciary net position and additions to/deductions from each pension plan’s fiduciary net position has been determined on the same basis as they are reported by each pension plan. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The Hospital contributions are recognized in the period in which the contributions are appropriated. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan. The Hospital recorded its proportionate share of the net pension liability based on the valuations performed as of June 30, 2023 and 2022.

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

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

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

OPEB LIABILITIES

Individuals who are employed by the Hospital are eligible to participate in the State's group health plan and are also eligible to continue benefits upon retirement. Retirees under age 65 pay the same premium for medical, prescription drug and dental benefits as active employees, which results in an implicit rate subsidy and OPEB liability. For this purpose, plan member contributions are recognized in the period in which the contributions are due. Hospital contributions are recognized in the period in which the contributions are appropriated. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan. The Hospital recorded its proportionate share of the net OPEB liability for the fiscal years ended June 30, 2024 and 2023 based on valuations performed as of June 30, 2023 and 2022.

DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES

Deferred outflows of resources are defined as the consumption of net assets in one period that are applicable to future periods and will not be recognized as an outflow of resources (expense) until then. These amounts are reported in the statement of net position in a separate section, after total assets. The Hospital has two items that meet this criterion, pension deferrals and OPEB deferrals. Historically, Hospital contributions to the pension and OPEB plans made subsequent to the measurement date of the net pension and net OPEB liabilities have been reported as deferred outflows or resources. However, due to legislative changes, the Hospital did not make contributions to these plans after June 30, 2023. See Note 9 for details on these changes and how retirement costs are being managed by the State.

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

DUE TO STATE OF CONNECTICUT

Due to State of Connecticut reported on the statements of net position represents the respective Hospital borne fringe benefit costs owed at the end of the fiscal year related to accrued salaries.

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

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

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

COMPENSATED ABSENCES

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

All other compensated absences are accrued at 100% of their balance. Compensated absences in the accompanying statements of net position have been allocated between current and noncurrent liabilities based on historical experience.

THIRD-PARTY PAYORS

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

MEDICAL MALPRACTICE

Health care providers and support staff of the Hospital are fully protected by State Statutes from any claim for damage or injury, not wanton, reckless or malicious, caused in the discharge of their duties or within the scope of their employment (statutory immunity). Any claims paid for actions brought against the State as permitted by waiver of statutory immunity are charged against UConn Health's malpractice self-insurance fund. UConn Health allocates an annual malpractice premium to the Hospital, designed to reflect an estimate of the current fiscal year's cash claims to be processed. For the fiscal years ended June 30, 2024 and 2023, annual premiums were approximately \$4.3 million, respectively. These premiums are included in insurance expense in the Hospital's statements of revenues, expenses, and changes in net position. The due to UConn Health Malpractice Fund reported on the statements of net position represents premiums payable for occurrence based coverage through June 30, 2024 and 2023, respectively.

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

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

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

NET POSITION

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

REGULATORY MATTERS

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

SUBSEQUENT EVENTS

In preparing these financial statements, the Hospital has evaluated events and transactions for potential recognition or disclosure through November 20, 2024, the date the financial statements were available to be issued. No subsequent events required recognition or disclosure in the financial statements were identified.

NOTE 2 – RECENTLY ADOPTED AND UPCOMING ACCOUNTING PRONOUNCEMENTS

RECENTLY ADOPTED ACCOUNTING PRONOUNCEMENT

Effective for the fiscal year ended June 30, 2024, GASB issued the following pronouncements that were adopted for this report: Paragraphs 4 through 10 of GASB Statement No. 99, *Omnibus 2022*, and GASB Statement No. 100, *Accounting Changes and Error Corrections*. The adoption of other pronouncements did not have a material impact on the financial statements.

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

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

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

UPCOMING ACCOUNTING PRONOUNCEMENTS

In June 2022, GASB issued Statement No. 101, Compensated Absences. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model by amending certain previously required disclosures. The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This Statement is effective for fiscal years beginning after December 15, 2023. The Hospital is currently evaluating the impact this standard will have on its financial statements.

In December 2023, GASB issued Statement No. 102, Certain Risk Disclosures. The objective of this Statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. This Statement is effective for fiscal years beginning after June 15, 2024. The Hospital is currently evaluating the impact this standard will have on its financial statements.

In April 2024, GASB issued Statement No. 103, Financial Reporting Model Improvements. The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This Statement is effective for fiscal years beginning after June 15, 2025. The Hospital is currently evaluating the impact this standard will have on its financial statements.

NOTE 3 – HYPOTHECATION

In accordance with State Statute, the Hospital can borrow from the State up to 90% of its net patient accounts receivables and contract and other receivables to fund operations. As of June 30, 2024 and 2023, the Hospital had not drawn down any funds under the hypothecation. As of June 30, 2024 and 2023, the Hospital had available amounts of \$56,395,029 and \$53,433,549 respectively, under State Statute.

**UNIVERSITY OF CONNECTICUT HEALTH CENTER
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NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

NOTE 4 – CHARITY CARE

The Hospital maintains records to identify and monitor the level of charity care it provides. These records include the amount of charges forgone for services and supplies furnished under its charity care policy, the estimated cost of those services and supplies, and equivalent service statistics. During 2024 and 2023, the Hospital provided charity care services of \$8,395,629 and \$4,980,776, respectively. The significant increase in charity care during 2024 was mainly caused by the Department of Social Services Medicaid redetermination activity. Many individuals previously receiving Medicaid coverage under COVID policy were no longer eligible for that coverage due to actual income level determinations. Additionally, the implementation of an automated process for financial assistance streamlined the overall approval process which contributed to the increase in the number of individuals receiving charity care.

The estimated cost of these services was \$2,323,071 and \$1,441,935, respectively, for the fiscal years ended June 30, 2024 and 2023. No net patient service revenue was recorded for these services; however, expenses associated with these services are included in operating expenses in the statements of revenues, expenses, and changes in net position.

NOTE 5 – NET PATIENT SERVICE REVENUES

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

	2024	2023
Gross patient service revenues	\$ 1,983,403,654	\$ 1,767,999,827
Less contractual allowances and provision for bad debt	(1,323,002,217)	(1,177,741,653)
Net patient service revenues	\$ 660,401,437	\$ 590,258,174

SIGNIFICANT CONCENTRATIONS

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

	Medicare		Medicaid	
	2024	2023	2024	2023
Net Revenue	38%	37%	16%	20%
Accounts Receivable	29%	33%	6%	9%

**UNIVERSITY OF CONNECTICUT HEALTH CENTER
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NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

NOTE 5 – NET PATIENT SERVICE REVENUES (CONTINUED)

SIGNIFICANT CONCENTRATIONS (CONTINUED)

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

MEDICARE

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

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

The Hospital is reimbursed for Direct Graduate Medical Education (GME) and Medicare Bad Debts at an interim rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicare fiscal intermediary. The Hospital's Medicare cost reports have been settled by the Medicare fiscal intermediary through fiscal year 2021.

**UNIVERSITY OF CONNECTICUT HEALTH CENTER
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NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

NOTE 5 – NET PATIENT SERVICE REVENUES (CONTINUED)

SIGNIFICANT CONCENTRATIONS (CONTINUED)

MEDICAID

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

The following is a schedule of supplemental payments received from DSS for both fiscal years 2024 and 2023, which is included in net patient service revenues in the statements of revenues, expenses and changes in net position:

	2024	2023
DSS Supplemental Revenue	\$ 8,200,000	\$ 8,200,000
DSS Taxonomy Revenue	2,313,799	2,550,487
Total revenue received from DSS	\$ 10,513,799	\$10,750,487

COMMERCIAL INSURANCE AND MANAGED CARE

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

CONTRACT MANAGEMENT SYSTEM

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

**UNIVERSITY OF CONNECTICUT HEALTH CENTER
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NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

NOTE 5 – NET PATIENT SERVICE REVENUES (CONTINUED)

ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS

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

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

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

NOTE 6 – CONTRACT AND LEASE RECEIVABLES

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

The Hospital has contracts to provide rental space and nursing resources to Connecticut Children's Medical Center (CCMC) in its operation of the Neonatal Intensive Care Unit (NICU) on the Hospital's campus. During the fiscal year ended June 30, 2024, revenue related to the contract with CCMC's NICU for rental space and nursing resources totaled \$2,060,637 and \$14,982,062, respectively. During the fiscal year ended June 30, 2023, revenue related to the contract with CCMC's NICU for rental space and nursing resources totaled \$2,461,939 and \$19,513,821, respectively.

**UNIVERSITY OF CONNECTICUT HEALTH CENTER
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NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

NOTE 6 – CONTRACT AND LEASE RECEIVABLES (CONTINUED)

The Hospital’s 340B discount program utilizes certain features of a 1992 act by the U.S. federal government that requires drug manufacturers to provide outpatient drugs to eligible healthcare organizations at significantly reduced prices. The 340B drug contract resulted from changes in the 340B regulations that now allow qualified hospitals to contract with outside pharmacies to provide 340B priced drugs to the Hospitals’ outpatients. The Hospital now partners with area pharmacies to allow them to fill such prescriptions for outpatients. For the fiscal years ended June 30, 2024 and 2023, revenue related to the 340B contract totaled \$9,973,677 and \$31,604,028, respectively. The decrease in revenue is a result of manufacturer price restrictions on 340B purchases at contracted pharmacies. This restriction allows 340B pricing at only one contract pharmacy and went into effect late in fiscal 2023. As a result, UConn Health has designated UHPSI as the single allowed contract pharmacy, for certain pharmaceutical sales under the 340B program. These contracts resulted in revenue of \$52,065,043 and \$31,926,735 for the fiscal years ended June 30, 2024 and 2023, respectively.

Lease receivable for the fiscal years ended June 30, 2024 and 2023 is as follows:

	June 30, 2023			June 30, 2024	Amount due
	<u>Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u>	<u>within 1 year</u>
Lease receivable total	<u>\$ 4,245,581</u>	<u>\$ 140,645</u>	<u>\$ (2,215,086)</u>	<u>\$ 2,171,140</u>	<u>\$ 2,171,140</u>
	June 30, 2022			June 30, 2023	Amount due
	<u>Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u>	<u>within 1 year</u>
Lease receivable total	<u>\$ 6,458,297</u>	<u>\$ -</u>	<u>\$ (2,212,716)</u>	<u>\$ 4,245,581</u>	<u>\$ 2,215,086</u>

For the fiscal years ended June 30, 2024 and 2023, the statements of revenues, expenses and changes in net position included lease revenue of \$2,215,086, respectively, and interest income of \$118,970 and \$197,212, respectively. The Hospital recorded no additional revenue for variable or other payments in the measurement of the lease receivables.

	<u>Lease Receivables</u>	
Fiscal Year Ending June 30	<u>Principal</u>	<u>Interest</u>
2025	<u>2,171,140</u>	<u>37,960</u>
	<u>\$ 2,171,140</u>	<u>\$ 37,960</u>

**UNIVERSITY OF CONNECTICUT HEALTH CENTER
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NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

NOTE 7 – CAPITAL AND INTANGIBLE ASSETS, NET

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

	<u>2024</u>	<u>2023</u>
Land	\$ 183,137	\$ 183,137
Construction in progress (estimated costs to complete of \$17.5 million and \$15.8 million at June 30, 2024 and 2023, respectively)	15,746,576	7,664,330
Buildings	405,904,889	404,148,697
Equipment	81,711,248	73,277,227
Computer software	57,557,183	56,978,642
Equipment -financed	71,009	71,009
Total capital and intangible assets	<u>561,174,042</u>	<u>542,323,042</u>
Less accumulated depreciation and amortization	<u>252,381,367</u>	<u>236,051,430</u>
Capital and intangible assets, net	<u>\$ 308,792,675</u>	<u>\$ 306,271,612</u>
Right-to-use assets - building	\$ 94,465,448	\$ 94,396,692
Right-to-use assets - equipment	12,378,139	17,055,500
Right-to-use assets - subscription	24,989,280	25,266,114
Total right-to-use assets	<u>131,832,867</u>	<u>136,718,306</u>
Less accumulated amortization	<u>52,866,751</u>	<u>43,635,216</u>
Right-to-use assets, net	<u>\$ 78,966,116</u>	<u>\$ 93,083,090</u>

For the fiscal years ended June 30, 2024 and 2023, the Hospital received transfers related to projects of approximately \$10.4 million and \$0, respectively.

**UNIVERSITY OF CONNECTICUT HEALTH CENTER
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NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

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

Capital activity for the fiscal year ended June 30, 2024 and 2023 was as follows:

	2023	Additions	Deductions	2024
Land	\$ 183,137	\$ -	\$ -	\$ 183,137
Construction in progress	7,664,330	10,299,803	(2,217,557)	15,746,576
Buildings	404,148,697	1,780,177	(23,985)	405,904,889
Equipment	73,277,227	12,007,077	(3,573,056)	81,711,248
Computer software	56,978,642	742,603	(164,062)	57,557,183
Equipment - financed	71,009	-	-	71,009
Total capital and intangible assets	<u>\$ 542,323,042</u>	<u>\$ 24,829,660</u>	<u>\$ (5,978,660)</u>	<u>\$ 561,174,042</u>

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

Related information on accumulated depreciation for the years ended June 30, 2024 and 2023 was as follows:

	2023	Additions	Deductions	2024
Buildings	\$ 146,927,310	\$ 9,931,347	\$ (23,985)	\$ 156,834,672
Equipment	56,936,696	4,698,599	(3,510,430)	58,124,865
Computer software	32,134,167	5,380,716	(164,062)	37,350,821
Equipment - financed	53,257	17,752	-	71,009
Total accumulated depreciation	<u>\$ 236,051,430</u>	<u>\$ 20,028,414</u>	<u>\$ (3,698,477)</u>	<u>\$ 252,381,367</u>

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

**UNIVERSITY OF CONNECTICUT HEALTH CENTER
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NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

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

Activity for the Right-to-use assets for the fiscal years ended June 30, 2024 and 2023 was as follows:

	2023	Additions	Deductions	2024
Right-to-use assets - building	\$ 94,396,692	\$ 99,343	\$ (30,587)	\$ 94,465,448
Right-to-use assets - equipment	17,055,500	268,882	(4,946,243)	12,378,139
Right-to-use assets - subscription	25,266,114	2,784,939	(3,061,773)	24,989,280
Total right-to-use assets	<u>\$ 136,718,306</u>	<u>\$ 3,153,164</u>	<u>\$ (8,038,603)</u>	<u>\$ 131,832,867</u>
	2022	Additions	Deductions	2023
Right-to-use assets - building	\$ 94,946,682	\$ -	\$ (549,990)	\$ 94,396,692
Right-to-use assets - equipment	20,565,861	3,440,971	(6,951,332)	17,055,500
Right-to-use assets - subscription	24,784,674	481,440	-	25,266,114
Total right-to-use assets	<u>\$ 140,297,217</u>	<u>\$ 3,922,411</u>	<u>\$ (7,501,322)</u>	<u>\$ 136,718,306</u>

Related information on accumulated amortization for the years ended June 30, 2024 and 2023 was as follows:

	2023	Additions	Deductions	2024
Right-to-use assets - building	\$ 17,049,614	\$ 5,835,089	\$ (30,587)	\$ 22,854,116
Right-to-use asset - equipment	10,210,777	2,441,180	(4,946,243)	7,705,714
Right-to-use asset - subscription	16,374,825	8,993,869	(3,061,773)	22,306,921
Total accumulated amortization	<u>\$ 43,635,216</u>	<u>\$ 17,270,138</u>	<u>\$ (8,038,603)</u>	<u>\$ 52,866,751</u>
	2022	Additions	Deductions	2023
Right-to-use assets - building	\$ 11,663,840	\$ 5,823,395	\$ (437,621)	\$ 17,049,614
Right-to-use asset - equipment	14,458,361	2,609,400	(6,856,984)	10,210,777
Right-to-use asset - subscription	7,897,804	9,099,719	(622,698)	16,374,825
Total accumulated amortization	<u>\$ 34,020,005</u>	<u>\$ 17,532,514</u>	<u>\$ (7,917,303)</u>	<u>\$ 43,635,216</u>

**UNIVERSITY OF CONNECTICUT HEALTH CENTER
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NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

NOTE 8 – LONG-TERM LIABILITIES, LEASES, AND SUBSCRIPTIONS

Activity related to notes payable and other long-term liabilities for the fiscal years ended June 30, 2024 and 2023 is as follows:

	June 30, 2023			June 30, 2024	Amounts due
	Balance	Additions	Deductions	Balance	within 1 year
Right-to-use Lease liabilities	\$ 88,136,396	\$ 1,062,080	\$ (6,728,130)	\$ 82,470,346	\$ 6,407,722
Right-to-use Subscriptions	16,049,353	2,629,033	(5,219,491)	13,458,895	4,976,303
Total leases and subscriptions	<u>\$ 104,185,749</u>	<u>\$ 3,691,113</u>	<u>\$ (11,947,621)</u>	<u>\$ 95,929,241</u>	<u>\$ 11,384,025</u>
Other long term liabilities					
Notes payable	\$ 2,917	\$ -	\$ (2,917)	\$ -	\$ -
Accrued compensated absences	20,643,359	18,051,492	(15,928,578)	22,766,273	10,326,782
Pension liabilities	340,558,863	106,688,139	(90,412,167)	356,834,835	-
OPEB liabilities	430,420,277	259,652,979	(109,494,545)	580,578,711	-
Total other long term liabilities	<u>\$ 791,625,416</u>	<u>\$ 384,392,610</u>	<u>\$ (215,838,207)</u>	<u>\$ 960,179,819</u>	<u>\$ 10,326,782</u>
Total long-term liabilities	<u><u>\$ 895,811,165</u></u>	<u><u>\$ 388,083,723</u></u>	<u><u>\$ (227,785,828)</u></u>	<u><u>\$ 1,056,109,060</u></u>	<u><u>\$ 21,710,807</u></u>
	June 30, 2022			June 30, 2023	Amounts due
	Balance	Additions	Deductions	Balance	within 1 year
Right-to-use Lease liabilities	\$ 92,613,184	\$ 2,151,273	\$ (6,628,061)	\$ 88,136,396	\$ 6,645,627
Right-to-use Subscriptions	20,298,278	567,373	(4,816,298)	16,049,353	4,536,356
Total leases and subscriptions	<u>\$ 112,911,462</u>	<u>\$ 2,718,646</u>	<u>\$ (11,444,359)</u>	<u>\$ 104,185,749</u>	<u>\$ 11,181,983</u>
Other long term liabilities					
Notes payable	\$ 54,688	\$ -	\$ (51,771)	\$ 2,917	\$ 2,917
Accrued compensated absences	18,237,384	17,203,875	(14,797,900)	20,643,359	9,157,394
Pension liabilities	440,127,362	67,321,354	(166,889,853)	340,558,863	-
OPEB liabilities	532,039,723	30,202,608	(131,822,054)	430,420,277	-
Total other long term liabilities	<u>\$ 990,459,157</u>	<u>\$ 114,727,837</u>	<u>\$ (313,561,578)</u>	<u>\$ 791,625,416</u>	<u>\$ 9,160,311</u>
Total long-term liabilities	<u><u>\$ 1,103,370,619</u></u>	<u><u>\$ 117,446,483</u></u>	<u><u>\$ (325,005,937)</u></u>	<u><u>\$ 895,811,165</u></u>	<u><u>\$ 20,342,294</u></u>

**UNIVERSITY OF CONNECTICUT HEALTH CENTER
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NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

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

The Hospital routinely leases various facilities and equipment instead of purchasing assets. The lease contracts, at times, include variable payments, residual value guarantees, or termination penalties that are not known or certain to be exercised at the time of the lease liability valuation. These are recognized as expenses in the period that they occur. There were no residual guarantee payments expensed for the fiscal years ended June 30, 2024 and 2023. For the fiscal years ended June 30, 2024 and 2023, the Hospital recognized expense for lease variable payments as summarized in the table below:

	<u>2024</u>	<u>2023</u>
	Expenses Allocated	Expenses Allocated
Common area expenses	\$ 89,083	\$ 162,040
Property taxes	64,164	134,904
Grand Total	<u>\$ 153,247</u>	<u>\$ 296,944</u>

The following is a schedule by fiscal year of future minimum payments due for leases with the present value of the net minimum lease payments as of June 30, 2024.

	Lease Liabilities	
Fiscal Year Ending June 30:	Principal	Interest
2025	\$ 6,407,722	\$ 3,751,586
2026	5,726,540	3,464,431
2027	5,114,094	3,199,953
2028	4,706,411	2,960,769
2029	4,670,862	2,743,764
2030-2034	24,249,136	10,433,870
2035-2039	27,074,622	4,471,529
2040-2044	4,520,959	91,072
Total Lease Liabilities	<u>\$ 82,470,346</u>	<u>\$ 31,116,974</u>

**UNIVERSITY OF CONNECTICUT HEALTH CENTER
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NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

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

The Hospital has entered various subscription-based information technology arrangements (SBITAs) to support its services. SBITAs entered into, or in place, during the fiscal years ended June 30, 2024 and 2023 include:

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

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

Fiscal Year Ending June 30:	Subscription Liabilities	
	Principal	Interest
2025	\$ 4,976,303	\$ 513,983
2026	4,096,234	294,551
2027	2,542,732	142,838
2028	1,824,606	35,270
2029	19,020	257
Total subscription liabilities	<u>\$ 13,458,895</u>	<u>\$ 986,899</u>

The Hospital had no other outflows of resources in relation to these subscriptions during the fiscal years ended June 30, 2024 and 2023 that were not included in the measurement of the subscription liability.

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NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

NOTE 9 – PENSION AND OPEB PLANS

SERS PLAN DESCRIPTION

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

SERS is a single-employer defined benefit Public Employees' Retirement System (PERS) established in 1939 and governed by Sections 5-152 to 5-192 of the Connecticut General Statutes. The SERS plan covers substantially all of the State's full-time employees who are not eligible for another State sponsored retirement plan. SERS is administered by the State Comptroller's Retirement Division under the direction of the State Employees' Retirement Commission. Employees are covered under one of five tiers; Tier I, Tier II, Tier IIA, Tier III, and Tier IV including the (Hybrid Plan). In accordance with GASB 68, the Hospital must report for its participation in SERS as if it were a cost-sharing employer plan.

Benefits provided - SERS was established by the Connecticut General Assembly for the purpose of providing retirement, disability, and death benefits along with annual cost-of-living adjustments (COLAs) to plan members and their beneficiaries. Generally, the monthly pension benefit is calculated in accordance with a basic formula, which takes into consideration average salary, credited service, and age at retirement. Further details on plan benefits, COLAs, and other plan provisions are described in Sections 5-152 to 5-192 of the Connecticut General Statutes.

Deferred Vesting – SERS

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

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NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

NOTE 9 – PENSION AND OPEB PLANS (CONTINUED)

SERS PLAN DESCRIPTION (CONTINUED)

Contributions - The contribution requirements are established and may be amended by the State legislature subject to the contractual rights established by collective bargaining. The State is required to contribute at an actuarially determined rate. Employee contribution rates for the fiscal year ended June 30, 2024 were:

Tier I Hazardous - 6% of earnings up to Social Security Taxable Wage Base plus 7% of earnings above that level.

Tier I Plan B - 4% of earnings up to Social Security Taxable Base plus 7% of earnings above that level.

Tier I Plan C - 7% of earnings

Tier II Hazardous - 6% of earnings

Tier II (all others) - 2% of earnings

Tier IIA and III Hazardous - 7 % of earnings

Tier IIA and III (all others) - 4% of earnings

Tier IV Hazardous - 8% of earnings

Tier IV (all others) - 5% of earnings

In accordance with the SEBAC 2017 agreement, in years where asset losses require further increases in contributions, Tier IV employees' contributions may increase by half the necessary increase in rates (up to 2%). Finally, all Tier IV employees must contribute 1% to the defined benefit component of the Hybrid Plan and may elect additional contributions of up to 3% of salary.

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

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

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

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NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

NOTE 9 – PENSION AND OPEB PLANS (CONTINUED)

SERS PLAN DESCRIPTION (CONTINUED)

The annual COLA for those retiring on or after July 1, 2022 is based on the annual rate of increase in Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) from 0.0% to 2.0%, plus 60% of the annual rate of increase in the CPI-W from 3.33% to 6.0%, plus 75% of the annual rate of increase in CPI-W above 6.0% and with a cap on the COLA rate of 7.5%. A COLA moratorium exists for those retiring on or after July 1, 2022 for the first 30 months of retirement benefits. If the rate of increase in CPI-W exceeds an annualized rate of 5.5% during the initial 18 month period of receiving retirement benefits, the COLA provided beginning with the 31st monthly benefit includes an additional adjustment based on the annual COLA rate as determined above using the annualized rate over the 18 month period. The COLA rate applied is reduced by 2.5% and then multiplied by 1.5 to reflect the 18 month period.

The pension liability recorded as of June 30, 2024 and 2023 was based on the June 30, 2023 and 2022 actuarial valuations, respectively.

The Hospital's contributions for the 2023 measurement period were determined by applying fringe benefit rates assessed by the State to eligible salaries and wages in each participant category. In fiscal year 2023, legislation was passed changing the Hospital's State funding structure concerning employer contributions. As a result, contributions for SERS for the fiscal year ended June 30, 2024 were made by the State of Connecticut. As the actuarial valuation was completed based on fiscal 2023 contributions, UConn Health still maintained an allocation of the overall liability under GASB 68. These allocations will change in subsequent years as the State assumes responsibility for contributions. The full impact of this change has yet to be determined.

CHANGES IN ASSUMPTIONS (SERS)

Listed below are the changes to the actuarial assumptions since the June 30, 2021 measurement date:

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

**UNIVERSITY OF CONNECTICUT HEALTH CENTER
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NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

NOTE 9 – PENSION AND OPEB PLANS (CONTINUED)

SERS PLAN DESCRIPTION (CONTINUED)

CHANGES IN ASSUMPTIONS (SERS) (CONTINUED)

The Hospital's SERS contribution is determined by applying a State-mandated percentage to eligible salaries and wages. The mandated total fringe benefit rate, which includes allocations for retiree health care costs, roll forwards, and other adjustments, was 59.57%, 67.40%, and 65.90%, during fiscal years 2024, 2023, and 2022, respectively. SERS contributions made compared to covered payroll is as follows:

	2024	2023	2022
Total Hospital payroll covered by SERS	\$ 136,452,110	\$ 123,119,446	\$ 96,312,081
Total Hospital SERS contributions	\$ -	\$ 55,514,986	\$ 43,644,786
Contributions as a percentage of covered payroll	0.0%	45.1%	45.3%

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

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

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

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NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

NOTE 9 – PENSION AND OPEB PLANS (CONTINUED)

SERS PLAN DESCRIPTION (CONTINUED)

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

At June 30, 2024 and 2023, the Hospital recorded a SERS related liability of \$353.1 million and \$337.8 million, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2023 and 2022, respectively, and the total pension liability used to calculate the net pension liability was determined based on the actuarial valuations performed as of June 30, 2023 and June 30, 2022, respectively, rolled forward based on plan experience. The Hospital's allocation of the net pension liability was based on the Hospital's percentage of total overall contributions to the plan during the 2023 and 2022 fiscal years, respectively. For the fiscal years ended June 30, 2023 and 2022, the Hospital's proportion of contributions was 1.70% and 1.53%, respectively.

For the fiscal years ended June 30, 2024 and 2023, the Hospital recognized SERS pension expense of \$55.4 million and \$9.7 million, respectively. The pension expense is reported in the Hospital's statements of revenues, expenses, and changes in net position as part of fringe benefits expense.

Legislative changes effective after the 2023 measurement date related to State-funded retirement costs are anticipated to impact the Hospital's proportionate share of the collective net pension liabilities, deferred inflows and deferred outflows of resources, and related pension expenses in future reporting periods. The implications of these changes are still being evaluated as of the reporting date.

**UNIVERSITY OF CONNECTICUT HEALTH CENTER
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NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

NOTE 9 – PENSION AND OPEB PLANS (CONTINUED)

SERS PLAN DESCRIPTION (CONTINUED)

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

At June 30, 2024 and 2023, the Hospital reported deferred outflows of resources and deferred inflows of resources related to the SERS plan from the following sources:

	2024		2023	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
	<i>(in thousands)</i>			
Changes in proportionate allocation of pension expense	\$ 61,679	\$ -	\$ 60,766	\$ -
Hospital contributions subsequent to measurement date	-	-	55,515	-
Net difference between projected and actual earnings on pension plan investments	6,715	-	15,128	-
Difference between expected and actual experience	36,911	-	35,995	-
Net difference between employer contribution and proportionate share	-	68,906	-	90,781
Changes in assumptions	-	359	-	462
	\$ 105,305	\$ 69,265	\$ 167,404	\$ 91,243

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 5.22 and 5.15 years for the fiscal years ended June 30, 2024 and 2023, respectively.

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NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

NOTE 9 – PENSION AND OPEB PLANS (CONTINUED)

SERS PLAN DESCRIPTION (CONTINUED)

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

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

<u>Year ending June 30,</u>	Change in proportionate participation in SERS plan	Net difference between projected and actual earnings on pension plan investments	Difference between expected and actual experience	Difference between employer contribution and proportionate share	Change in assumptions
			<i>(in thousands)</i>		
2025	\$ 26,398	\$ 986	\$ 13,575	\$ (21,875)	\$ (114)
2026	18,527	(1,150)	10,784	(21,875)	(465)
2027	9,301	8,299	8,040	(21,875)	85
2028	6,109	(1,420)	3,798	(3,281)	117
2029	1,344	-	714	-	18
	<u>\$ 61,679</u>	<u>\$ 6,715</u>	<u>\$ 36,911</u>	<u>\$ (68,906)</u>	<u>\$ (359)</u>

The amortization of the aforementioned deferred inflows and deferred outflows (decreased) increased fringe benefits expense by \$55,360,796 and (\$45,829,941) during the fiscal years ended June 30, 2024 and 2023, respectively.

ACTUARIAL METHODS AND ASSUMPTIONS (SERS)

The total SERS pension liability in the June 30, 2023 and 2022 actuarial valuations was determined based on the results of an actuarial experience study for the period July 1, 2015 – June 30, 2020. The Mortality Table was used for the period after service retirement and for dependent beneficiaries. The key actuarial assumptions are summarized below:

Inflation:	2.50%
Salary increase:	3.50% - 11.50%, including inflation
Investment rate of return:	6.90%, net of pension plan investment expense, including inflation

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

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

NOTE 9 – PENSION AND OPEB PLANS (CONTINUED)

SERS PLAN DESCRIPTION (CONTINUED)

DISCOUNT RATE (SERS)

The discount rate used to measure the total pension liability was the long-term expected rate of return of 6.90%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rates and that Hospital contributions will be made equal to the difference between the projected actuarially determined contribution and member contributions. Projected future benefit payments for all current plan members were projected for June 30, 2023 and 2022 through the year 2126 and 2125, respectively.

EXPECTED RATE OF RETURN ON INVESTMENTS (SERS)

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

**UNIVERSITY OF CONNECTICUT HEALTH CENTER
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NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

NOTE 9 – PENSION AND OPEB PLANS (CONTINUED)

SERS PLAN DESCRIPTION (CONTINUED)

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

The target asset allocation and best estimate of arithmetic real rates of return for each major asset class for June 2023 and 2022 are summarized in the following table:

Asset Class	Actuarial Valuation Year			
	June 30, 2023		June 30, 2022	
	Target Allocation	Long-Term Expected Real Rate of Return	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	37%	6.8%	0%	0.0%
Private Equity	15%	11.2%	10%	9.4%
Core Fixed Income Fund	13%	0.4%	13%	0.8%
Real Estate Fund	10%	6.2%	19%	5.2%
Private Credit	10%	6.1%	5%	6.5%
Infrastructure and Natural Resources	7%	7.7%	0%	0.0%
Risk Mitigation	5%	0.1%	0%	0.0%
Public Credit	2%	2.9%	0%	0.0%
Liquidity Fund	1%	(0.4)%	2%	(0.4)%
Domestic Equity Fund	0%	0.0%	20%	5.4%
Developed Market Intl. Stock Fund	0%	0.0%	11%	6.4%
Emerging Market Intl. Stock Fund	0%	0.0%	9%	8.6%
Alternative Investments	0%	0.0%	3%	3.1%
High Yield Bond Fund	0%	0.0%	3%	3.4%
Emerging Market Debt Fund	0%	0.0%	5%	3.8%
	100%		100%	

**UNIVERSITY OF CONNECTICUT HEALTH CENTER
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NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

NOTE 9 – PENSION AND OPEB PLANS (CONTINUED)

SERS PLAN DESCRIPTION (CONTINUED)

CHANGES IN THE NET PENSION LIABILITY (SERS)

	2023 Pension Liability	2022 Pension Liability	2021 Pension Liability
	<i>(in thousands)</i>		
Beginning balance - pension liability	\$ 622,800	\$ 789,884	\$ 672,536
Changes for the year:			
Service cost	7,891	6,655	8,170
Interest	46,215	39,270	50,967
Differences between expected and actual experience	12,769	25,996	16,032
Changes of assumptions	-	-	(994)
Benefit payments, including refunds of member contributions	(44,339)	(36,496)	(45,884)
Change in proportionate allocation of pension liability	69,156	(202,509)	89,057
Net change in pension liability	91,692	(167,084)	117,348
Ending balance - pension liability (a)	\$ 714,492	\$ 622,800	\$ 789,884
	2023	2022	2021
	Fiduciary Net Position	Fiduciary Net Position	Fiduciary Net Position
	<i>(in thousands)</i>		
Beginning balance - fiduciary net position	\$ 284,979	\$ 351,856	\$ 241,018
Changes for the year:			
Contributions - employer	55,515	43,645	36,810
Contributions - employee	3,796	3,098	4,012
Net investment income	29,867	(23,182)	68,005
Benefit payments, including refunds of member contributions	(44,339)	(36,496)	(45,884)
Administrative expenses	-	-	(12)
Other	(30)	36,266	15,991
Change in proportionate allocation of fiduciary net position	31,645	(90,208)	31,916
Net change in fiduciary net position	76,454	(66,877)	110,838
Ending balance - fiduciary net position (b)	\$ 361,433	\$ 284,979	\$ 351,856
Hospital's net pension liability - ending (a)-(b)	\$ 353,059	\$ 337,821	\$ 438,028

**UNIVERSITY OF CONNECTICUT HEALTH CENTER
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NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

NOTE 9 – PENSION AND OPEB PLANS (CONTINUED)

SERS PLAN DESCRIPTION (CONTINUED)

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

The following table presents the Hospital's proportionate share of the net pension liability as of June 30, 2024 and 2023, 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:

	2024		
	1%	Discount	1%
	Decrease (5.90%)	Rate (6.90%)	Increase (7.90%)
	<i>(in thousands)</i>		
Hospital's proportionate share of the net pension liability	\$ 438,216	\$ 353,059	\$ 282,072
	2023		
	1%	Discount	1%
	Decrease (5.90%)	Rate (6.90%)	Increase (7.90%)
	<i>(in thousands)</i>		
Hospital's proportionate share of the net pension liability	\$ 412,229	\$ 337,821	\$ 275,804

**UNIVERSITY OF CONNECTICUT HEALTH CENTER
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NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

NOTE 9 – PENSION AND OPEB PLANS (CONTINUED)

TEACHERS’ RETIREMENT SYSTEM

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

As of June 30, 2024 and 2023, the Hospital recorded the following amounts in the financial statements related to the TRS:

	2024	2023
	<i>(in thousands)</i>	
Deferred outflows of resources	\$ 1,734	\$ 1,389
Deferred inflows of resources	\$ 32	\$ 39
Pension liability	\$ 3,775	\$ 2,739

ALTERNATE RETIREMENT PLAN

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

All unclassified employees, not already in a pension plan, of a constituent unit of the State system of higher education and the central office staff of the Department of Higher Education, are eligible to participate in the ARP. Participants must contribute 5% of eligible compensation each pay period, while the State will contribute an amount up to 7.25% of the participant’s eligible compensation for fiscal years 2024 and 2023.

In fiscal year 2023, legislation was passed changing the Hospital’s State funding structure concerning employer contributions. As a result, the State of Connecticut covered the Hospital’s contributions for ARP for the fiscal year ended June 30, 2024.

Participant and State contributions are both 100% vested immediately. For fiscal years 2024 and 2023, charges to the Hospital for ARP were approximately \$-0- and \$10.1 million, respectively. The liabilities as of June 30, 2024 and 2023 were approximately \$-0- and \$415,000, respectively.

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

**UNIVERSITY OF CONNECTICUT HEALTH CENTER
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NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

NOTE 9 – PENSION AND OPEB PLANS (CONTINUED)

ALTERNATE RETIREMENT PLAN (CONTINUED)

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

POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

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

GENERAL INFORMATION ABOUT THE SEOPEBP

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

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

Similar to pension, the Hospital’s contributions for the 2023 measurement period were determined by applying fringe benefit rates assessed by the State to eligible salaries and wages in each participant category. In fiscal year, 2023 legislation was passed changing the Hospital’s State funding structure concerning employee contributions. As a result, the Hospital’s contributions for OPEB for the fiscal year ended June 30, 2024 were paid by the State.

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

**UNIVERSITY OF CONNECTICUT HEALTH CENTER
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NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

NOTE 9 – PENSION AND OPEB PLANS (CONTINUED)

GENERAL INFORMATION ABOUT THE SEOPEBP (CONTINUED)

Employees covered by benefit terms – Demographic data for individual State entities in the SEOPEBP is not readily available. At June 30, 2023 and 2022, the SEOPEBP was based on plan membership at June 30, 2023 and 2021, covering the following:

	2023	2022
Inactive employees or beneficiaries currently receiving benefit payments	85,696	79,870
Inactive employees entitled to but not yet receiving benefit payments	470	385
Active employees	50,078	49,927
Total covered employees	136,244	130,182

NET SEOPEBP LIABILITY

The Hospital’s OPEB liability of \$580.6 million as of June 30, 2024 for its proportionate share of the net OPEB liability was measured as of June 30, 2023 based on an actuarial valuation that was rolled forward to June 30, 2024. The Hospital’s OPEB liability of \$430.4 million as of June 30, 2023 for its proportionate share of the net OPEB liability was measured as of June 30, 2022 based on an actuarial valuation that was rolled forward to June 30, 2023. The Hospital’s proportion of the net OPEB liability was based on the Hospital’s percentage of total overall contributions to the plan. For the fiscal years ended June 30, 2023 and 2022, the Hospital’s proportion of contributions was 3.72% and 2.78%, respectively.

Legislative changes effective after the 2023 measurement date related to State-funded retirement costs are anticipated to impact the Hospital’s proportionate share of the collective net OPEB liabilities, deferred inflows and deferred outflows of resources, and related OPEB expenses in future reporting periods. The implications of these changes are still being evaluated as of the reporting date.

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NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

NOTE 9 – PENSION AND OPEB PLANS (CONTINUED)

GENERAL INFORMATION ABOUT THE SEOPEBP (CONTINUED)

ACTUARIAL METHODS AND ASSUMPTIONS (SEOPEBP)

The total OPEB liability in the June 30, 2024 and 2023 actuarial valuations was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

	Actuarial valuation year June 30, 2023	Actuarial valuation year June 30, 2022
Actuarial experience study:	July 1, 2015 - June 30, 2020	July 1, 2015 - June 30, 2020
Payroll growth rate:	3.00%	3.00%
Inflation:	2.50%	2.50%
Salary increase:	3.00% to 11.5% varying by years of service and retirement systems, including inflation	3.00% to 11.5% varying by years of service and retirement systems, including inflation
Discount rate:	6.9% for contributory members and 3.65% for non-contributory members as of June 30, 2023	3.9% for all members
Healthcare cost trends rates		
Medical(Non-Medicare)	-.35%, then 5.75% decreasing by .25% each year to an ultimate level of 4.5% each year	6.0% graded to 4.5% over 6 years
Prescription Drug (Non-Medicare)	2.35%, then 6.5% decreasing by .25% each year to an ultimate level of 4.5% each year	6.0% graded to 4.5% over 6 years
Medical and Prescription (Medicare)	32.51%, 59.22%, 28.24% then 5.75% decreasing by .25% each year to an ultimate level of 4.5% per year	
Dental	2.6%, 4.45%, then an ultimate level of 3.0% year year	3.0%
Part B	4.5% per year	4.5%
Administrative expense	1.85%, 3.3%, then 3.0% per year	3.0%
Retirees' share of benefit-related costs	Contributions, if required, are determined by plan, employee start date and benefit type	Contributions, if required, are determined by plan, employee start date and benefit type

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 (6.90% for contributory members and 3.65% for non-contributory members as of June 30, 2023 and 3.54% as of June 30, 2022). The blending is based on the sufficiency of projected assets to make projected benefit payments.

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

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

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

NOTE 9 – PENSION AND OPEB PLANS (CONTINUED)

GENERAL INFORMATION ABOUT THE SEOPEBP (CONTINUED)

CONTRIBUTIONS MADE (SEOPEBP)

The SEOPEBP contributions made to cover payroll is as follows:

	2024	2023	2022
Total Hospital payroll covered by SEOPEBP	\$ 208,741,335	\$ 193,672,172	\$ 156,009,740
Total Hospital SEOPEBP contributions	\$ -	\$ 31,655,990	\$ 23,548,884
Contributions as a percentage of covered payroll	0.0%	16.3%	15.1%

CHANGES IN THE NET OPEB LIABILITY

	2023	2022	2021
	Net OPEB	Net OPEB	Net OPEB
	Liability	Liability	Liability
	<i>(in thousands)</i>		
Beginning balance	<u>\$ 430,420</u>	<u>\$ 532,040</u>	<u>\$ 628,674</u>
Changes for the year:			
Service cost	23,126	25,169	33,096
Interest	26,200	14,317	16,844
Differences between expected and actual experience	(37,264)	(8,603)	10,606
Changes in assumptions or other inputs	30,908	(123,938)	(134,488)
Benefit payments	(23,327)	(17,718)	(17,362)
Change in proportionate allocation of OPEB liability	<u>130,516</u>	<u>9,153</u>	<u>(5,330)</u>
Net changes	<u>150,159</u>	<u>(101,620)</u>	<u>(96,634)</u>
Ending balance	<u>\$ 580,579</u>	<u>\$ 430,420</u>	<u>\$ 532,040</u>

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

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

NOTE 9 – PENSION AND OPEB PLANS (CONTINUED)

GENERAL INFORMATION ABOUT THE SEOPEBP (CONTINUED)

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

The following table presents the Hospital's proportionate share of the OPEB liability as of June 30, 2024 and 2023, using the discount rate of 6.90% and 3.90%, respectively, as well as the proportionate share of the net OPEB liability using a 1.00% increase or decrease from the current discount rate:

	2024		
	1%	Discount	1%
	Decrease (5.90%)	Rate (6.90%)	Increase (7.90%)
	<i>(in thousands)</i>		
Net OPEB Liability	\$ 675,010	\$ 580,579	\$ 503,258
	2023		
	1%	Discount	1%
	Decrease (2.90%)	Rate (3.90%)	Increase (4.90%)
	<i>(in thousands)</i>		
Net OPEB Liability	\$ 503,243	\$ 430,420	\$ 371,517

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

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

NOTE 9 – PENSION AND OPEB PLANS (CONTINUED)

GENERAL INFORMATION ABOUT THE SEOPEBP (CONTINUED)

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

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

	Healthcare Cost Trend Rates		
	1%	Current	1%
	Decrease	Valuation	Increase
	<i>(in thousands)</i>		
Net OPEB Liability	\$ 502,549	\$ 580,579	\$ 676,350

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

For the fiscal years ended June 30, 2024 and 2023, the Hospital recognized an increase (decrease) to fringe expense for OPEB of \$66.8 million and (\$747,203), respectively. At June 30, 2024 and 2023, the Hospital reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	2024		2023	
	Deferred	Deferred	Deferred	Deferred
	Outflows of Resources	Inflows of Resources	Outflows of Resources	Inflows of Resources
	<i>(in thousands)</i>		<i>(in thousands)</i>	
Changes in proportion	\$ 172,389	\$ -	\$ 37,977	\$ -
Hospital contributions subsequent to measurement date	-	-	31,656	-
Changes in assumptions or other inputs - outflows	49,641	-	48,472	-
Changes in assumptions or other inputs - inflows	-	178,627	-	185,431
Net difference between projected and actual experience in total OPEB liability	6,065	39,678	6,621	13,247
Net difference between projected and actual earnings	3,641	-	4,010	-
	<u>\$ 231,736</u>	<u>\$ 218,305</u>	<u>\$ 128,736</u>	<u>\$ 198,678</u>

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

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

NOTE 9 – PENSION AND OPEB PLANS (CONTINUED)

GENERAL INFORMATION ABOUT THE SEOPEBP (CONTINUED)

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

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:

<u>Year Ending June 30,</u>	Change in proportionate participation in OPEB plan	Changes in assumptions or other inputs	Net difference between expected and actual experience in total OPEB liability	Net difference between projected and actual earnings on OPEB plan investments	Changes in assumptions or other inputs	Net difference between expected and actual experience in total OPEB liability
	<i>(in thousands)</i>					
2025	\$ 46,260	\$ 23,178	\$ 2,453	\$ 898	\$ (61,374)	\$ (11,180)
2026	42,111	10,383	2,453	576	(61,253)	(9,724)
2027	40,082	7,548	727	2,063	(39,429)	(9,476)
2028	37,923	7,359	373	104	(14,823)	(8,053)
2029	6,013	1,173	59	-	(1,748)	(1,245)
	<u>\$ 172,389</u>	<u>\$ 49,641</u>	<u>\$ 6,065</u>	<u>\$ 3,641</u>	<u>\$ (178,627)</u>	<u>\$ (39,678)</u>

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

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

NOTE 9 – PENSION AND OPEB PLANS (CONTINUED)

GENERAL INFORMATION ABOUT THE SEOPEBP (CONTINUED)

EXPECTED RATE OF RETURN ON INVESTMENTS (SEOPEBP)

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

Asset Class	Actuarial Valuation Year			
	June 30, 2023		June 30, 2022	
	Target Allocation	Long-Term Expected Real Rate of Return	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	37%	6.8%	0%	0.0%
Private Equity	15%	11.2%	10%	9.4%
Core Fixed Income Fund	13%	0.4%	13%	0.8%
Real Estate Fund	10%	6.2%	19%	5.2%
Private Credit	10%	6.1%	5%	6.5%
Infrastructure and Natural Resources	7%	7.7%	0%	0.0%
Risk Mitigation	5%	0.1%	0%	0.0%
Public Credit	2%	2.9%	0%	0.0%
Liquidity Fund	1%	(0.4)%	2%	(0.4)%
Domestic Equity Fund	0%	0.0%	20%	5.4%
Developed Market Intl. Stock Fund	0%	0.0%	11%	6.4%
Emerging Market Intl. Stock Fund	0%	0.0%	9%	8.6%
Alternative Investments	0%	0.0%	3%	3.1%
High Yield Bond Fund	0%	0.0%	3%	3.4%
Emerging Market Debt Fund	0%	0.0%	5%	3.8%
	100%		100%	

NOTE 10 – RELATED PARTY TRANSACTIONS

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

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

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

NOTE 10 – RELATED PARTY TRANSACTIONS (CONTINUED)

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

For the fiscal years ended June 30, 2024 and 2023, these Home Office allocations resulted in the following expenses being recorded by the Hospital with an offsetting cash transfer back to UConn Health's Central Administrative Services business unit:

Expense Category	2024 Expenses Allocated	2023 Expenses Allocated
Salaries and wages	\$ 23,913,122	\$ 21,858,209
Fringe benefits	7,193,456	17,598,194
Internal contractual support	2,491,629	2,230,717
Utilities	486,125	5,662,575
Temporary per diem staff	4,816,237	161,277
Outside and other purchased services	16,977,582	15,036,346
Insurance	261,537	174,286
Repairs and maintenance	5,518,958	5,772,863
Debt services	13,889	18,625
Other expenses	<u>1,918,845</u>	<u>2,389,192</u>
Total expenses	<u>\$ 63,591,380</u>	<u>\$ 70,902,284</u>

For the fiscal years ended June 30, 2024 and 2023, the Hospital received net transfers from UConn Health of \$14.9 million and \$68.6 million, respectively. Fiscal year 2024 transfers from UConn Health included \$4.5 million and \$10.4 million related to fringe benefit support and capital improvements, respectively. In fiscal year 2023, UConn Health transferred \$76.9 million and \$9.5 million to the Hospital related to fringe benefit support and working capital, respectively. These transfers in were offset by \$17.9 million in transfers to UConn Health for operational support during fiscal year 2023. These transfers are included in transfers from/to UConn Health in the statements of revenues, expenses and changes in net position.

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

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

NOTE 10 – RELATED PARTY TRANSACTIONS (CONTINUED)

The Hospital's pension and OPEB liabilities (Note 9) represent its pro-rata share of the State's overall liabilities and are not current commitments. The State finances pension and OPEB benefits on a pay-as-you go basis through allocated retirement plan rates, which are part of the Hospital's reported fringe benefit costs. Effective July 1, 2023, the State charges the Hospital for only non-retirement fringe benefits. During the fiscal years ended June 30, 2024 and 2023, the Hospital expensed \$196,168,993 and \$121,088,632 (including GASB 68 and 75 related charges), respectively, for employee fringe benefits. Related salary costs for 2024 and 2023 were \$264,042,860 and \$233,913,029, respectively.

Amounts due to the State related to the fringe benefit programs as of June 30, 2024 and 2023 are included in the statements of net position.

As more fully described in Note 11, UConn Health charges the Hospital with an annual premium for medical malpractice costs, which is determined annually by UConn Health. The Hospital is not liable beyond the annual premium, but may have future operational subsidies affected by the performance of the Malpractice Fund. Premiums paid by the Hospital, were \$4.3 million in 2024 and 2023, respectively.

The Hospital provides medical services to Connecticut's incarcerated patients under UConn Health contracts with the State's Department of Corrections (DOC), including inpatient and outpatient care provided at Medicaid rates. Net patient service revenues related to these UConn Health contracts with the State's DOC totaled \$4,266,030 and \$3,594,898 for the fiscal years ended June 30, 2024 and 2023, respectively.

At June 30, 2024 and 2023, the Hospital had a due from UMG balance of \$0 and \$3,244,811, respectively. The 2023 balance consisted primarily of patient deposits posted to a central clearing account in UMG that are owed back to the Hospital at year-end.

As disclosed in Note 1, the Finance Corporation performs critical services on behalf of the Hospital. These services include the acquisition, construction, and maintenance of clinical space, such as the Outpatient Pavilion (OP) building. Rental payments to the Finance Corporation for leased space totaled \$7.1 million for years 2024 and 2023, respectively.

The Hospital also engages in transactions with UHPSI for pharmacy services including 340B contractual pharmacy services, as disclosed in Note 6. During fiscal years 2024 and 2023, UHPSI paid the Hospital \$37.5 million and \$25.0 million, respectively. In addition, during fiscal years 2024 and 2023, the Hospital allocated pharmacy overhead revenue to UHPSI totaling approximately \$212,000 and \$898,000, respectively. The outstanding due from Finance Corporation and its subsidiaries was \$21.0 million and \$16.6 million at June 30, 2024 and 2023, respectively.

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

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

NOTE 11 – REPORTING OF THE MALPRACTICE FUND

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

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

At June 30, 2024 and 2023, UConn Health’s Malpractice Fund had reserves of approximately \$10.2 million and \$49.7 million, respectively, and assets of approximately \$20.2 million and \$42.8 million, respectively. It was estimated that \$2.9 million would be used in fiscal year 2025 for settling cases.

The reduction in reserves and assets reflect the satisfaction of the judgment in the Monroe-Lynch matter.



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of The University of Connecticut Health Center John Dempsey Hospital (21002 Fund) (the Hospital), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Hospital's financial statements, and have issued our report thereon dated.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of This Report

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



CliftonLarsonAllen LLP

West Hartford, Connecticut
November 20, 2024

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

**SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF ANNUAL MONEY-WEIGHTED RATES OF RETURN
STATE EMPLOYEES' RETIREMENT SYSTEM ONLY**

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
	<i>(dollars in thousands)</i>									
Total Pension Liability										
Service cost	\$ 7,891	\$ 6,655	\$ 8,170	\$ 7,070	\$ 6,533	\$ 6,019	\$ 6,524	\$ 4,024	\$ 3,537	\$ 2,662
Interest	46,215	39,270	50,967	43,960	38,182	31,024	30,636	26,310	23,387	18,508
Differences between expected and actual experience	12,769	25,996	16,032	3,786	20,408	6,770	(19,616)	9,654	-	-
Change of assumptions	-	-	(994)	-	-	-	-	61,962	-	-
Benefit payments, including refunds of member contributions	(44,339)	(36,496)	(45,884)	(38,750)	(33,890)	(27,530)	(25,205)	(21,691)	(18,886)	(14,510)
Change in proportionate allocation of pension liability	69,156	(202,509)	89,057	54,937	90,629	14,444	36,632	29,897	56,513	-
Net Change in Total Pension Liability	91,692	(167,084)	117,348	71,003	121,862	30,727	28,971	110,156	64,551	6,660
Total Pension Liability - Beginning	622,800	789,884	672,536	601,533	479,671	448,944	419,973	309,817	245,266	238,606
Total Pension Liability - Ending (a)	\$ 714,492	\$ 622,800	\$ 789,884	\$ 672,536	\$ 601,533	\$ 479,671	\$ 448,944	\$ 419,973	\$ 309,817	\$ 245,266

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

**SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF ANNUAL MONEY-WEIGHTED RATES OF RETURN
STATE EMPLOYEES' RETIREMENT SYSTEM ONLY**

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
	<i>(dollars in thousands)</i>									
Fiduciary Net Position										
Contributions - employer	\$ 55,515	\$ 43,645	\$ 36,810	\$ 29,402	\$ 26,308	\$ 20,231	\$ 20,949	\$ 18,872	\$ 15,628	\$ 11,750
Contributions - employee	3,796	3,098	4,012	3,506	8,153	2,719	1,800	1,687	2,133	1,341
Net investment income	29,867	(23,182)	68,005	5,380	11,849	12,280	20,508	(1)	3,354	13,366
Benefit payments, including refunds of member contributions	(44,339)	(36,496)	(45,884)	(38,750)	(33,890)	(27,530)	(25,205)	(21,691)	(18,886)	(14,510)
Administrative expenses	-	-	(12)	(14)	(12)	(5)	(9)	(8)	-	-
Other	(30)	36,266	15,991	-	62	(44)	(5)	959	-	-
Change in proportionate allocation of fiduciary net position	31,645	(90,208)	31,916	20,209	33,184	5,236	11,609	11,731	22,343	-
Net Change in Fiduciary Net Position	76,454	(66,877)	110,838	19,733	45,654	12,887	29,647	11,549	24,572	11,947
Fiduciary Net Position - Beginning	284,979	351,856	241,018	221,285	175,631	162,744	133,097	121,548	96,976	85,029
Fiduciary Net Position - Ending (b)	<u>\$ 361,433</u>	<u>\$ 284,979</u>	<u>\$ 351,856</u>	<u>\$ 241,018</u>	<u>\$ 221,285</u>	<u>\$ 175,631</u>	<u>\$ 162,744</u>	<u>\$ 133,097</u>	<u>\$ 121,548</u>	<u>\$ 96,976</u>
Hospital's Net Pension Liability - Ending (a)-(b)	<u>\$ 353,059</u>	<u>\$ 337,821</u>	<u>\$ 438,028</u>	<u>\$ 431,518</u>	<u>\$ 380,248</u>	<u>\$ 304,040</u>	<u>\$ 286,200</u>	<u>\$ 286,876</u>	<u>\$ 188,269</u>	<u>\$ 148,290</u>
Hospital's Estimated Portion of SERS Net Pension Liability	1.70194%	1.53184%	2.05997%	1.81909%	1.66686%	1.40197%	1.35827%	1.24930%	1.13935%	0.92599%
Fiduciary Net Position as a Percentage of the Total Pension Liability	50.59%	45.76%	44.55%	35.84%	36.79%	36.61%	36.25%	31.69%	39.23%	39.54%
Hospital's Covered Payroll	\$ 123,119	\$ 96,312	\$ 87,512	\$ 80,546	\$ 65,848	\$ 58,474	\$ 56,868	\$ 52,583	\$ 45,715	\$ 34,258
Hospital's Estimated Net Pension Liability as a Percentage of Covered Payroll	286.76%	350.76%	500.53%	535.74%	577.46%	519.96%	503.27%	545.57%	411.83%	432.86%

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

**SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF ANNUAL MONEY-WEIGHTED RATES OF RETURN
STATE EMPLOYEES' RETIREMENT SYSTEM ONLY**

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
	<i>(dollars in thousands)</i>									
Contractually required contributions	\$ -	\$ 55,515	\$ 43,645	\$ 36,810	\$ 29,402	\$ 26,308	\$ 20,231	\$ 20,949	\$ 18,920	\$ 15,714
Contributions in relation to the contractually required contribution	\$ -	\$ 55,515	\$ 43,645	\$ 36,810	\$ 29,402	\$ 26,308	\$ 20,231	\$ 20,949	\$ 18,762	\$ 15,628
Contribution deficiency	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 158	\$ 86
The Hospital's covered payroll	\$ 136,452	\$ 123,119	\$ 96,312	\$ 87,512	\$ 80,546	\$ 65,848	\$ 58,474	\$ 56,868	\$ 52,583	\$ 45,715
Contributions as a percentage of covered payroll	0.00%	45.09%	45.32%	42.06%	36.50%	39.95%	34.60%	36.84%	35.68%	34.19%

NOTES TO REQUIRED SCHEDULES

Key Actuarial Assumptions

Inflation: 2.5%

Salary increases: 3.00 - 11.50 percent, including inflation

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

Change in Benefit Terms

2020 - The SEBAC 2017 agreement included changes to benefit terms for existing SERS plans by revising certain factors including employee contribution rates and annual cost-of-living adjustments for members retiring after July 1, 2022. The agreement also implemented a new Tier IV Plan.

Other Factors

In fiscal year 2023, Public Act 23-204 was passed, changing the State's funding structure concerning employer contributions, effective July 1, 2023. Under this legislation, the State covers all retirement-related expenses for Hospital employees participating in the State's retirement plans. As a result, the Hospital did not have any contributions or related covered payroll to report for the fiscal year ended June 30, 2024.

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

**SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF ANNUAL MONEY-WEIGHTED RATES OF RETURN
STATE EMPLOYEES' RETIREMENT SYSTEM ONLY**

Annual money-weighted rates of return net of investment expense	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
State Employees' Retirement Fund	9.02%	-7.63%	24.36%	1.86%	5.88%	7.30%	14.32%	0.23%	2.83%	15.62%

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF JOHN DEMPSEY HOSPITAL'S OPEB CONTRIBUTIONS

	2023	2022	2021	2020	2019	2018	2017
	<i>(dollars in thousands)</i>						
Net OPEB Liability							
Service cost	\$ 23,126	\$ 25,169	\$ 33,096	\$ 25,896	\$ 22,421	\$ 19,867	\$ 20,288
Interest	26,200	14,317	16,844	21,549	19,490	14,986	10,791
Differences between expected and actual experience	(37,264)	(8,603)	10,606	(4,795)	(17,066)	-	-
Changes of assumptions or other inputs	30,908	(123,938)	(134,488)	59,440	90,342	(15,955)	(10,783)
Benefit payments	(23,327)	(17,718)	(17,362)	(16,640)	(15,686)	(14,285)	(13,500)
Change in proportionate allocation of OPEB liability	130,516	9,153	(5,330)	(3,499)	66,836	9,224	14,409
Change in Net OPEB Liability	150,159	(101,620)	(96,634)	81,951	166,337	13,837	21,205
Net OPEB Liability - Beginning	430,420	532,040	628,674	546,723	380,386	366,549	345,344
Net OPEB Liability - Ending	<u>\$ 580,579</u>	<u>\$ 430,420</u>	<u>\$ 532,040</u>	<u>\$ 628,674</u>	<u>\$ 546,723</u>	<u>\$ 380,386</u>	<u>\$ 366,549</u>
The Hospital's Covered Payroll	\$ 193,672	\$ 156,010	\$ 145,042	\$ 137,902	\$ 129,606	\$ 127,204	\$ 125,044
Net OPEB Liability as a Percentage of Covered Payroll	299.77%	275.89%	366.82%	455.88%	421.83%	299.04%	293.14%

This schedule is presented as required by accounting principles generally accepted in the United States of America, however, until a full 10-year trend is compiled, information is presented for those years available.

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF JOHN DEMPSEY HOSPITAL'S OPEB CONTRIBUTIONS

	2023	2022	2021	2020	2019	2018	2017	2016
	<i>(dollars in thousands)</i>							
The Hospital's proportion of the net OPEB liability	3.72%	2.78%	2.72%	2.67%	2.64%	2.20%	2.11%	2.00%
The Hospital's proportionate share of the net OPEB liability	\$ 580,579	\$ 430,420	\$ 532,040	\$ 628,674	\$ 546,723	\$ 380,386	\$ 366,549	\$ 345,344
The Hospital's covered payroll	\$ 193,672	\$ 156,010	\$ 145,042	\$ 137,902	\$ 129,606	\$ 127,204	\$ 125,044	\$ 123,476
The Hospital's proportionate share of the net OPEB liability as a percentage of its covered payroll	299.77%	275.89%	366.82%	455.88%	421.83%	299.04%	293.14%	279.69%
Plan fiduciary net position (assets)	\$ 2,667,443	\$ 2,240,138	\$ 2,199,545	\$ 1,537,194	\$ 1,196,008	\$ 849,889	\$ 542,342	\$ 340,618
Plan fiduciary total OPEB liability	\$ 18,266,068	\$ 17,738,337	\$ 21,726,989	\$ 25,078,100	\$ 21,878,399	\$ 18,114,287	\$ 17,904,922	\$ 17,583,045
Plan fiduciary net position as a percentage of the total OPEB liability	14.60%	12.63%	10.12%	6.13%	5.47%	4.69%	3.03%	1.94%

This schedule is presented as required by accounting principles generally accepted in the United States of America, however, until a full 10-year trend is compiled, information is presented for those years available.

CHANGES OF BENEFIT TERMS: In the June 30, 2023, 2022 and 2021 actuarial valuations, there were no changes of benefit terms.

CHANGES OF ASSUMPTIONS: In the June 30, 2024 actuarial valuation, the discount rate was updated to 6.90% for contributory members and 3.65% for on-contributory members. Per capita health costs, administrative expenses and retiree contributions were updated for recent experience. The actuarial factors used to estimate individual retiree and spouse costs by age and gender were updated. Health care cost trend rates and retiree contribution increase rates were revised to reflect current experience and future expectations. The Medicare prescription drug trend rates were updated to reflect an estimate for the impact of the Inflation Reduction Act.

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF JOHN DEMPSEY HOSPITAL'S OPEB CONTRIBUTIONS

	2024	2023	2022	2021	2020	2019	2018	2017	2016
	<i>(dollars in thousands)</i>								
Contractually required contribution	\$ -	\$ 31,656	\$ 23,549	\$ 23,651	\$ 23,160	\$ 19,903	\$ 17,668	\$ 14,090	\$ 12,189
Contributions in relation to the contractually required contribution	-	31,656	23,549	23,651	23,160	19,903	17,668	14,090	12,189
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
The Hospital's covered payroll	\$ 208,741	\$ 193,672	\$ 156,010	\$ 145,042	\$ 137,902	\$ 129,606	\$ 127,204	\$ 125,044	\$ 123,476
Contributions as a percentage of covered payroll	0.00%	16.35%	15.09%	16.31%	16.79%	15.36%	13.89%	11.27%	9.87%

This schedule is presented as required by accounting principles generally accepted in the United States of America, however, until a full 10-year trend is compiled, information is presented for those years available.

NOTES TO REQUIRED SCHEDULES

Key Actuarial Assumptions

Inflation: 2.50%

Salary Increase: 3.0% to 11.5%

Discount rate: 6.90% for contributory member and 3.65% for non-contributory member as of June 30, 2023

Other Factors

In fiscal year 2023, Public Act 23-204 was passed, changing the State's funding structure concerning employer contributions, effective July 1, 2023. Under this legislation, the State covers all retirement-related expenses for Hospital employees participating in the State's retirement plans. As a result, the Hospital did not have any contributions or related covered payroll to report for the fiscal year ended June 30, 2024.

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION – OPEB PLAN

SCHEDULE OF ANNUAL MONEY-WEIGHTED RATES OF RETURN

Annual money-weighted rates of return net of investment expense	2023	2022	2021	2020	2019	2018	2017	2016	2015
OPEB Fund	7.70%	-7.40%	24.61%	2.13%	6.62%	5.85%	11.83%	2.44%	3.44%

This schedule is presented as required by accounting principles generally accepted in the United States of America, however, until a full 10-year trend is compiled, information is presented for those years available.



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