

**UNIVERSITY OF CONNECTICUT HEALTH CENTER  
UCONN MEDICAL GROUP**

**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  
UCONN MEDICAL GROUP**

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# UNIVERSITY OF CONNECTICUT HEALTH CENTER UCONN MEDICAL GROUP

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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### OVERVIEW OF THE FINANCIAL STATEMENTS

The following discussion and analysis provides an overview of the financial position and activities of the University of Connecticut Health Center UConn Medical Group (UConn Medical Group or UMG) as of and for the fiscal years ended June 30, 2024, 2023, and 2022. UMG is operated as a separate, identifiable unit (included in the 12018 fund) of the University of Connecticut Health Center (UConn Health). The 12018 fund represents the operating fund for all the entities that comprise UConn Health. UMG has access to the funds available in the 12018 fund to support its operations. This discussion has been prepared by management and should be read in conjunction with the financial statements and the notes thereto, which both follow this section.

UMG's clinical operations are modeled, in part, on private group practices and include approximately 600 providers practicing in a wide variety of specialties. UMG's operation is an essential element for the education and training of medical students that enables the University of Connecticut School of Medicine to accomplish its mission. Medical students, for example, learn diagnosis and treatment by training side-by-side with faculty clinicians as these doctors see patients. Funds transferred from UConn Health support this educational mission. UMG also partners closely with John Dempsey Hospital (JDH), with many providers performing procedures in its facilities.

UMG has received aid from a number of governmental and other sources throughout the pandemic. Notably, UMG 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 received came from both general and targeted distributions. Targeted distributions were made to physician practices based on, among other metrics, the total number of COVID-19 positive patients treated. Funds received under this program carry reporting and other requirements outlined by the federal government, which began September 30, 2021 and ended September 30, 2024. UMG believes it has met these requirements. UMG continues to receive funding under the American Rescue Plan Act via the State of Connecticut. These funds are reported on the Statements of Revenues, Expenses, and Changes in Net Position as part of the net transfers from UConn Health. Amounts received under this program are summarized below:

	<u>2024</u>	<u>2023</u>	<u>2022</u>
American Rescue Plan Act (ARPA)	<u>\$ 51,500,000</u>	<u>\$ 72,700,000</u>	<u>\$ 73,000,000</u>

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 UMG at June 30, 2024 and 2023, and the results of its operations and financial activities for the fiscal years then ended.

# UNIVERSITY OF CONNECTICUT HEALTH CENTER UCONN MEDICAL GROUP

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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### OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

These financial statements report information about UMG using accounting methods similar to those used by private-sector companies. The Statements of Net Position include all of UMG's assets, liabilities and deferred outflows and inflows. The Statements of Revenues, Expenses, and Changes in net position reflect the years' activities on the accrual basis of accounting (i.e., when services are provided or obligations are incurred, not when cash is received or paid).

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

### FINANCIAL HIGHLIGHTS

UMG's financial position at June 30, 2024, consisted of assets of approximately \$146.0 million, deferred outflows of approximately \$114.0 million, liabilities of approximately \$561.6 million (of which \$425.4 million is related to GASB Statements No. 68 and 75), and deferred inflows of approximately \$148.2 million. UMG's financial position at June 30, 2023, consisted of assets of approximately \$125.7 million, deferred outflows of approximately \$154.0 million, liabilities of approximately \$526.5 million (of which \$405.7 million is related to GASB Statements No. 68 and 75), and deferred inflows of approximately \$159.9 million. Net position, which represents the residual interest in UMG's assets and deferred outflows after liabilities and deferred inflows are deducted, decreased by approximately \$43.0 million from fiscal year 2023 to a net deficit position of approximately \$449.8 million as of June 30, 2024.

UMG finished the fiscal year with an operating loss of \$134.8 million compared to an operating loss of \$109.2 million in the prior fiscal year. Current year losses include the effect of UMG recording its pro-rata share of expenses under GASB Statements No. 68 and 75, as discussed in Note 10. These expenses reflect changes to the pension and other post-employment benefits (OPEB) plans on a State level. UMG recorded an increase of \$48.0 million and a decrease of \$13.6 million of expenses related to pension and OPEB liabilities in fiscal years 2024 and 2023, respectively. Operating losses exclusive of these entries were \$86.8 million and \$122.8 million in fiscal years 2024 and 2023, respectively.

UMG received net transfers from UConn Health of \$97.4 million and \$143.4 million in fiscal years 2024 and 2023, respectively. Current year transfers included \$97.4 million from UConn Health as working capital support and \$-0- million related to fringe benefit support. Prior year transfers included \$112.5 million from UConn Health as working capital support and \$30.9 million related to fringe benefit support. Total net position decreased by approximately \$43.0 million in fiscal year 2024, compared to an increase of approximately \$29.6 million in fiscal year 2023.

**UNIVERSITY OF CONNECTICUT HEALTH CENTER  
UCONN MEDICAL GROUP**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**FINANCIAL HIGHLIGHTS (CONTINUED)**

**SUMMARY OF ASSETS AND LIABILITIES**

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

	<b>2024</b>	<b>2023</b>	<b>2022</b>
	<i>(amounts in thousands)</i>		
<b>Summary of assets, liabilities, and net position at June 30:</b>			
Current assets	\$ 23,385	\$ 19,508	\$ 21,875
Deposits to vendors	49	-	-
Lease receivable, net of current portion	-	29	78
Right-to-use assets, net	103,495	91,406	99,918
Capital and intangible assets, net	19,029	14,756	12,428
Total assets	\$ 145,958	\$ 125,699	\$ 134,299
Deferred outflows for pensions	\$ 36,949	\$ 81,123	\$ 84,136
Deferred outflows for OPEB	77,099	72,846	99,382
Total deferred outflows	\$ 114,048	\$ 153,969	\$ 183,518
Current liabilities	\$ 24,899	\$ 23,871	\$ 42,626
Noncurrent liabilities	536,709	502,624	621,901
Total liabilities	\$ 561,608	\$ 526,495	\$ 664,527
Deferred amount for right-to-use assets	\$ 29	\$ 79	\$ 130
Deferred amount for pensions	43,219	48,683	15,953
Deferred amount for OPEB	104,908	111,162	73,515
Total deferred inflows	\$ 148,156	\$ 159,924	\$ 89,598
Net investment in capital assets	\$ 9,222	\$ 7,996	\$ 8,561
Unrestricted deficit	(458,980)	(414,747)	(444,869)
Total net position	\$ (449,758)	\$ (406,751)	\$ (436,308)

**UNIVERSITY OF CONNECTICUT HEALTH CENTER  
UCONN MEDICAL GROUP**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

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**FINANCIAL HIGHLIGHTS (CONTINUED)**

**SIGNIFICANT VARIANCES IN THE FINANCIAL STATEMENTS – ASSETS AND LIABILITIES**

Changes in assets included the following:

- *Patient accounts receivable, net* – increased by approximately \$3.3 million from June 30, 2023 to June 30, 2024 due to increased patient visits by 64,000.
- *Contract and other receivables* – increased by approximately \$635,000 from June 30, 2023 to June 30, 2024 due to increased DSS Supplemental Payments.
- *Right-to-use assets, net* – increased by approximately \$12.1 million from June 30, 2023 to June 30, 2024 due to recognition of new leases and subscriptions under GASB 87 and GASB 96.

Changes in liabilities included the following:

- *Accrued payroll* – increased by approximately \$2.2 million from June 30, 2023 to June 30, 2024. 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 and FTE's rose from 933 in 2023 to 970 in 2024.
- *Due to State of Connecticut* – increased by approximately \$485,000 from June 30, 2023 to June 30, 2024. This amount represents the portion of fringe benefits related to accrued salaries owed to the State at the end of the fiscal year.
- *Due to John Dempsey Hospital (JDH)* – decreased by approximately \$3.2 million from June 30, 2023 to June 30, 2024. UMG reimbursed JDH during 2024 for funds deposited in error at the end of fiscal 2023.
- *Pension and OPEB liabilities* – increased by approximately \$19.7 million from June 30, 2023 to June 30, 2024 due to changes in UMG's OPEB and pension allocations. This represents UMG's proportional share of the State's liability as actuarially determined based on UMG's percentage of overall contributions.
- *Right-to-use liabilities, net of current portion* – increased by approximately \$14.2 million from June 30, 2023 to June 30, 2024 due to new right-to-use liabilities recognition.

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**MANAGEMENT’S DISCUSSION AND ANALYSIS**

**FINANCIAL HIGHLIGHTS (CONTINUED)**

**SUMMARY OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**

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

	<u>2024</u>	<u>2023</u>	<u>2022</u>
	<i>(amounts in thousands)</i>		
<b>Summary of revenues, expenses and transfers for the year ended June 30:</b>			
Operating revenues	\$ 152,509	\$ 138,211	\$ 140,771
Operating expenses	<u>287,276</u>	<u>247,369</u>	<u>290,385</u>
Loss from operations	(134,767)	(109,158)	(149,614)
Nonoperating revenues (expenses), net	<u>(5,599)</u>	<u>(4,637)</u>	<u>1,470</u>
Net loss	(140,366)	(113,795)	(148,144)
Transfers, net	97,359	143,352	103,738
Cumulative effect of change in accounting method GASB 87 and cumulative effect of implementing GASB 96	-	-	3
Increase(Decrease) in net position	<u>\$ (43,007)</u>	<u>\$ 29,557</u>	<u>\$ (44,403)</u>

**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 \$14.3 million or 10.3%.

- *Net patient service revenues* – increased by approximately \$14.5 million or 11.2% from the prior year due to increased patient volume. Visits increased by 64,000 over prior year.

*Operating expenses*

Total operating expenses increased from the fiscal year ended June 30, 2023 to the fiscal year ended June 30, 2024 by approximately \$39.9 million or 16.1%.

- *Salaries and wages* – increased by approximately \$14.3 million or 10.6% from the prior year primarily due to increases in the number of providers and contractually bargained salary wage increases. The average monthly FTE counts in fiscal year 2024 was 962 compared to 912 in fiscal year 2023.

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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 (Continued)*

- *Fringe benefits* – increased by approximately \$19.0 million or 30.1% from the prior year due to an increase in UMG's proportionate share of pension and OPEB expenses. Total pension and OPEB expenses were approximately \$47.9 million in fiscal year 2024 and (\$13.6) million in fiscal year 2023. This represents UMG's proportional share of the State's pension and OPEB costs as actuarially determined based on UMG's percentage of overall contributions.
- *Medical contractual support* – increased by approximately \$522,000 or 34.4% from the prior year, primarily driven by an increase in the usage of contracted physicians in General Surgery and Neurology.
- *Depreciation and Amortization* – increased by \$2.6 million or 22.5% from the prior year, primarily driven by amortization of leased assets under GASB 87 and 96.

**SUMMARY OF CASH FLOWS**

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

	<u>2024</u>	<u>2023</u>	<u>2022</u>
	<i>(amounts in thousands)</i>		
Cash received from operations	\$ 146,688	\$ 140,427	\$ 140,599
Cash expended for operations	<u>(222,784)</u>	<u>(255,621)</u>	<u>(242,006)</u>
Net cash used in operations	(76,096)	(115,194)	(101,407)
Net cash used in investing activities	(7,820)	(5,461)	(7,345)
Net cash provided by noncapital financing activities	97,359	133,675	114,461
Net cash used in capital and related financing activities	<u>(13,282)</u>	<u>(10,748)</u>	<u>(5,709)</u>
Net change in cash	161	2,272	-
Cash - Beginning	<u>2,272</u>	<u>-</u>	<u>-</u>
Cash - Ending	<u>\$ 2,433</u>	<u>\$ 2,272</u>	<u>\$ -</u>

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**MANAGEMENT'S DISCUSSION AND ANALYSIS**

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**FINANCIAL HIGHLIGHTS (CONTINUED)**

**OPERATIONAL HIGHLIGHTS**

UMG patient visits of approximately 915,000 represent an increase of approximately 64,000 from 2023. Demand for services now surpasses pre-COVID levels and continues to grow.

**CAPITAL AND INTANGIBLE ASSETS**

At June 30, 2024, UMG had capital and intangible assets (including right-to-use) of \$183.0 million before accumulated depreciation, compared to \$156.4 million at June 30, 2023. Construction in progress (CIP) decreased by approximately \$407,000 from June 30, 2023 to June 30, 2024, due to UMG's project completion. Buildings and leasehold improvements increased by approximately \$3.9 million due to fit out of newly leased space. Equipment increased by approximately \$3.0 million due to new added equipment for leased buildings.

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**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**FINANCIAL HIGHLIGHTS (CONTINUED)**

**CAPITAL AND INTANGIBLE ASSETS (CONTINUED)**

A summary of capital and intangible asset balances is shown in the table below:

	<u>2024</u>	<u>2023</u>	<u>2022</u>
	<i>(amounts in thousands)</i>		
Land	\$ 89	\$ 89	\$ 89
Construction in progress (estimated costs to complete of \$1.8 million and \$5.0 million at June 30, 2024 and 2023, respectively)	962	1,369	1,156
Buildings and leasehold improvements	19,743	15,822	12,689
Equipment	11,722	8,723	8,037
Computer software	14,808	13,931	13,706
Total capital and intangible assets	<u>47,324</u>	<u>39,934</u>	<u>35,677</u>
Less: accumulated depreciation	<u>28,295</u>	<u>25,178</u>	<u>23,249</u>
Capital and intangible assets, net	<u>\$ 19,029</u>	<u>\$ 14,756</u>	<u>\$ 12,428</u>
	<u>2024</u>	<u>2023</u>	<u>2022</u>
	<i>(amounts in thousands)</i>		
Right-to-use assets - buildings	\$ 129,310	\$ 110,290	\$ 110,625
Right-to-use assets - equipment	514	682	534
Right-to-use assets - subscriptions	5,919	5,476	4,942
Total right-to-use assets	<u>135,743</u>	<u>116,448</u>	<u>116,101</u>
Less: accumulated amortization	<u>32,248</u>	<u>25,042</u>	<u>16,183</u>
Right-to-use assets, net	<u>\$ 103,495</u>	<u>\$ 91,406</u>	<u>\$ 99,918</u>

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

# UNIVERSITY OF CONNECTICUT HEALTH CENTER UCONN MEDICAL GROUP

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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### 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.

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.

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

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**FISCAL 2025 OUTLOOK (CONTINUED)**

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 and 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 UCONN MEDICAL GROUP’S FINANCIAL MANAGEMENT**

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



## INDEPENDENT AUDITORS' REPORT

Joint Audit and Compliance Committee

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 UConn Medical Group (UMG), a component unit 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 UMG'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 UConn Medical Group 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 audits 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 UConn Medical Group 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 UMG'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 UConn Medical Group'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 UConn Medical Group'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 UMG's net position liability and related ratios, the schedule of pension contributions, the schedule of changes in UMG's net OPEB liability and related ratios, the schedule of UMG's proportionate share of the net OPEB liability, and the schedule of UMG'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 UConn Medical Group's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of UMG'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 UMG's internal control over financial reporting and compliance.



**CliftonLarsonAllen LLP**

West Hartford, Connecticut  
November 20, 2024

**UNIVERSITY OF CONNECTICUT HEALTH CENTER  
UCONN MEDICAL GROUP**

**STATEMENTS OF NET POSITION**

**JUNE 30, 2024 AND 2023**

	<b>2024</b>	<b>2023</b>
<b>Assets</b>		
<b>Current Assets</b>		
Cash	\$ 2,433,063	\$ 2,271,875
Patient accounts receivable, net of estimated uncollectibles of \$4,885,482 and \$4,844,729 at June 30, 2024 and 2023, respectively	12,367,305	9,035,644
Inventory	1,212,653	1,268,655
Contract and other receivables (Note 6)	7,288,574	6,653,689
Lease receivable, current (Note 4)	31,839	49,563
Due from Central Administrative Services	22,647	-
Due from other funds	-	21,536
Due from State of Connecticut	-	178,409
Prepaid expenses	29,263	28,408
<b>Total Current Assets</b>	<b>23,385,344</b>	<b>19,507,779</b>
<b>Noncurrent Assets</b>		
Deposits to vendors	48,629	-
Lease receivable, net of current portion (Note 4)	-	28,912
Right-to-use assets, net (Note 8)	103,495,312	91,405,851
Capital and intangible assets, net (Note 8)	19,029,004	14,756,167
<b>Total Noncurrent Assets</b>	<b>122,572,945</b>	<b>106,190,930</b>
<b>Total Assets</b>	<b>145,958,289</b>	<b>125,698,709</b>
<b>Deferred Outflows of Resources</b>		
Deferred amount for pensions (Note 10)	36,949,011	81,123,747
Deferred amount for OPEB (Note 10)	77,098,554	72,845,763
<b>Total Deferred Outflows of Resources</b>	<b>\$ 114,047,565</b>	<b>\$ 153,969,510</b>

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

**UNIVERSITY OF CONNECTICUT HEALTH CENTER  
UCONN MEDICAL GROUP**

**STATEMENTS OF NET POSITION (CONTINUED)**

**JUNE 30, 2024 AND 2023**

	<u>2024</u>	<u>2023</u>
<b>Liabilities and Net Position</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued expenses	\$ 2,352,621	\$ 2,810,102
Accrued payroll	7,574,476	5,356,403
Due to State of Connecticut	1,700,338	1,215,491
Due to UConn Health Malpractice Fund (Note 1)	24,063	35,587
Due to John Dempsey Hospital (Note 11)	-	3,244,811
Due to Finance Corporation	1,371,899	617,544
Due to Central Administrative Services	-	25,558
Right-to-use liabilities, current portion (Note 9)	7,385,861	6,408,427
Accrued compensated absences, current portion (Note 9)	4,490,119	4,156,967
<b>Total Current Liabilities</b>	<u>24,899,377</u>	<u>23,870,890</u>
<b>Noncurrent Liabilities</b>		
Pension liabilities (Note 10)	146,383,783	164,828,924
OPEB liabilities (Note 10)	278,999,703	240,823,701
Right-to-use liabilities (Note 9)	105,916,548	91,757,766
Accrued compensated absences, net of current portion (Note 9)	5,408,733	5,214,014
<b>Total Noncurrent Liabilities</b>	<u>536,708,767</u>	<u>502,624,405</u>
<b>Total Liabilities</b>	<u>561,608,144</u>	<u>526,495,295</u>
<b>Deferred Inflows of Resources</b>		
Deferred amount for right-to-use assets	28,912	78,475
Deferred amount for pensions (Note 10)	43,218,946	48,683,395
Deferred amount for OPEB (Note 10)	104,907,538	111,161,777
<b>Total Deferred Inflows of Resources</b>	<u>148,155,396</u>	<u>159,923,647</u>
<b>Net Position</b>		
Net investment in capital assets	9,221,907	7,995,825
Unrestricted deficit	(458,979,593)	(414,746,548)
<b>Total Net Position</b>	<u>\$ (449,757,686)</u>	<u>\$ (406,750,723)</u>

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

**UNIVERSITY OF CONNECTICUT HEALTH CENTER  
UCONN MEDICAL GROUP**

**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**

**FOR THE YEARS ENDED JUNE 30, 2024 AND 2023**

	<u>2024</u>	<u>2023</u>
<b>Operating Revenues</b>		
Net patient service revenues (Note 3)	\$ 144,076,567	\$ 129,557,250
Contract and other revenues	<u>8,432,211</u>	<u>8,653,886</u>
<b>Total Operating Revenues</b>	<u>152,508,778</u>	<u>138,211,136</u>
<b>Operating Expenses</b>		
Salaries and wages	150,057,924	135,717,462
Fringe benefits	82,256,913	63,221,400
Medical contractual support	2,038,157	1,516,192
Internal contractual support	1,822,857	1,535,001
Outside agency per diems	1,848,668	1,253,309
Depreciation (Note 8)	3,480,848	2,199,920
Amortization (Note 8)	10,793,023	9,451,484
Pharmaceutical/medical supplies	11,647,698	9,799,148
Utilities	2,497,439	2,454,222
Outside and other purchased services	14,413,034	14,595,619
Insurance	825,287	554,018
Repairs and maintenance	3,635,664	3,531,272
Other expenses	<u>1,958,628</u>	<u>1,539,875</u>
<b>Total Operating Expenses</b>	<u>287,276,140</u>	<u>247,368,922</u>
<b>Operating Loss</b>	<u>(134,767,362)</u>	<u>(109,157,786)</u>
<b>Nonoperating Revenues (Expenses)</b>		
Interest expense	(5,584,313)	(4,691,605)
Interest income	2,112	3,938
Lease revenue	49,563	51,675
Loss on disposals (Note 8)	<u>(66,396)</u>	<u>(960)</u>
<b>Net Nonoperating Revenues (Expenses)</b>	<u>(5,599,034)</u>	<u>(4,636,952)</u>
<b>Loss before Transfers</b>	(140,366,396)	(113,794,738)
<b>Net Transfers from UConn</b>		
Health - Unrestricted (Note 11)	<u>97,359,433</u>	<u>143,352,241</u>
<b>Increase(Decrease) in Net Position</b>	<u>(43,006,963)</u>	<u>29,557,503</u>
<b>Net Position - Beginning of year</b>	<u>(406,750,723)</u>	<u>(436,308,226)</u>
<b>Net Position - End of year</b>	<u>\$ (449,757,686)</u>	<u>\$ (406,750,723)</u>

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

**UNIVERSITY OF CONNECTICUT HEALTH CENTER  
UCONN MEDICAL GROUP**

**STATEMENTS OF CASH FLOWS**

**FOR THE YEARS ENDED JUNE 30, 2024 AND 2023**

	<b>2024</b>	<b>2023</b>
<b>Cash Flows from Operating Activities</b>		
Cash received from patients and third-party payors	\$ 140,744,906	\$ 129,097,878
Cash received from contract and other revenues	7,797,326	8,202,543
Cash (returned to) received from related parties	(1,853,869)	3,126,137
Cash paid to employees for personal services and fringe benefits	(181,634,775)	(218,699,036)
Cash paid for other than personnel services	(41,149,919)	(36,922,083)
<b>Net Cash Used in Operating Activities</b>	<b>(76,096,331)</b>	<b>(115,194,561)</b>
<b>Cash Flows from Investing Activities</b>		
Additions to property and equipment	(7,820,081)	(5,460,705)
<b>Net Cash Used in Investing Activities</b>	<b>(7,820,081)</b>	<b>(5,460,705)</b>
<b>Cash Flows from Noncapital Financing Activities</b>		
Net transfers from UConn Health's unrestricted net assets to support operations	97,359,433	143,352,241
Net borrowings/(repayments) on cash overdraft	-	(9,677,060)
<b>Net Cash Provided by Noncapital Financing Activities</b>	<b>97,359,433</b>	<b>133,675,181</b>
<b>Cash Flows from Capital and Related Financing Activities</b>		
Lease revenue	49,563	51,675
Interest paid	(5,584,313)	(4,691,605)
Payments on right-to-use liabilities	(7,747,083)	(6,108,110)
<b>Net Cash Used in Capital and Related Financing Activities</b>	<b>(13,281,833)</b>	<b>(10,748,040)</b>
<b>Net Change in Cash</b>	161,188	2,271,875
<b>Cash - Beginning</b>	2,271,875	-
<b>Cash - Ending</b>	<b>\$ 2,433,063</b>	<b>\$ 2,271,875</b>
<b>Supplemental Disclosure of Non-Cash Investing and Financing Activities</b>		
Right-to-use assets acquired by entering into lease agreements	\$ 21,147,629	\$ 243,864
Right-to-use assets acquired by entering into subscription	\$ 1,678,689	\$ 534,075

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

**UNIVERSITY OF CONNECTICUT HEALTH CENTER  
UCONN MEDICAL GROUP**

**STATEMENTS OF CASH FLOWS (CONTINUED)**

**FOR THE YEARS ENDED JUNE 30, 2024 AND 2023**

	<b>2024</b>	<b>2023</b>
<b>Reconciliation of Operating Loss to Net Cash</b>		
<b>Used in Operating Activities</b>		
Operating loss	\$ (134,767,362)	\$ (109,157,786)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation and amortization	14,273,871	11,651,404
Changes in operating assets and liabilities:		
Patient accounts receivable	(3,331,661)	(459,372)
Inventory	56,002	(285,857)
Contract and other receivables	(634,885)	(451,343)
Prepaid expenses	(855)	(827)
Deposits to vendors	(48,629)	-
Deferred outflows - pension	14,280,557	(8,475,150)
Deferred outflows - OPEB	32,815,704	17,489,773
Accounts payable and accrued expenses	(457,481)	120,209
Due to Central Administrative Services	(48,205)	25,558
Due to JDH	(3,244,811)	2,938,618
Due to Finance Corporation	754,355	72,027
Due from State of Connecticut	484,847	(5,740,763)
Due to/from other funds	21,536	690,315
Due from State of Connecticut	178,409	5,140,382
Accrued payroll	2,218,073	(6,872,862)
Accrued compensated absences	527,871	749,337
Due to Malpractice	(11,524)	23,048
Change in net pension liability	6,819,534	(5,827,771)
Change in deferred inflows - pension	(834,945)	(3,764,272)
Change in net OPEB liability	27,474,593	6,509,327
Change in deferred inflows - OPEB	(32,621,325)	(19,568,556)
<b>Net Cash Used in Operating Activities</b>	<b>\$ (76,096,331)</b>	<b>\$ (115,194,561)</b>

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

**UNIVERSITY OF CONNECTICUT HEALTH CENTER  
UCONN MEDICAL GROUP**

**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 University of Connecticut Health Center UConn Medical Group (UConn Medical Group or UMG) clinical operations are modeled, in part, on private group practices and include approximately 600 providers practicing in a wide variety of specialties.

The financial statements include those assets, deferred outflows, liabilities, deferred inflows, net position, revenue, and expense accounts reflected in the accounting records of UMG, which is operated as a separate, identifiable unit (included in the 12018 fund) of the University of Connecticut Health Center (UConn Health). The 12018 fund represents the operating fund for all the entities that comprise UConn Health. UMG has unlimited access to the funds available in the 12018 fund to support its operations. The Governor of the State of Connecticut (the State) appoints the Board of Trustees of the University of Connecticut whose chairman then appoints the Board of Directors, which oversees UConn Health, including UMG. Reference is made to Note 11 for related party transactions.

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

***BASIS OF PRESENTATION***

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

***PROPRIETARY FUND ACCOUNTING***

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

***USE OF ESTIMATES***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, 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.

**UNIVERSITY OF CONNECTICUT HEALTH CENTER  
UCONN MEDICAL GROUP**

**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)**

*CASH*

Cash balances are included in a pooled cash account with the cash balances of the other entities included in fund 12018. See Note 5 for discussion regarding UMG's available borrowing.

*ACCOUNTS RECEIVABLE AND NET PATIENT SERVICE REVENUES*

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

The amount of the allowance for uncollectible accounts is based upon management's assessment of historical and expected net collections, business and economic conditions, trends in Medicare and Medicaid health care coverage and other collection indicators. See Note 3 for additional information relative to net patient service revenues and third-party payor programs.

*CONTRACT AND OTHER REVENUES*

Contract and other revenues include services provided to area hospitals under various contractual agreements and certain agreements with outside providers. Revenue is recorded on the accrual basis of accounting in the period the related services are rendered.

*INVENTORY*

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

*CAPITAL ASSETS*

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

Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed using the straight-line method. Buildings (and related improvements) have an estimated useful life of 5 to 50 years and equipment has an estimated useful life of 2 to 25 years.

For projects, including the development of computer software and the initial implementation stage of underlying assets related to subscription-based information technology arrangements, construction in progress is capitalized as costs are incurred during the construction phase. Depreciation will begin once the assets are placed in service.

**UNIVERSITY OF CONNECTICUT HEALTH CENTER  
UCONN MEDICAL GROUP**

**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*

UMG routinely engages in lease agreements to meet operational needs. UMG's lease contracts generally relate to buildings and associated facilities, such as parking, various machinery, and equipment. For short-term leases with a maximum possible term of 12 months or less at commencement, UMG recognizes period revenue or expense based on the provisions of the lease contract. For all other contracts where UMG is the lessee, UMG 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 UMG is not expected to lease assets beyond the underlying asset's useful life. On a more limited basis, UMG 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.

UMG 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 capital lease obligations. If amendments or other certain circumstances occur that are expected to significantly affect the amount of the lease, the present value is remeasured, and corresponding adjustments made. Many lease contracts include increases to rent payments related to the consumer price index (CPI) or similar indexes, and the available index increase is included in the present value at the commencement of the lease or upon remeasurement. Payments based on future performance are not included in the measurement of the lease liability or lease receivable but are recognized as revenue or expenses in the period performed. Residual value guarantees and exercise options will be included in the measurement if they are reasonably certain to be paid or exercised.

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

**UNIVERSITY OF CONNECTICUT HEALTH CENTER  
UCONN MEDICAL GROUP**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED JUNE 30, 2024 AND 2023**

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

***INTANGIBLE ASSETS***

Intangible assets consist of capitalized computer software costs, including software internally developed, that do not meet the definition of subscription-based information technology agreements. Costs incurred in the development and installation of internal use software are expensed or capitalized depending on whether they are incurred in the preliminary project stage, application development stage, or post-implementation stage, and the nature of the costs. Computer software costs are amortized on a straight-line basis over their expected useful lives, which range from 3 to 10 years. Capitalized computer software costs are included with capital and intangible assets on the statements of net position. See Note 8 for the gross costs capitalized and the accumulated amortization of capitalized computer costs.

***IMPAIRMENT OF LONG-LIVED ASSETS***

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

During 2024, UMG disposed of information technology and general equipment totaling approximately \$371,000. These assets were reported in equipment in Note 8. The total loss on disposal related to these assets was approximately \$66,000. During 2023, UMG disposed of information technology and general equipment totaling approximately \$272,000. The loss on disposal related to these assets was approximately \$1,000.

***STATE FUNDING FOR EMPLOYEE RETIREMENT AND OPEB PLANS***

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

Since UMG, as part of UConn Health, is a component of the State it 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.

**UNIVERSITY OF CONNECTICUT HEALTH CENTER  
UCONN MEDICAL GROUP**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED JUNE 30, 2024 AND 2023**

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

***STATE FUNDING FOR EMPLOYEE RETIREMENT AND OPEB PLANS (CONTINUED)***

UMG'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 UMG during the measurement period, UMG 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 10 for additional details.

***RETIREMENT PLANS AND OTHER POSTEMPLOYMENT BENEFITS***

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

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

**UNIVERSITY OF CONNECTICUT HEALTH CENTER  
UCONN MEDICAL GROUP**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED JUNE 30, 2024 AND 2023**

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

***RETIREMENT PLANS AND OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)***

UMG has recorded and disclosed pensions in accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, as amended by GASB Statement No. 82 (collectively referred to herein as GASB 68). GASB 68 requires the pro-rata share of the State's pension liabilities be recorded at the entity level. UMG 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 UMG, in accordance with Sections 5-257(d) and 5-259(a) of the Connecticut General Statutes. Upon retirement, the liability for other retirement benefits rests with the State. When employees retire, the State pays up to 100% of their health care insurance premium cost. (including the cost of dependent coverage). The State finances the cost of postemployment health care and life insurance benefits on a pay-as-you-go basis through an appropriation from the General Fund.

UMG recorded its pro-rata share of the OPEB liability held at the State level in accordance with GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions* (GASB 75). UMG pays 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. See Note 10 for additional details.

**UNIVERSITY OF CONNECTICUT HEALTH CENTER  
UCONN MEDICAL GROUP**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED JUNE 30, 2024 AND 2023**

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

***PENSION LIABILITIES***

UMG records its proportionate share of the collective net pension liability and collective pension expense for each defined benefit plan offered to its employees. The pro-rata share of 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. UMG contributions are recognized in the period in which the contributions are appropriated. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan. UMG recorded its proportionate share of the net pension liability based on the valuations performed as of June 30, 2023 and 2022.

***OPEB LIABILITIES***

Individuals who are employed by UMG are eligible to participate in the State's group health plan and are also eligible to continue benefits upon retirement. Retirees under the age of 65 pay the same premium for medical, prescription drugs, and dental benefits as active employees, which results in an implicit rate subsidy and OPEB liability. For this purpose, plan member contributions are recognized in the period in which the contributions are due. UMG contributions are recognized in the period in which the contributions are appropriated. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan. UMG recorded its proportionate share of the net OPEB liability for the 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. UMG has two items that meet this criterion, pension deferrals and OPEB deferrals. Historically, UMG's 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, UMG did not make contributions to these plans after June 30, 2023. See Note 10 for details on these changes and how retirement costs are being managed by the State.

**UNIVERSITY OF CONNECTICUT HEALTH CENTER  
UCONN MEDICAL GROUP**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED JUNE 30, 2024 AND 2023**

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

***DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES (CONTINUED)***

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. UMG has three items that meet this criterion, pension deferrals, OPEB deferrals, and lease deferrals.

***COMPENSATED ABSENCES***

UMG's employees earn vacation, personal, compensatory, and sick time at varying rates depending on their collective bargaining units. Employees may accumulate sick leave up to a specified maximum. Employees are not paid for accumulated sick leave if they leave before retirement. However, employees who retire from UMG may convert accumulated sick leave to termination payments at varying rates, depending on the employee's contract. Amounts recorded on the statements of net position are based on historical experience. Since adoption of GASB 68, certain fringe benefit costs associated with compensated absences were included in the pension liability and excluded from the compensated absences accrual in the accompanying statements of net position. All other compensated absences are accrued at 100% of their balance. Compensated absences in the accompanying statements of net position have been allocated between current and noncurrent liabilities based on historical experience.

***THIRD-PARTY PAYORS***

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

***MEDICAL MALPRACTICE***

The physicians, health care providers, and support staff of UMG are fully protected by State Statutes from any claim for damage or injury, not wanton, reckless or malicious, caused in the discharge of their duties or within the scope of their employment (statutory immunity).

**UNIVERSITY OF CONNECTICUT HEALTH CENTER  
UCONN MEDICAL GROUP**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED JUNE 30, 2024 AND 2023**

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

***MEDICAL MALPRACTICE (CONTINUED)***

Any claims paid for actions brought against the State as permitted by waiver of statutory immunity are charged against UConn Health's malpractice self-insurance fund. UConn Health allocates an annual malpractice premium to UMG, designed to reflect an estimate for the current year's cash claims to be processed. Annual premiums were \$289,000 for fiscal years ended June 30, 2024 and 2023. These premiums are included in insurance expense in UMG's statements of revenues, expenses, and changes in net position. The due to UConn Health Malpractice Fund reported on the statements of net position represents premiums payable for occurrence-based coverage through June 30, 2024 and 2023, respectively.

***NET POSITION***

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

***DUE TO STATE OF CONNECTICUT***

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

***SUBSEQUENT EVENTS***

In preparing these financial statements, UMG 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 requiring recognition or disclosure in the financial statements were identified.

**UNIVERSITY OF CONNECTICUT HEALTH CENTER  
UCONN MEDICAL GROUP**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED JUNE 30, 2024 AND 2023**

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**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.

***UPCOMING ACCOUNTING PRONOUNCEMENT***

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. UMG 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. UMG 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. UMG is currently evaluating the impact this standard will have on its financial statements.

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**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED JUNE 30, 2024 AND 2023**

**NOTE 3 – NET PATIENT SERVICE REVENUES**

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

	<b>2024</b>	<b>2023</b>
Gross patient service revenues	\$ 323,539,590	\$ 288,840,538
Less contractual allowances and provisions for bad debt	(179,463,023)	(159,283,288)
Net patient service revenues	\$ 144,076,567	\$ 129,557,250

***SIGNIFICANT CONCENTRATIONS***

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

	Medicare		Medicaid	
	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>
Net patient service revenues	33%	32%	14%	15%
Patient accounts receivable	23%	23%	6%	8%

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

***MEDICARE***

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

**UNIVERSITY OF CONNECTICUT HEALTH CENTER  
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**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED JUNE 30, 2024 AND 2023**

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**NOTE 3 – NET PATIENT SERVICE REVENUES (CONTINUED)**

*MEDICAID*

Services are reimbursed based on Medicaid fee schedules, except for select third-party payors and out of state Medicaid. These third parties reimburse UMG based upon their own individual fee schedules. In fiscal years 2024 and 2023, UMG recorded \$22.3 million and \$21.3 million, respectively, in supplemental revenue from the Department of Social Services, which is included in net patient service revenues in the Statements of Revenues, Expenses, and Changes in Net Position.

*COMMERCIAL FEE SCHEDULES*

*BLUE CROSS HOSPITAL-BASED PROVIDERS*

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

*BLUE SHIELD*

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

*MANAGED CARE*

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

*CONTRACT MANAGEMENT SYSTEM*

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

*ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS*

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

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**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED JUNE 30, 2024 AND 2023**

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**NOTE 3 – NET PATIENT SERVICE REVENUES (CONTINUED)**

*ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS (CONTINUED)*

These efforts primarily consist of reviewing the following:

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

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

**NOTE 4 – LEASE RECEIVABLE**

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

	June 30, 2023 Balance	Additions	Deductions	June 30, 2024 Balance	Amount due within 1 year
Lease receivable total	\$ 78,475	\$ -	\$ (46,636)	\$ 31,839	\$ 31,839
	June 30, 2022 Balance	Additions	Deductions	June 30, 2023 Balance	Amount due within 1 year
Lease receivable total	\$ 134,150	\$ -	\$ (55,675)	\$ 78,475	\$ 49,563

For the fiscal year ended June 30, 2024 and 2023, the statements of revenues, expenses, and changes in net position includes lease revenue of \$49,563 and \$51,675 in each fiscal year as well as interest income of \$2,112 and \$3,938, respectively.

**UNIVERSITY OF CONNECTICUT HEALTH CENTER  
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**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED JUNE 30, 2024 AND 2023**

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**NOTE 4 – LEASE RECEIVABLE (CONTINUED)**

Future lease receivables are summarized in the table below:

<u>Year Ending June 30</u>	<u>Lease Receivable</u>	
	<u>Principal</u>	<u>Interest</u>
2025	\$ 31,839	\$ 370
Total	<u>\$ 31,839</u>	<u>\$ 370</u>

**NOTE 5 – HYPOTHECATION**

In accordance with State statute, UMG can borrow from the State up to 70% of its total net patient accounts receivable and contract and other receivables to fund operations. As of June 30, 2024 and 2023, UMG had the following draws and availability:

	<u>2024</u>	<u>2023</u>
Amount drawn under hypothecation	\$ -	\$ -
Remaining amounts available under hypothecation	\$ 13,759,115	\$ 10,982,533

**NOTE 6 – CONTRACT AND OTHER RECEIVABLES**

UMG enters into contracts with external entities including hospitals, retirement homes, and the State’s Department of Corrections to provide physician services. UMG also provides physician services to entities within UConn Health, including the School of Medicine, School of Dental Medicine, Dental Clinics, and JDH. Other miscellaneous revenues, including population health payment and revenues related to the performance of administrative duties at UConn Health, are included in contract and other revenues in the Statements of Revenues, Expenses, and Changes in Net Position.

**UNIVERSITY OF CONNECTICUT HEALTH CENTER  
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**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED JUNE 30, 2024 AND 2023**

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**NOTE 7 – CHARITY CARE**

UMG maintains records to identify and monitor the level of charity care it provides. These records include the amount of charges forgone for services and supplies furnished under its charity care policy, the estimated cost of those services and supplies, and equivalent service statistics. During fiscal years 2024 and 2023, UMG provided charity care services of \$1,449,507 and \$873,387, 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 the 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 \$460,653 and \$281,143, 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 were included in operating expenses in the Statements of Revenues, Expenses, and Changes in Net Position.

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**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED JUNE 30, 2024 AND 2023**

**NOTE 8 – CAPITAL AND INTANGIBLE ASSETS, NET**

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

	<b>2024</b>	<b>2023</b>
Land	\$ 89,132	\$ 89,132
Construction in progress (estimated costs to complete of \$1.8 million and \$5.0 million at June 30, 2024 and 2023, respectively)	961,750	1,368,637
Buildings and leasehold improvements	19,742,504	15,822,183
Equipment	11,722,600	8,723,355
Computer software	14,807,942	13,930,521
Total capital and intangible assets	47,323,928	39,933,828
Less: accumulated depreciation	28,294,924	25,177,661
Capital and intangible assets, net	\$ 19,029,004	\$ 14,756,167
	<b>2024</b>	<b>2023</b>
Right-to-use assets - buildings	\$129,310,371	\$110,289,604
Right-to-use assets - equipment	514,030	682,134
Right-to-use assets - subscriptions	5,918,893	5,476,132
Total right-to-use assets	135,743,294	116,447,870
Less: accumulated amortization	32,247,982	25,042,019
Right-to-use assets, net	\$103,495,312	\$ 91,405,851

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**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED JUNE 30, 2024 AND 2023**

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

Capital asset activity for the fiscal years ended June 30, 2024 and 2023 is as follows:

	<u>2023</u>	<u>Additions</u>	<u>Deductions</u>	<u>2024</u>
Land	\$ 89,132	\$ -	\$ -	\$ 89,132
Construction in progress	1,368,637	6,173,989	(6,580,876)	961,750
Buildings	15,822,183	3,920,371	(50)	19,742,504
Equipment	8,723,355	3,370,340	(371,095)	11,722,600
Software	13,930,521	936,257	(58,836)	14,807,942
Total capital assets	<u>\$ 39,933,828</u>	<u>\$ 14,400,957</u>	<u>\$ (7,010,857)</u>	<u>\$ 47,323,928</u>
	<u>2022</u>	<u>Additions</u>	<u>Deductions</u>	<u>2023</u>
Land	\$ 89,132	\$ -	\$ -	\$ 89,132
Construction in progress	1,155,604	4,132,766	(3,919,733)	1,368,637
Buildings	12,689,479	3,132,704	-	15,822,183
Equipment	8,036,348	959,485	(272,478)	8,723,355
Software	13,706,431	224,090	-	13,930,521
Total capital assets	<u>\$ 35,676,994</u>	<u>\$ 8,449,045</u>	<u>\$ (4,192,211)</u>	<u>\$ 39,933,828</u>

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

	<u>2023</u>	<u>Additions</u>	<u>Deductions</u>	<u>2024</u>
Buildings	\$ 10,563,001	\$ 817,315	\$ (50)	\$ 11,380,266
Equipment	7,102,104	983,085	(304,699)	7,780,490
Software	7,512,556	1,680,448	(58,836)	9,134,168
Total accumulated depreciation	<u>\$ 25,177,661</u>	<u>\$ 3,480,848</u>	<u>\$ (363,585)</u>	<u>\$ 28,294,924</u>
	<u>2022</u>	<u>Additions</u>	<u>Deductions</u>	<u>2023</u>
Buildings	\$ 10,177,344	\$ 385,657	\$ -	\$ 10,563,001
Equipment	6,970,989	402,633	(271,518)	7,102,104
Software	6,100,926	1,411,630	-	7,512,556
Total accumulated depreciation	<u>\$ 23,249,259</u>	<u>\$ 2,199,920</u>	<u>\$ (271,518)</u>	<u>\$ 25,177,661</u>

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**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED JUNE 30, 2024 AND 2023**

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

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

	<u>2023</u>	<u>Additions</u>	<u>Deductions</u>	<u>2024</u>
Right-to-use assets - buildings	\$ 110,289,604	\$ 21,147,629	\$ (2,126,862)	\$ 129,310,371
Right-to-use assets - equipment	682,134	-	(168,104)	514,030
Right-to-use assets - subscriptions	5,476,132	1,678,689	(1,235,928)	5,918,893
Total right-to-use assets	<u>\$ 116,447,870</u>	<u>\$ 22,826,318</u>	<u>\$ (3,530,894)</u>	<u>\$ 135,743,294</u>
	<u>2022</u>	<u>Additions</u>	<u>Deductions</u>	<u>2023</u>
Right-to-use assets - buildings	\$ 110,624,819	\$ -	\$ (335,215)	\$ 110,289,604
Right-to-use assets - equipment	533,681	243,864	(95,411)	682,134
Right-to-use assets - subscriptions	4,942,057	534,075	-	5,476,132
Total right-to-use assets	<u>\$ 116,100,557</u>	<u>\$ 777,939</u>	<u>\$ (430,626)</u>	<u>\$ 116,447,870</u>

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

	<u>2023</u>	<u>Additions</u>	<u>Deductions</u>	<u>2024</u>
Right-to-use assets - buildings	\$ 21,195,691	\$ 8,162,706	\$ (2,126,862)	\$ 27,231,535
Right-to-use assets - equipment	297,906	111,654	(168,105)	241,455
Right-to-use assets - subscriptions	3,548,422	2,518,663	(1,292,093)	4,774,992
Total accumulated amortization	<u>\$ 25,042,019</u>	<u>\$ 10,793,023</u>	<u>\$ (3,587,060)</u>	<u>\$ 32,247,982</u>
	<u>2022</u>	<u>Additions</u>	<u>Deductions</u>	<u>2023</u>
Right-to-use assets - buildings	\$ 14,240,952	\$ 7,178,215	\$ (223,476)	\$ 21,195,691
Right-to-use assets - equipment	215,403	155,892	(73,389)	297,906
Right-to-use assets - subscriptions	1,726,200	2,117,377	(295,155)	3,548,422
Total accumulated amortization	<u>\$ 16,182,555</u>	<u>\$ 9,451,484</u>	<u>\$ (592,020)</u>	<u>\$ 25,042,019</u>

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**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED JUNE 30, 2024 AND 2023**

**NOTE 9 – LONG-TERM LIABILITIES, LEASES, AND SUBSCRIPTION-BASED INFORMATION  
TECHNOLOGY ARRANGEMENTS**

Activity related to long-term liabilities and leases for the fiscal years ended June 30, 2024 and 2023 was as follows:

	<b>June 30, 2023</b>			<b>June 30, 2024</b>		<b>Amounts due</b>
	<b>Balance</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance</b>	<b>within 1 year</b>	
Right-to-use lease liabilities	\$ 94,725,122	\$ 21,072,655	\$ (6,052,067)	\$ 109,745,710	\$ 6,003,694	
Right-to-use subscriptions	3,441,071	1,678,679	(1,563,051)	3,556,699	1,382,167	
Total leases and subscriptions	<u>\$ 98,166,193</u>	<u>\$ 22,751,334</u>	<u>\$ (7,615,118)</u>	<u>\$ 113,302,409</u>	<u>\$ 7,385,861</u>	
<b>Other long-term liabilities</b>						
Accrued compensated absences	\$ 9,370,981	\$ 6,301,794	\$ (5,773,923)	\$ 9,898,852	\$ 4,490,119	
Pension liabilities	164,828,924	36,092,173	(54,537,314)	146,383,783	-	
OPEB liabilities	240,823,701	79,810,910	(41,634,908)	278,999,703	-	
Total other liabilities	<u>\$ 415,023,606</u>	<u>\$ 122,204,877</u>	<u>\$(101,946,145)</u>	<u>\$ 435,282,338</u>	<u>\$ 4,490,119</u>	
Total long-term liabilities	<u><u>\$ 513,189,799</u></u>	<u><u>\$ 144,956,211</u></u>	<u><u>\$(109,561,263)</u></u>	<u><u>\$ 548,584,747</u></u>	<u><u>\$ 11,875,980</u></u>	
	<b>June 30, 2022</b>			<b>June 30, 2023</b>		<b>Amounts due</b>
	<b>Balance</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance</b>	<b>within 1 year</b>	
Right-to-use lease liabilities	\$ 100,250,773	\$ -	\$ (5,525,651)	\$ 94,725,122	\$ 5,309,013	
Right-to-use subscriptions	4,023,530	772,132	(1,354,591)	3,441,071	1,099,414	
Total leases and subscriptions	<u>\$ 104,274,303</u>	<u>\$ 772,132</u>	<u>\$ (6,880,242)</u>	<u>\$ 98,166,193</u>	<u>\$ 6,408,427</u>	
<b>Other long-term liabilities</b>						
Accrued compensated absences	\$ 8,621,644	\$ 6,285,738	\$ (5,536,401)	\$ 9,370,981	\$ 4,156,967	
Pension liabilities	218,638,387	32,841,851	(86,651,314)	164,828,924	-	
OPEB liabilities	300,576,329	13,441,734	(73,194,362)	240,823,701	-	
Total other liabilities	<u>\$ 527,836,360</u>	<u>\$ 52,569,323</u>	<u>\$(165,382,077)</u>	<u>\$ 415,023,606</u>	<u>\$ 4,156,967</u>	
Total long-term liabilities	<u><u>\$ 632,110,663</u></u>	<u><u>\$ 53,341,455</u></u>	<u><u>\$(172,262,319)</u></u>	<u><u>\$ 513,189,799</u></u>	<u><u>\$ 10,565,394</u></u>	

UConn Medical Group routinely leases various facilities and equipment instead of purchasing the assets. The contracts, at times, include variable payments, residual value guarantees or termination penalties that are not known or uncertain 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 termination penalties or residual guarantee payments expensed for the fiscal year ended June 30, 2024.

**UNIVERSITY OF CONNECTICUT HEALTH CENTER  
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**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED JUNE 30, 2024 AND 2023**

**NOTE 9 – LONG-TERM LIABILITIES, LEASES, AND SUBSCRIPTION-BASED INFORMATION  
TECHNOLOGY ARRANGEMENTS (CONTINUED)**

For the fiscal year ended June 30, 2024 and 2023, UMG recognized expense for lease variable payments as summarized in the following table:

<b>Expense Category</b>	<b>2024 Expenses Allocated</b>	<b>2023 Expenses Allocated</b>
Common area expense	\$ 393,123	\$ 295,480
Property taxes	123,918	4,443
Grand Total	<u>\$ 517,041</u>	<u>\$ 299,923</u>

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

Fiscal Year Ending June 30	<b>Lease Liabilities</b>	
	<b>Principal</b>	<b>Interest</b>
2025	\$ 6,003,694	\$ 5,333,634
2026	6,115,756	5,044,809
2027	6,446,456	4,742,566
2028	6,481,483	4,427,761
2029	6,216,435	4,119,110
2030-2034	32,773,717	15,893,391
2035-2039	36,205,468	7,345,483
2040-2044	9,502,701	774,868
Total lease and installment purchase liabilities	<u>\$ 109,745,710</u>	<u>\$ 47,681,622</u>

UMG 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, 2023 and 2024 include:

- Various desktop and server software subscriptions;
- Electronic workflow software;
- Budgeting, accounting, and information system software;
- Performance measurement/benchmarking software;

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**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED JUNE 30, 2024 AND 2023**

**NOTE 9 – LONG-TERM LIABILITIES, LEASES, AND SUBSCRIPTION-BASED INFORMATION  
TECHNOLOGY ARRANGEMENTS (CONTINUED)**

- 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	<b>Subscription Liabilities</b>	
	<b>Principal</b>	<b>Interest</b>
2025	\$ 1,382,167	\$ 145,589
2026	1,014,013	78,257
2027	697,918	38,370
2028	457,413	8,891
2029	5,188	70
Total subscription liabilities	\$ 3,556,699	\$ 271,177

**NOTE 10 – PENSION AND OPEB PLANS**

Employees of UMG are eligible to participate in the SERS, a defined benefit pension plan that is administered by the State Employees' Retirement Commission; the ARP, a defined contribution plan administered by the State; or the TRS, a defined benefit plan administered by the Teacher's Retirement Board; collectively, the "plans." Through their participation in one of the above plans, employees are also enrolled in the SEOPEBP. 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](http://www.osc.ct.gov). Information for the SERS and OPEB plans, in which UMG holds significant liabilities under GASB 68 and GASB 75, respectively, is presented below.

***SERS PLAN DESCRIPTION***

SERS is a single-employer defined benefit Public Employees' Retirement System (PERS) established in 1939 and governed by Sections 5-152 to 5-192 of the Connecticut General Statutes.

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**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED JUNE 30, 2024 AND 2023**

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**NOTE 10 – PENSION AND OPEB PLANS (CONTINUED)**

***SERS PLAN DESCRIPTION (CONTINUED)***

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, UMG 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

*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

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**NOTE 10 – PENSION AND OPEB PLANS (CONTINUED)**

***SERS PLAN DESCRIPTION (CONTINUED)***

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

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

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

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

The annual COLA for those retiring on or after July 1, 2022 is based on the annual rate of increase in the 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 3.3% 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 31<sup>st</sup> 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.

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**NOTE 10 – PENSION AND OPEB PLANS (CONTINUED)**

***SERS PLAN DESCRIPTION (CONTINUED)***

UMG’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 UMG’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, 2022 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; and
- Assumed rates of withdrawal, disability and retirement have been adjusted to reflect experience more closely.

***CONTRIBUTIONS MADE (SERS)***

UMG’s SERS contribution is determined by applying a State-mandated percentage to eligible salaries and wages. The mandated total fringe benefit rate, which includes allocations for retiree health care costs, 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:

	Years Ended June 30		
	2024	2023	2022
Total UMG payroll covered by SERS	\$ 54,893,535	\$ 51,189,301	\$ 46,647,440
Total UMG SERS contributions	\$ -	\$ 22,991,345	\$ 21,077,794
Contributions as a percentage of covered payroll	0.0%	44.9%	45.2%

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**NOTE 10 – PENSION AND OPEB PLANS (CONTINUED)**

***SERS PLAN DESCRIPTION (CONTINUED)***

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

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

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

At June 30, 2024 and 2023, UMG recorded a SERS related liability of \$146.2 million and \$163.1 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 actuarial valuations performed as of June 30, 2023 and June 30, 2022, respectively, rolled forward based on plan experience. UMG's allocation of the net pension liability was based on UMG's percentage of total overall contributions to the plan during the 2023 and 2022 fiscal years, respectively. For the fiscal years ended June 30, 2023 and 2022, UMG's proportion of contributions was 0.70% and 0.74%, respectively.

For the fiscal years ended June 30, 2024 and 2023, UMG recognized SERS pension expense of \$20.3 million and \$4.6 million, respectively. The pension expense is reported in UMG's statements of revenues, expenses, and changes in net position as part of fringe benefits expenses.

Legislative changes effective after the 2023 measurement date related to State-funded retirement costs are anticipated to impact UMG'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.

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**NOTE 10 – 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, UMG 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>			
Change in proportionate allocation of pension expense	\$ 18,471	\$ -	\$ 32,476	\$ -
UMG contributions subsequent to measurement date	-	-	22,991	-
Net difference between projected and actual earnings on pension plan investments	2,781	-	7,306	-
Difference between expected and actual experience	15,286	-	17,383	-
Net difference between employer contribution and proportionate share	-	41,972	-	48,322
Changes in assumptions	-	149	-	223
	<u>\$ 36,538</u>	<u>\$ 42,121</u>	<u>\$ 80,156</u>	<u>\$ 48,545</u>

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

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**NOTES TO FINANCIAL STATEMENTS**

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**NOTE 10 – 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:

Year ending June 30,	Change in proportionate participation in SERS plan	Net difference between projected and actual earnings on pension plan investments	Difference Between expected and actual experience	Difference between employer contribution and proportionate share	Change in assumptions
			<i>(in thousands)</i>		
2025	\$ 11,012	\$ 1,508	\$ 6,012	\$ (12,898)	\$ (13)
2026	6,011	596	4,587	(12,898)	(276)
2027	1,445	1,280	3,232	(12,899)	37
2028	3	(603)	1,239	(3,001)	87
2029	-	-	216	(276)	16
	<u>\$ 18,471</u>	<u>\$ 2,781</u>	<u>\$ 15,286</u>	<u>\$ (41,972)</u>	<u>\$ (149)</u>

The amortization of the aforementioned deferred inflows and deferred outflows increased fringe benefits expense by \$20,265,732 fiscal year 2024 but decreased fringe expense \$18,350,115 during the fiscal year ended June 30, 2023.

**ACTUARIAL METHODS AND ASSUMPTIONS (SERS)**

The total SERS pension liability in the June 30, 2023 and 2022 actuarial valuations were 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:	3.0% - 11.50% including inflation
Investment rate of return:	6.90%, net of pension plan investment expense, including inflation

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**NOTES TO FINANCIAL STATEMENTS**

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**NOTE 10 – 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 UMG contributions will be made equal to the difference between the projected actuarially determined contribution and member contributions. Projected future benefit payments for all current plan members were projected 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.

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**NOTE 10 – 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%	

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**NOTE 10 – 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	\$ 300,772	\$ 391,458	\$ 337,066
Changes for the year:			
Service cost	3,268	3,214	4,048
Interest	19,140	18,965	25,259
Differences between expected and actual experience	5,288	12,554	7,945
Changes of assumptions	-	-	(492)
Benefit payments, including refunds of member contributions	(18,363)	(17,625)	(22,740)
Change in proportionate allocation of pension liability	(14,201)	(107,794)	40,372
Net change in pension liability	(4,868)	(90,686)	54,392
Ending balance - pension liability (a)	\$ 295,904	\$ 300,772	\$ 391,458
	<i>(in thousands)</i>		
	2023 Fiduciary Net Position	2022 Fiduciary Net Position	2021 Fiduciary Net Position
Beginning balance - fiduciary net position	\$ 137,627	\$ 174,376	\$ 120,796
Changes for the year:			
Contributions - employer	22,991	21,078	18,242
Contributions - employee	1,572	1,496	1,988
Net investment income	12,369	(11,195)	33,702
Benefit payments, including refunds of member contributions	(18,363)	(17,625)	(22,740)
Administrative expenses	-	-	(6)
Other	(13)	17,514	7,925
Change in proportionate allocation of fiduciary net position	(6,497)	(48,017)	14,469
Net change in fiduciary net position	12,059	(36,749)	53,580
Ending balance - fiduciary net position (b)	\$ 149,686	\$ 137,627	\$ 174,376
UMGs net pension liability - ending (a) - (b)	\$ 146,218	\$ 163,145	\$ 217,082

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**NOTE 10 – PENSION AND OPEB PLANS (CONTINUED)**

***SERS PLAN DESCRIPTION (CONTINUED)***

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

The following table presents UMG's proportionate share of the net pension liability 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% Decrease (5.90%)	Current Discount Rate (6.90%)	1% Increase (7.90%)
	<i>(in thousands)</i>		
UMG's proportionate share of the net pension liability	\$ 181,485	\$ 146,218	\$ 116,819
	2023		
	1% Decrease (5.90%)	Current Discount Rate (6.90%)	1% Increase (7.90%)
	<i>(in thousands)</i>		
UMG's proportionate share of the net pension liability	\$ 199,080	\$ 163,145	\$ 133,196

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**NOTES TO FINANCIAL STATEMENTS**

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**NOTE 10 – PENSION AND OPEB PLANS (CONTINUED)**

***TEACHERS’ RETIREMENT SYSTEM***

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

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

	2024	2023	2022
	<i>(in thousands)</i>		
Deferred outflows of resources	\$ 411	\$ 967	\$ 1,231
Deferred inflows of resources	\$ 1,098	\$ 138	\$ 247
Pension liability	\$ 166	\$ 1,683	\$ 1,556

***ALTERNATE RETIREMENT PLAN***

UMG 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.

Participant and State contributions are both 100% vested immediately. For fiscal years 2024 and 2023, UMG contributions to the ARP were approximately \$-0- million and \$8.1 million, respectively. The liabilities as of June 30, 2024 and 2023 were approximately \$-0- and \$321,000, respectively.

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

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

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**NOTE 10 – 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 pension benefits, the State provides postemployment health care and life insurance benefits to UMG 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 UMG 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, and may be amended, by the State legislature, or by agreement between the State and employee unions upon approval by the State legislature. Costs are passed to UMG as part of its fringe benefit allocation, the rates for which are set each year by the 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 on the State Comptroller's website.

Similar to pension, UMG'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 UMG's State funding structure concerning employee contributions. As a result, UMG'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.

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**NOTE 10 – 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, 2024 and 2023, the SEOPEBP was based on plan membership at June 30, 2023 and 2022, covering the following:

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

**NET SEOPEBP LIABILITY**

UMG’s OPEB liability of \$279.0 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. UMG’s OPEB liability of \$240.8 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. UMG’s proportion of the net OPEB liability was based on UMG’s percentage of total overall contributions to the plan. For the fiscal years ended June 30, 2023 and 2022, UMG’s proportion of contributions was 1.79% and 1.55%, respectively.

Legislative changes effective after the 2023 measurement date related to State-funded retirement costs are anticipated to impact UMG’s proportionate share of the collective net OPEB liabilities, deferred inflows and deferred outflows of resources, a 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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**NOTE 10 – 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 and 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	Actuarial valuation year
	June 30, 2023	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.

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**NOTES TO FINANCIAL STATEMENTS**

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**NOTE 10 – PENSION AND OPEB PLANS (CONTINUED)**

***GENERAL INFORMATION ABOUT THE SEOPEBP (CONTINUED)***

***CONTRIBUTIONS MADE (SEOPEBP)***

The SEOPEBP contributions made to covered payroll is as follows:

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Total UMG payroll covered by SEOPEBP	\$ 116,100,637	\$ 107,583,048	\$ 99,070,136
Total UMG SEOPEBP contributions	-	15,212,428	13,175,795
Contributions as a percentage of covered payroll	0.0%	14.1%	13.3%

***CHANGES IN THE NET OPEB LIABILITY***

	<u>2023</u>	<u>2022</u>	<u>2021</u>
	Net OPEB Liability	Net OPEB Liability	Net OPEB Liability
	<i>(in thousands)</i>		
Beginning balance	<u>\$ 240,824</u>	<u>\$ 300,576</u>	<u>\$ 353,032</u>
Changes for the year:			
Service cost	11,113	14,083	18,698
Interest	12,590	8,010	9,516
Differences between expected and actual experience	(17,908)	(4,814)	5,992
Changes in assumptions or other inputs	14,853	(69,345)	(75,979)
Benefit payments	(11,210)	(9,913)	(9,808)
Change in proportionate allocation of OPEB liability	<u>28,738</u>	<u>2,227</u>	<u>(875)</u>
Net changes	<u>38,176</u>	<u>(59,752)</u>	<u>(52,456)</u>
Ending balance	<u>\$ 279,000</u>	<u>\$ 240,824</u>	<u>\$ 300,576</u>

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**NOTES TO FINANCIAL STATEMENTS**

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**NOTE 10 – PENSION AND OPEB PLANS (CONTINUED)**

***GENERAL INFORMATION ABOUT THE SEOPEBP (CONTINUED)***

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

The following table presents UMG’s proportionate share of net OPEB liability as of June 30, 2024 and 2023, using the discount rate of 5.90% 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% Decrease (5.90%)	Discount Rate (6.90%)	1% Increase (7.90%)
	<i>(in thousands)</i>		
Net OPEB Liability	\$ 324,379	\$ 279,000	\$ 241,843

	2023		
	1% Decrease (2.90%)	Discount Rate (3.90%)	1% Increase (4.90%)
	<i>(in thousands)</i>		
Net OPEB Liability	\$ 281,569	\$ 240,824	\$ 207,867

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

	Healthcare Cost Trend Rates		
	1% Decrease	Current Valuation	1% Increase
	<i>(in thousands)</i>		
Net OPEB Liability	\$ 241,502	\$ 279,000	\$ 325,023

**UNIVERSITY OF CONNECTICUT HEALTH CENTER  
UCONN MEDICAL GROUP**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED JUNE 30, 2024 AND 2023**

**NOTE 10 – 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***

For the fiscal years ended June 30, 2024 and 2023, UMG recognized OPEB expense of \$27.7 million and \$4.4 million, respectively. At June 30, 2024 and 2023, UMG reported deferred outflows of resources and deferred inflows of resources related to OPEB 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 proportion	\$ 48,579	\$ -	\$ 24,565	\$ -
UMG contributions subsequent to measurement date	-	-	15,212	-
Net difference between expected and actual experience in total OPEB liability	2,915	19,068	3,704	7,412
Changes in assumptions or other inputs	23,855	85,840	27,121	103,750
Net difference between projected and actual earnings	1,750	-	2,244	-
	\$ 77,099	\$ 104,908	\$ 72,846	\$ 111,162

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in fringe benefits expense as follows:

Years ending June 30:	Change in proportionate participation in OPEB plan	Net difference between expected and actual experience in total OPEB liability	Changes in assumptions or other inputs	Net difference between projected and actual earnings on OPEB plan investments	Net difference between expected and actual experience in total OPEB liability	Changes in assumptions or other inputs
	<i>(in thousands)</i>					
2025	\$ 15,529	\$ 1,261	\$ 12,140	\$ 429	\$ (5,521)	\$ (31,012)
2026	11,934	1,261	4,866	248	(4,687)	(30,909)
2027	10,189	285	3,192	1,087	(4,535)	(18,583)
2028	9,433	93	3,153	(14)	(3,748)	(4,898)
2029	1,494	15	504	-	(577)	(438)
Thereafter	-	-	-	-	-	-
	\$ 48,579	\$ 2,915	\$ 23,855	\$ 1,750	\$ (19,068)	\$ (85,840)

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**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED JUNE 30, 2024 AND 2023**

**NOTE 10 – 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 11 – RELATED PARTY TRANSACTIONS**

The expenses reported in the accompanying statements of revenues, expenses, and changes in net position do not include undetermined amounts for salaries, services, and expenses provided to and received from UConn Health and other State agencies, other than certain UConn School of Medicine faculty-related personnel expenses, which have been allocated to UMG based upon State funding and an estimated amount for UConn Health administrative services.

**UNIVERSITY OF CONNECTICUT HEALTH CENTER  
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**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED JUNE 30, 2024 AND 2023**

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**NOTE 11 – 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 UMG with an offsetting cash transfer back to UConn Health’s Central Administrative Services business unit:

Expense Category	2024 Expenses <u>Allocated</u>	2023 Expenses <u>Allocated</u>
Salaries and wages	\$ 9,880,366	\$ 9,311,926
Fringe benefits	2,975,325	7,425,189
Internal contractual support	840,578	823,089
Temporary Per Diem Staff	237,774	85,562
Utilities	2,080,998	2,205,827
Outside and purchased services	7,532,919	7,194,517
Insurance	87,819	64,412
Repairs and maintenance	2,414,113	2,286,978
Other expenses	771,576	920,589
Debt Services	7,431	9,965
Grand Total	<u>\$ 26,828,899</u>	<u>\$ 30,328,054</u>

**UNIVERSITY OF CONNECTICUT HEALTH CENTER  
UCONN MEDICAL GROUP**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED JUNE 30, 2024 AND 2023**

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**NOTE 11 – RELATED PARTY TRANSACTIONS (CONTINUED)**

UMG is party to an agreement with UConn Health whereby the salaries of certain employees are reimbursed by UConn Health operations. Funds received by UConn Health under the American Rescue Plan Act are used for these reimbursements. The reimbursed expenses are accounted for as a transfer from UConn Health under the heading “Net Transfers from UConn Health” in the statements of revenues, expenses, and changes in net position. As a result, the total net transfers from UConn Health were \$97,359,433 and \$143,352,241 for the fiscal years ended June 30, 2024 and 2023, respectively. Fringe recoveries of \$-0- and \$30,879,477 were transferred from UConn Health during the fiscal years ended June 30, 2024 and 2023, respectively. UConn Health also allocates working capital based on organizational need throughout the year on an as-needed basis. UConn Health transferred \$97,359,433 and \$112,472,764 to UMG during the fiscal years ended June 30, 2024 and 2023, respectively, in working capital support.

As described in Note 1 and Note 10, UMG participates in certain State retirement and fringe benefit plans. UMG’s pension and OPEB liabilities represent its pro-rata share of the State’s overall liabilities and are not current commitments. The State finances the pension and OPEB benefits on a pay-as-you-go basis through allocated retirement plan rates. During the fiscal years ended June 30, 2024 and 2023, UMG expensed \$82,256,913 and \$63,221,400, respectively, for employee fringe benefits, including contributions to the State employee retirement funds. Related salary costs for 2024 and 2023 were \$150,057,924 and \$135,717,462, respectively.

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

Included in contract and other revenues of \$8,432,211 and \$8,653,886 in 2024 and 2023, respectively, are professional service revenues arising under contracts with UConn Health, JDH and State agencies.

Effective July 1, 1987, the University of Connecticut Health Center Finance Corporation (Finance Corporation) was established pursuant to Public Act No. 87-458. The purpose of the Finance Corporation is to provide greater flexibility for UMG and other UConn Health units to promote the more efficient provision of health care services. As such, the Finance Corporation has been empowered to enter into purchase agreements, acquire facilities, approve write-offs of patient accounts receivable, process malpractice claims on behalf of UMG and UConn Health, as well as negotiate joint ventures, shared service, and other agreements for the benefit of UMG.

**UNIVERSITY OF CONNECTICUT HEALTH CENTER  
UCONN MEDICAL GROUP**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED JUNE 30, 2024 AND 2023**

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**NOTE 11 – RELATED PARTY TRANSACTIONS (CONTINUED)**

During fiscal years 2024 and 2023, UConn Health Pharmacy Services, Inc. (UHPSI), a wholly-owned subsidiary of the Finance Corporation, provided pharmaceuticals to UMG in the amount of approximately \$8.3 million and \$6.7 million, respectively. UMG records this charge in pharmaceutical/medical supplies expense in its statements of revenues, expenses, and changes in net position. During the fiscal years ended June 30, 2024 and 2023, UMG made payments to UHPSI in the amount of \$7.6 million and \$6.6 million, respectively. UMG had amounts due to Finance Corporation at June 30, 2024 and 2023 of approximately \$1.4 million and \$618,000, respectively, which are recorded in the statements of net position.

At June 30, 2023, UMG owed JDH \$3.2 million. The 2023 balance consisted primarily of patient deposits posted to a central clearing account in UMG that were owed back to JDH at year-end. There was no activity for June 30, 2024.

**NOTE 12 – REPORTING OF THE MALPRACTICE FUND**

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

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

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 judgement 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 UConn Medical Group (UMG), as of and for the years ended June 30, 2024 and 2023, and the related notes to the financial statements, which collectively comprise UMG's basic financial statements, and have issued our report thereon dated November 20, 2024.

***Report on Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered UMG'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 UMG's internal control. Accordingly, we do not express an opinion on the effectiveness of UMG'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 UMG'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  
UCONN MEDICAL GROUP**

**SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION**

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

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
	<i>(dollars in thousands)</i>									
<b>Total Pension Liability</b>										
Service cost	\$ 3,268	\$ 3,214	\$ 4,048	\$ 3,544	\$ 3,220	\$ 2,778	\$ 2,975	\$ 1,992	\$ 1,800	\$ 1,471
Interest	19,140	18,965	25,259	22,032	18,818	14,320	13,970	13,023	11,900	10,226
Differences between expected and actual experience	5,288	12,554	7,945	1,898	10,058	3,125	(8,945)	4,779	-	-
Changes of assumptions	-	-	(492)	-	-	-	-	30,671	-	-
Benefit payments, including refunds of member contributions	(18,363)	(17,625)	(22,740)	(19,421)	(16,703)	(12,707)	(11,494)	(10,737)	(9,609)	(8,017)
Change in proportionate allocation of pension liability	(14,201)	(107,794)	40,372	32,540	59,680	9,162	326	10,521	18,039	-
<b>Net Change in Total Pension Liability</b>	(4,868)	(90,686)	54,392	40,593	75,073	16,678	(3,168)	50,249	22,130	3,680
<b>Total Pension Liability - Beginning</b>	300,772	391,458	337,066	296,473	221,400	204,722	207,890	157,641	135,511	131,831
<b>Total Pension Liability - Ending (a)</b>	<u>\$ 295,904</u>	<u>\$ 300,772</u>	<u>\$ 391,458</u>	<u>\$ 337,066</u>	<u>\$ 296,473</u>	<u>\$ 221,400</u>	<u>\$ 204,722</u>	<u>\$ 207,890</u>	<u>\$ 157,641</u>	<u>\$ 135,511</u>

*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  
UCONN MEDICAL GROUP**

**SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION**

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

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
	<i>(dollars in thousands)</i>									
<b>Fiduciary Net Position</b>										
Contributions - employer	\$ 22,991	\$ 21,078	\$ 18,242	\$ 14,736	\$ 12,966	\$ 9,338	\$ 9,553	\$ 9,287	\$ 7,953	\$ 6,492
Contributions - employee	1,572	1,496	1,988	1,757	4,018	1,255	821	835	1,086	741
Net investment income	12,369	(11,195)	33,702	2,696	5,840	5,668	9,352	(1)	1,706	7,385
Benefit payments, including refunds of member contributions	(18,363)	(17,625)	(22,740)	(19,421)	(16,703)	(12,707)	(11,494)	(10,737)	(9,609)	(8,017)
Administrative expenses	-	-	(6)	(7)	(6)	(3)	(4)	(4)	-	-
Other	(13)	17,514	7,925	-	30	(20)	(2)	530	-	-
Change in proportionate allocation of fiduciary net position	(6,497)	(48,017)	14,469	11,971	21,853	3,322	102	4,127	7,132	-
<b>Net Change in Fiduciary Net Position</b>	12,059	(36,749)	53,580	11,732	27,998	6,853	8,328	4,037	8,268	6,601
<b>Fiduciary Net Position - Beginning</b>	137,627	174,376	120,796	109,064	81,066	74,213	65,885	61,848	53,580	46,979
<b>Fiduciary Net Position - Ending (b)</b>	<u>\$ 149,686</u>	<u>\$ 137,627</u>	<u>\$ 174,376</u>	<u>\$ 120,796</u>	<u>\$ 109,064</u>	<u>\$ 81,066</u>	<u>\$ 74,213</u>	<u>\$ 65,885</u>	<u>\$ 61,848</u>	<u>\$ 53,580</u>
<b>UMG's Net Pension Liability - Ending (a) - (b)</b>	<u>\$ 146,218</u>	<u>\$ 163,145</u>	<u>\$ 217,082</u>	<u>\$ 216,270</u>	<u>\$ 187,409</u>	<u>\$ 140,334</u>	<u>\$ 130,509</u>	<u>\$ 142,005</u>	<u>\$ 95,793</u>	<u>\$ 81,931</u>
<b>UMG's Estimated Portion of SERS Net Pension Liability</b>	0.70%	0.74%	1.02%	0.91%	0.82%	0.65%	0.62%	0.62%	0.58%	0.51%
<b>Fiduciary Net Position as a Percentage of the Total Pension Liability</b>	50.59%	45.76%	44.55%	35.84%	36.79%	36.62%	36.25%	31.69%	39.23%	39.54%
<b>UMG's Covered Payroll</b>	\$ 51,189	\$ 46,647	\$ 43,496	\$ 40,504	\$ 32,551	\$ 27,090	\$ 26,025	\$ 25,860	\$ 23,424	\$ 19,273
<b>UMG's Estimated Net Pension Liability as a Percentage of Covered Payroll</b>	285.64%	349.74%	499.08%	533.95%	575.74%	518.03%	501.48%	549.13%	408.95%	425.11%

**UNIVERSITY OF CONNECTICUT HEALTH CENTER  
UCONN MEDICAL GROUP**

**SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION**

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

**SCHEDULE OF UMG CONTRIBUTIONS**

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
	<i>(dollars in thousands)</i>									
Contractually required contributions	\$ -	\$ 22,991	\$ 21,078	\$ 18,243	\$ 14,736	\$ 12,966	\$ 9,338	\$ 9,553	\$ 9,366	\$ 7,953
Contributions in relation to the contractually required contribution	<u>-</u>	<u>22,991</u>	<u>21,078</u>	<u>18,243</u>	<u>14,736</u>	<u>12,966</u>	<u>9,338</u>	<u>9,553</u>	<u>9,287</u>	<u>7,953</u>
Contribution deficiency	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 79</u>	<u>\$ -</u>
UMG's covered payroll	\$ 54,894	\$ 51,189	\$ 46,647	\$ 43,496	\$ 40,504	\$ 32,551	\$ 27,090	\$ 26,025	\$ 25,860	\$ 23,424
Contributions as a percentage of covered payroll	0.00%	44.91%	45.19%	41.94%	36.38%	39.83%	34.47%	36.71%	35.91%	33.95%

**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  
UCONN MEDICAL GROUP**

**SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF ANNUAL MONEY-WEIGHTED RATES OF RETURN - STATE EMPLOYEES' RETIREMENT SYSTEM ONLY**

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

*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  
UCONN MEDICAL GROUP**

**SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF UMG'S OPEB CONTRIBUTION**

	2023	2022	2021	2020	2019	2018	2017
	<i>(dollars in thousands)</i>						
<b>Net OPEB Liability</b>							
Service cost	\$ 11,113	\$ 14,083	\$ 18,698	\$ 14,542	\$ 12,281	\$ 10,565	\$ 10,474
Interest	12,590	8,010	9,516	12,101	10,675	7,970	5,571
Differences between expected and actual experience	(17,908)	(4,814)	5,992	(2,693)	(9,348)	-	-
Changes of assumptions or other inputs	14,853	(69,345)	(75,979)	33,379	49,484	(8,485)	(5,567)
Benefit payments	(11,210)	(9,913)	(9,808)	(9,344)	(8,592)	(7,597)	(6,969)
Change in proportionate allocation of OPEB liability	28,738	2,227	(875)	5,584	42,670	10,610	(2,000)
<b>Change in Net OPEB Liability</b>	38,176	(59,752)	(52,456)	53,569	97,170	13,063	1,509
<b>Net OPEB Liability - Beginning</b>	<u>240,824</u>	<u>300,576</u>	<u>353,032</u>	<u>299,463</u>	<u>202,293</u>	<u>189,230</u>	<u>187,721</u>
<b>Net OPEB Liability - Ending</b>	<u>\$ 279,000</u>	<u>\$ 240,824</u>	<u>\$ 300,576</u>	<u>\$ 353,032</u>	<u>\$ 299,463</u>	<u>\$ 202,293</u>	<u>\$ 189,230</u>
<b>Covered Payroll</b>	\$ 107,583	\$ 99,070	\$ 92,070	\$ 87,096	\$ 80,717	\$ 77,725	\$ 76,699
<b>Total OPEB Liability as a Percentage of Covered Payroll</b>	259.33%	243.08%	326.46%	405.34%	371.00%	260.27%	246.72%

*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  
UCONN MEDICAL GROUP**

**SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF UMG'S OPEB CONTRIBUTION**

	2023	2022	2021	2020	2019	2018	2017	2016
	<i>(dollars in thousands)</i>							
UMG's proportion of the net OPEB liability	1.79%	1.55%	1.54%	1.50%	1.15%	1.11%	1.09%	1.09%
UMG's proportionate share of the net OPEB liability	\$ 279,000	\$ 240,824	\$ 300,576	\$ 353,032	\$ 299,463	\$ 202,293	\$ 189,230	\$ 187,721
UMG's covered payroll	\$ 107,573	\$ 99,070	\$ 92,070	\$ 87,096	\$ 80,717	\$ 77,725	\$ 76,699	\$ 79,921
UMG's proportionate share of the net OPEB liability as a percentage of its covered payroll	259.36%	243.08%	326.46%	405.34%	371.00%	260.27%	246.72%	234.88%
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.*

**NOTES TO REQUIRED SCHEDULES**

**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  
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**SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF UMG'S OPEB CONTRIBUTION**

	2024	2023	2022	2021	2020	2019	2018	2017	2016
	<i>(dollars in thousands)</i>								
Contractually required contribution	\$ -	\$ 15,212	\$ 13,176	\$ 13,362	\$ 13,005	\$ 10,902	\$ 9,396	\$ 7,274	\$ 6,626
Contributions in relation to the contractually required contribution	-	15,212	13,176	13,362	13,005	10,902	9,396	7,274	6,626
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
UMG's covered payroll	\$ 116,101	\$ 107,583	\$ 99,070	\$ 92,070	\$ 87,096	\$ 80,717	\$ 77,725	\$ 76,699	\$ 79,921
Contributions as a percentage of covered payroll	0.00%	14.14%	13.30%	14.51%	14.93%	13.51%	12.09%	9.48%	8.29%

*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 11.50%

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.

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**SCHEDULE OF ANNUAL MONEY-WEIGHTED RATES OF RETURN – OPEB PLAN**

**FOR THE YEARS ENDED JUNE 30, 2023 AND 2022**

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Annual money-weighted rates of return net of investment expense	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
OPEB Fund	7.70%	-7.40%	24.61%	2.13%	6.62%	5.85%	11.83%	2.44%	3.44%	11.80%



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