

# Appropriations Higher Education Subcommittee Work Session March 14, 2025

## UConn Health

### Follow Up Questions from Appropriations Committee

#### Meeting on February 19<sup>th</sup>, 2025

#### 1. UConn Health – History FY10 – FY24 Actuals, FY25 Budget, FY25 Forecast and FY26 Projections

See Attached Excel Workbook -- UCH - History FY10-FY24 Actuals FY25 Budget, FY25 Forecast and FY26 projections

88% of UConn Health's revenue comes from patients, grants and contracts, and other revenues, 12% comes from the state.

UConn Health			
	FY 25 Budget	FY 25 Forecast	FY 26 Projection
<b>Revenues</b>			
State support	118.2	116.1	123.1
State support - ARPA Funds	58.0	54.9	0.0
State support - Carry Forward funds	17.5	17.5	0.0
State-paid fringe	0.9	1.0	0.8
State-paid fringe - FB Differential	4.3	4.3	0.0
<b>Subtotal State Support</b>	<b>198.8</b>	<b>193.8</b>	<b>123.9</b>
Tuition and Fees	34.2	35.5	36.4
Grants and contracts	119.2	117.5	119.9
Patient services and pharmaceutical revenues	1003.4	1042.5	1093.6
Interns/Residents	90.2	92.2	94.0
Other operating revenue	86.1	89.5	89.0
<b>TOTAL</b>	<b>1531.9</b>	<b>1571.1</b>	<b>1556.8</b>
Total State Support	198.8	193.8	123.9
State Support as % of Total Revenues	13.0%	12.3%	8.0%
Growth in Patient Services and Pharmaceutical Revenues compared to overall Revenue	65.5%	66.4%	70.2%
<b>Expenditures</b>			
Personal Services	640.0	651.3	680.6
Fringe benefits*	166.9	168.1	174.0
<b>Subtotal Personnel</b>	<b>806.9</b>	<b>819.4</b>	<b>854.6</b>
Drugs/Medical Supplies	332.0	342.5	358.6
Resident & Fellow House Staff	77.5	76.9	80.0
Utilities	14.8	16.6	17.2
Interest on capital assist - related debt	8.0	8.1	8.2
Depreciation and amortization**	30.9	32.1	32.7
Other expenses	263.4	276.4	283.9
<b>Subtotal Other Expenditures</b>	<b>726.6</b>	<b>752.4</b>	<b>780.6</b>
<b>TOTAL</b>	<b>1533.5</b>	<b>1571.8</b>	<b>1635.2</b>
	<b>-1.6</b>	<b>-0.7</b>	<b>-78.4</b>

\*NOTE: Forecast includes the March 7, 2025 state holdback.

## **2. How is UConn Health preparing for the loss of one-time ARPA funding?**

At UConn Health, our long-term strategic planning focused on growth and increased clinical revenue continues to make excellent progress. It is important to note that our efforts to reduce expenses, increase self-generated revenues and rely less on state support is part of a multi-year strategic plan to enable UConn Health to close funding shortfalls.

Per our original budget request, the based funding request is lower than the FY25 approved state support by \$20.3M in FY26 and \$34.1M in FY27.

If the Governor's proposed budget is approved, at UConn Health, we would be unable to absorb a funding shortfall of this magnitude (\$79.7M in FY26 and \$87.6M in FY27) in such a short period of time, without harm to the educational, research and patient care mission.

In order to balance our budget, UConn Health conducts a cost savings and revenue enhancement plan which ranges between \$12.5M to \$15M annually. While we will continue to implement this strategy, these annual cost savings are insufficient to cover the loss of ARPA funds.

## **3. Does UConn have any indication as to the impact of either (1) the Federal directive regarding DEI initiatives and Federal funding; or (2) the impact of the change in the use of NIH grant funding for overhead? How much funding is at stake? What initiatives could be impacted? I understand you had said it is too early to tell the impact of either of these – if you happen to have any clarity by the time of the work session, it would be useful to provide that. \*These questions were also asked of UConn Health specifically\***

A significant fiscal concern for UCH revolves around the new uncertainty regarding critical funding from the federal government. This includes the recently announced changes to the National Institutes of Health funding model that would reduce federal support for UConn Health related to our federal NIH grants which will significantly impact our research endeavors by millions of dollars this next year alone. That unexpected and dramatic reduction would have far reaching negative implications. It could be the first of multiple changes that have major fiscal implications for breakthroughs in treatments for our patients now and in the future. For UConn Health, the estimated impact could be \$10.4M for FY25 and \$25M FY26.

### **What initiatives could be impacted?**

It is unclear at this time, as many of the executive orders conflict with existing federal law and we are working closely with state and federal officials to ensure we remain in compliance with current law. The changes could directly impact the university, our

students, patients and staff, in a number of ways including areas such as federal scholarship support, outreach and engagement activities, Medicaid and Medicare funding for clinical services, research, innovation and entrepreneurship initiatives.

With respect to research, university leaders are analyzing the executive orders and other federal directives that will or may impact research and expect more guidance from the federal government in the coming days.

#### **4. What are the fund balances for UConn Health and will those be used to address the potential FY 26 deficit?**

- What is often presented as “reserves” or “fund balances” at UConn Health is actually numerous budget lines and accounts spread throughout the institution that are funding the critical current and future needs of UConn Health.
- Combining these budget lines and accounts to create one large number is misleading and an oversimplification that creates the impression that UConn Health has its own “rainy day fund,” as the state does, meaning a substantial pool of cash being kept on hand for some unspecified potential future uses should needs arise. Such a fund does not exist at UConn Health.

What is being described as “reserves” or “fund balances” are expected to break down as follows in FY25:

- Operating (non-capital) dollars on hand: UConn Health: \$70.6M. These dollars include tuition, program fees, and indirect cost returns. They fund many of the basics of running the academic and research enterprises, including faculty startup costs for laboratory space and staff and infrastructure to support new research (including the emerging AI and Quantum initiatives prioritized for federal funding), the strategic expansion of departments to grow enrollment and the additional services needed to support that growth, and equipment replacement. In addition, the Board of Trustees recommends that UConn Health always keep 90 days worth of operating dollars on hand as a sound fiscal practice. UConn Health is falling far short of meeting that goal; at the moment UConn Health has only 20 days of operating dollars on hand.
- Capital dollars on hand: UConn Health: \$152.6M. These budget lines fund capital expenses that are not funded by the state, including deferred maintenance. UConn Health estimates that we face at least \$550M in deferred maintenance needs now and in the coming years across our campuses. At UConn Health, these funds are also committed to addressing critical deferred maintenance projects, projects required to meet patient safety and regulatory requirements, and to invest in the physical infrastructure needed to support the continued growth of clinical revenues.

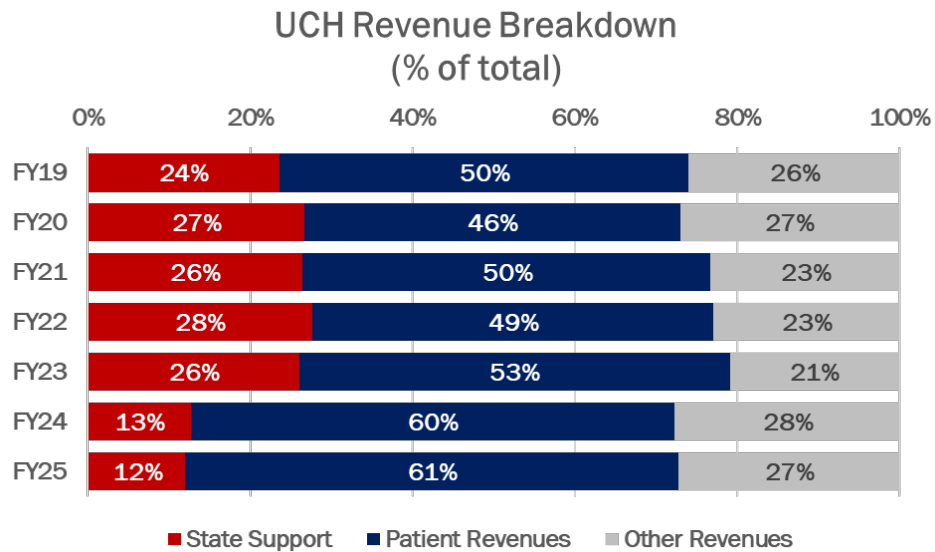
- UConn Health keeps \$11.2M on hand, to fund our debt service and maintain our credit rating.
- Sweeping some portion of these dollars to meet other fiscal needs elsewhere at UConn Health, including deficits created by shortfalls in state funding, is the equivalent of UConn Health taking money out of one pocket and putting it another; all that would accomplish from a budget perspective is changing which pocket is empty – some immediate fiscal needs would be met, but new fiscal needs will have been created in the process.

## Unrestricted Fund Balance

	UCH		Notes
	FY24	FY25 Est	
Operating	\$72.3	\$70.6	Funds reserved for commitments made to recruited faculty for items such as startup costs for laboratory space and staff for new research, strategic expansion of departments to grow enrollment and equipment replacement (i.e. AI and Quantum initiatives). Board of Trustee guideline recommends 90 days of operations; FY25 estimate = 30 days at UConn & 20 days at UCH.
Capital	\$169.4	\$152.6	Capital projects and deferred maintenance not included in State bond funded projects. Includes balances for projects that are <u>underway</u> but funds not fully spent. UConn estimates over \$1 billion in deferred maintenance projects are required over the next decade. UCH funds committed to address critical deferred maintenance projects, projects required to meet patient safety and regulatory requirements, and to invest in growth of clinical revenues.
Debt Service	\$12.0	\$11.2	Debt Service balance of at least 1.25x the debt payment is needed for bond coverage and favorable credit rating.
<b>Total</b>	<b>\$253.7</b>	<b>\$234.4</b>	

**5. What would the % of state support be in FY 26 if the Governor's budget proposal was adopted as is?**

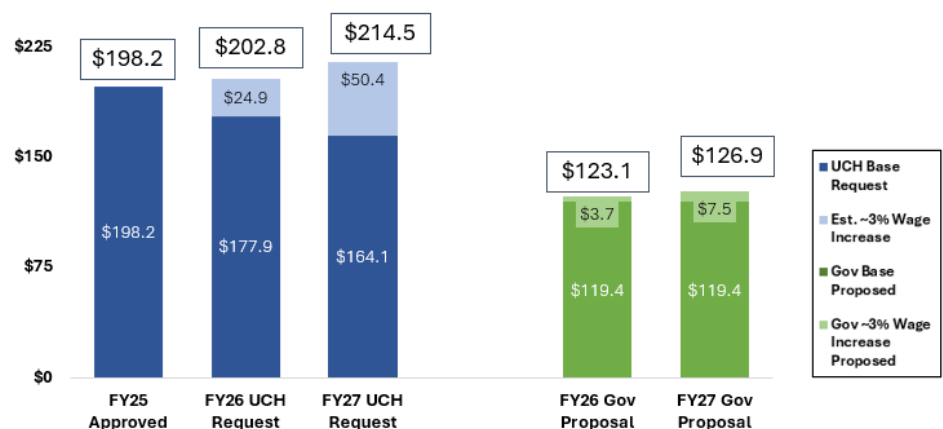
If the Governor's budget proposal was adopted, the FY26 percentage of UConn Health's budget funded by the state will be 8%, or 5 percentage points less than FY25



- UConn Health base funding request is lower than the FY25 approved state support by \$20.3M in FY26 and \$34.1M in FY27
- The Governor's proposed biennium budget (including the ~3% additional inflationary increase) is lower than requested creating a shortfall of \$79.7M in FY26 and \$87.6M in FY27

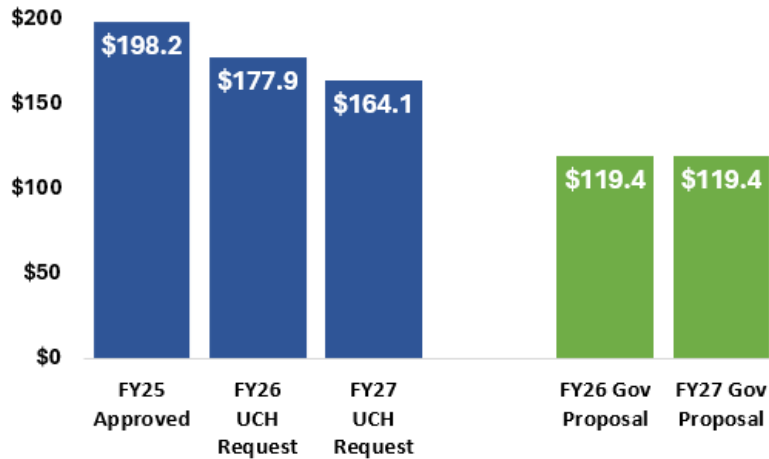
**UConn Health:**

The shortfall from the Gov. proposed budget is \$79.7M in FY26 and \$87.6M in FY27



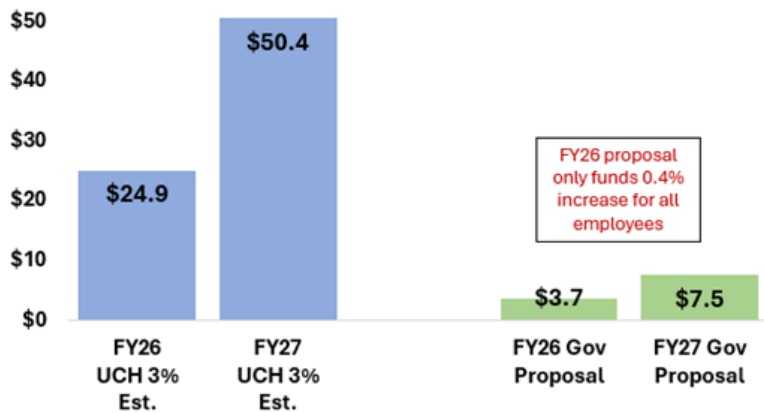
### UConn Health:

The shortfall from the Gov. proposed budget is \$58.5M in FY26 and \$44.7M in FY27



### UConn Health:

The shortfall from the Gov. proposed ~3% is \$21.2M in FY26 and \$42.9M in FY27



**6. Could UConn provide more information about the economic impact on the state? What are some of the most impactful programs it administers?**

UConn Health generates \$3.6 billion in overall economic benefit to Connecticut, it contributes to nearly 21,000 jobs to the state economy, and is the single largest source of physicians, surgeons, and dentists in the state.

UConn Health delivers three important services for the people of Connecticut: 1) First we educate and train healthcare professionals; this includes physicians, dentists, public health professionals, and graduate students; 2) Second, we conduct innovative and life changing research such as research into Lyme disease and stroke care; and 3) We provide the same world class care to all Connecticut residents whether they have Medicaid, Medicare, commercial insurance or are self-pay.

**7. UConn Health: How has patient revenue grown as a percent of overall revenue in the past five years?**

UConn Health							
	FY 21	FY 22	FY 23	FY 24	FY 25 Budget	FY 25 Forecast	FY 26 Projection
Total State Support	330.9	417.0	413.0	203.3	198.8	193.8	123.9
State Support as % of Total Revenues	26.4%	27.7%	26.0%	13.7%	13.0%	12.3%	8.0%
Patient services and pharmaceutical revenues	628.9	743.5	841.9	965.2	1003.4	1042.5	1093.6
Growth in Patient Services and Pharmaceutical Revenues compared to overall Revenue	50.3%	49.3%	53.0%	65.0%	65.5%	66.4%	70.2%
Growth in Patient Services and Pharmaceutical Revenues FY21 vs FY24				53.5%			

The state's investment in UConn Health physical infrastructure through the Bioscience Connecticut initiative, served as a catalyst to UConn Health's patient volume and revenue growth that has risen exponentially. We had a record 1.6 million outpatient visits last year, and our hospital's Emergency Department saw over 57,000 patients – an increase of 63% since FY 21. Due to the demand for our services we submitted a CON application for and an additional 23 beds a 10% increase in capacity. We are thrilled to report we were recently granted these new beds.

No surprise our clinical revenues have also risen steeply: From 2021-2024, UConn Health has grown its net patient care revenue by 54% from \$628.9M to \$965.2M and by the end of FY25 we expect revenues to be at \$1,042.5M

**8. UConn Health: Could you talk about what partnerships you might pursue and how those partnerships will help the overall budget picture of the hospital?**

We are constantly open to exploring public -private partnerships that allow us to grow efficiently, increase our financial strength, bring our services to more people across Connecticut, and help ensure healthcare access across the state.



UConn Health																		
	FY 10	FY 11	FY 12	FY 13	FY 14	FY 15	FY 16	FY 17	FY 18	FY 19	FY 20	FY 21	FY 22	FY 23	FY 24	FY 25 Budget	FY 25 Forecast	FY 26 Projection
<b>Revenues</b>																		
State support	117.7	119.2	108.5	108.5	125.0	131.2	137.4	122.5	113.4	118.1	124.9	132.9	142.2	153.2	111.6	118.2	116.1	123.1
State support - CMHC	36.3	38.7	36.1	39.4	46.4	53.2	53.3	53.9	53.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
State support - ARPA Funds	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	73.0	72.7	51.5	58.0	54.9
State support - Carry Forward funds	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	6.9	7.5	35.0	17.5	17.5	0.0
State support - Add'l Support - Sec 44 - Legacy	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	33.2	0.0	0.0	30.2	0.0	0.0	0.0	0.0
State support - Deficiency Appropriation	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	50.0	24.0	0.0	0.0	0.0	0.0	0.0
State-paid fringe	50.9	54.0	58.5	52.0	81.3	82.8	90.6	88.3	94.6	115.0	122.2	131.6	157.4	135.9	0.7	0.9	1.0	0.8
State-paid fringe - FB Differential	13.5	13.5	13.5	13.5	13.5	13.5	13.5	13.5	13.5	13.5	13.5	13.5	13.5	13.5	4.5	4.3	4.3	0.0
State-paid fringe - Workers comp	0.0	0.0	0.0	0.0	0.0	0.0	8.0	7.5	4.3	4.2	2.7	2.9	0.0	0.0	0.0	0.0	0.0	0.0
<b>Subtotal State Support</b>	<b>218.5</b>	<b>225.3</b>	<b>216.5</b>	<b>213.4</b>	<b>266.1</b>	<b>280.6</b>	<b>302.8</b>	<b>285.7</b>	<b>279.5</b>	<b>250.8</b>	<b>296.5</b>	<b>330.9</b>	<b>417.0</b>	<b>413.0</b>	<b>203.3</b>	<b>198.8</b>	<b>193.8</b>	<b>123.9</b>
Tuition and Fees	12.2	13.1	13.7	13.8	15.8	16.6	15.7	17.5	18.6	20.7	21.6	23.5	23.9	24.9	24.8	34.2	35.5	36.4
Grants and contracts	88.0	86.0	84.6	88.2	86.3	82.3	86.6	87.2	80.1	88.2	85.9	93.2	122.7	115.1	118.7	119.2	117.5	119.9
Patient services and pharmaceutical revenues	405.7	422.1	429.5	432.0	450.3	513.0	532.9	539.8	580.7	534.5	513.6	628.9	743.5	841.9	965.2	1003.4	1042.5	1093.6
Interns/Residents	42.6	47.6	53.8	54.9	56.5	60.0	63.3	63.0	66.0	69.4	69.5	70.3	72.6	78.3	83.3	90.2	92.2	94.0
Other operating revenue	10.3	16.0	48.8	55.4	57.6	56.7	51.7	55.4	67.5	97.9	123.3	104.4	127.9	113.8	90.3	86.1	89.5	89.0
<b>TOTAL</b>	<b>777.2</b>	<b>810.0</b>	<b>847.0</b>	<b>857.8</b>	<b>932.7</b>	<b>1009.2</b>	<b>1053.1</b>	<b>1048.6</b>	<b>1092.5</b>	<b>1061.5</b>	<b>1110.5</b>	<b>1251.1</b>	<b>1507.6</b>	<b>1586.9</b>	<b>1485.7</b>	<b>1531.9</b>	<b>1571.1</b>	<b>1556.8</b>
Total State Support	218.5	225.3	216.5	213.4	266.1	280.6	302.8	285.7	279.5	250.8	296.5	330.9	417.0	413.0	203.3	198.8	193.8	123.9
State Support as % of Total Revenues	28.1%	27.8%	25.6%	24.9%	28.5%	27.8%	28.8%	27.2%	25.6%	23.6%	26.7%	26.4%	27.7%	26.0%	13.7%	13.0%	12.3%	8.0%
Growth in Patient Services and Pharmaceutical Revenues compared to overall Revenue	52.2%	52.1%	50.7%	50.4%	48.3%	50.8%	50.6%	51.5%	53.2%	50.4%	46.3%	50.3%	49.3%	53.0%	65.0%	65.5%	66.4%	70.2%
Growth in Patient Services and Pharmaceutical Revenues FY21 vs FY24															53.5%			
<b>Expenditures</b>																		
Personal Services	363.7	377.1	391.9	403.2	418.3	431.0	452.4	444.9	438.1	418.6	443.1	465.8	504.6	550.2	605.1	640.0	651.3	680.6
Fringe benefits*	151.5	162.7	142.1	180.3	223.9	239.3	278.4	339.1	369.2	254.0	396.0	509.2	412.3	146.5	385.3	166.9	168.1	174.0
<b>Subtotal Personnel</b>	<b>515.3</b>	<b>539.8</b>	<b>534.0</b>	<b>583.5</b>	<b>642.2</b>	<b>670.3</b>	<b>730.8</b>	<b>784.0</b>	<b>807.3</b>	<b>672.6</b>	<b>839.2</b>	<b>974.9</b>	<b>916.8</b>	<b>696.7</b>	<b>990.4</b>	<b>806.9</b>	<b>819.4</b>	<b>854.6</b>
Drugs/Medical Supplies	63.9	64.2	76.6	74.2	83.0	89.9	90.0	102.8	111.4	127.3	123.8	163.5	228.0	275.6	309.1	332.0	342.5	358.6
Resident & Fellow House Staff	39.4	42.3	61.9	59.1	67.5	51.7	52.4	52.9	53.6	55.9	56.5	56.1	58.7	62.6	66.2	77.5	76.9	80.0
Utilities	14.0	14.5	13.2	11.3	11.6	12.8	12.6	13.1	12.4	12.9	14.0	8.2	14.1	13.8	13.2	14.8	16.6	17.2
Interest on capital assist - related debt	2.4	1.6	1.1	1.1	1.0	3.8	10.5	10.2	9.9	9.6	9.4	9.4	9.5	10.6	11.3	8.0	8.1	8.2
Depreciation and amortization**	28.9	30.1	30.9	32.4	32.8	37.8	41.5	52.0	52.6	72.6	72.9	72.5	81.5	86.4	89.4	30.9	32.1	32.7
Other expenses	114.1	123.5	128.2	103.7	108.4	144.6	139.8	135.4	169.0	187.1	173.6	208.9	196.6	230.4	224.8	263.4	276.4	283.9
<b>Subtotal Other Expenditures</b>	<b>262.7</b>	<b>276.1</b>	<b>311.9</b>	<b>281.7</b>	<b>304.2</b>	<b>340.6</b>	<b>346.8</b>	<b>366.6</b>	<b>409.0</b>	<b>465.4</b>	<b>450.1</b>	<b>518.7</b>	<b>588.6</b>	<b>679.4</b>	<b>714.0</b>	<b>726.6</b>	<b>752.4</b>	<b>780.6</b>
<b>TOTAL</b>	<b>778.0</b>	<b>816.0</b>	<b>845.9</b>	<b>865.2</b>	<b>946.3</b>	<b>1010.9</b>	<b>1077.6</b>	<b>1150.6</b>	<b>1216.3</b>	<b>1137.9</b>	<b>1289.3</b>	<b>1493.6</b>	<b>1505.4</b>	<b>1376.1</b>	<b>1704.4</b>	<b>1533.5</b>	<b>1571.8</b>	<b>1635.2</b>
																-1.6	-0.7	-78.4
Source: Audited F/S - FY10-FY24, BOT presentation FY25 Budget																		
Fiscal Years FY10-FY18 includes CMHC																		
PA 23-204, the FY 24 and FY 25 budget, restructured higher education fringe benefit funding. The impact of this restructuring is reflected in FY 24 fringe benefit figures on both the revenue and expenditure sides of the budget.																		
FY25 Budget, FY25 Forecast and FY26 Projection presented with internal transaction eliminations to be comparable with Audited Financial Statements																		
State support subtotal per above	218.5	225.3	216.5	213.4	266.1	280.6	302.8	285.7	279.5	250.8	296.5	330.9	417.0	413.0	203.3			
State Support per audited F/S	218.5	225.3	203.0	213.4	266.1	280.6	289.3	278.2	279.5	250.8	296.5	330.9	344.0	340.3	151.8			
difference	0.0	0.0	-13.5	0.0	0.0	0.0	-13.5	-7.5	0.0	0.0	0.0	0.0	-73.0	-72.7	-51.5	0.0		0.0
			fringe differential was a fb exp decrease in t/s				fringe differential was a fb exp decrease in t/s	Workers comp was a fb exp decrease in t/s					ARPA funds reflected as COVID relief funds in t/s	ARPA funds reflected as COVID relief funds in t/s	ARPA funds reflected as Federal and State aid in t/s			
*Fringes per audited financial statements include GASB adj related to SER and OPEB																		
GASB 68 SERS/TRS									53.0	-3.4	36.2	64.5	-1.1	-172.2	89.4			
GASB 75 OPEB									46.3	-5.9	81.8	143.1	83.3	-31.5	141.5			
Total adjustments for GASB related to SERS/TRS/OPEB									99.3	-9.3	118.0	207.6	82.2	-203.7	230.8	0.0		0.0
**Depreciation and amortization - includes UConn 21 Depreciation									16.5	39.8	43.0	45.0	39.8	38.5	37.1			