



## Higher Education Financial Sustainability Advisory Board

10/10/24

## Agenda (15mins)

- Schools of Medicine and Dental Medicine
  - Financial Highlights
  - Constraints
  - Opportunities
- Clinical Enterprise (John Dempsey Hospital and University Medical Group)
  - Financial Highlights
  - Constraints
  - Opportunities

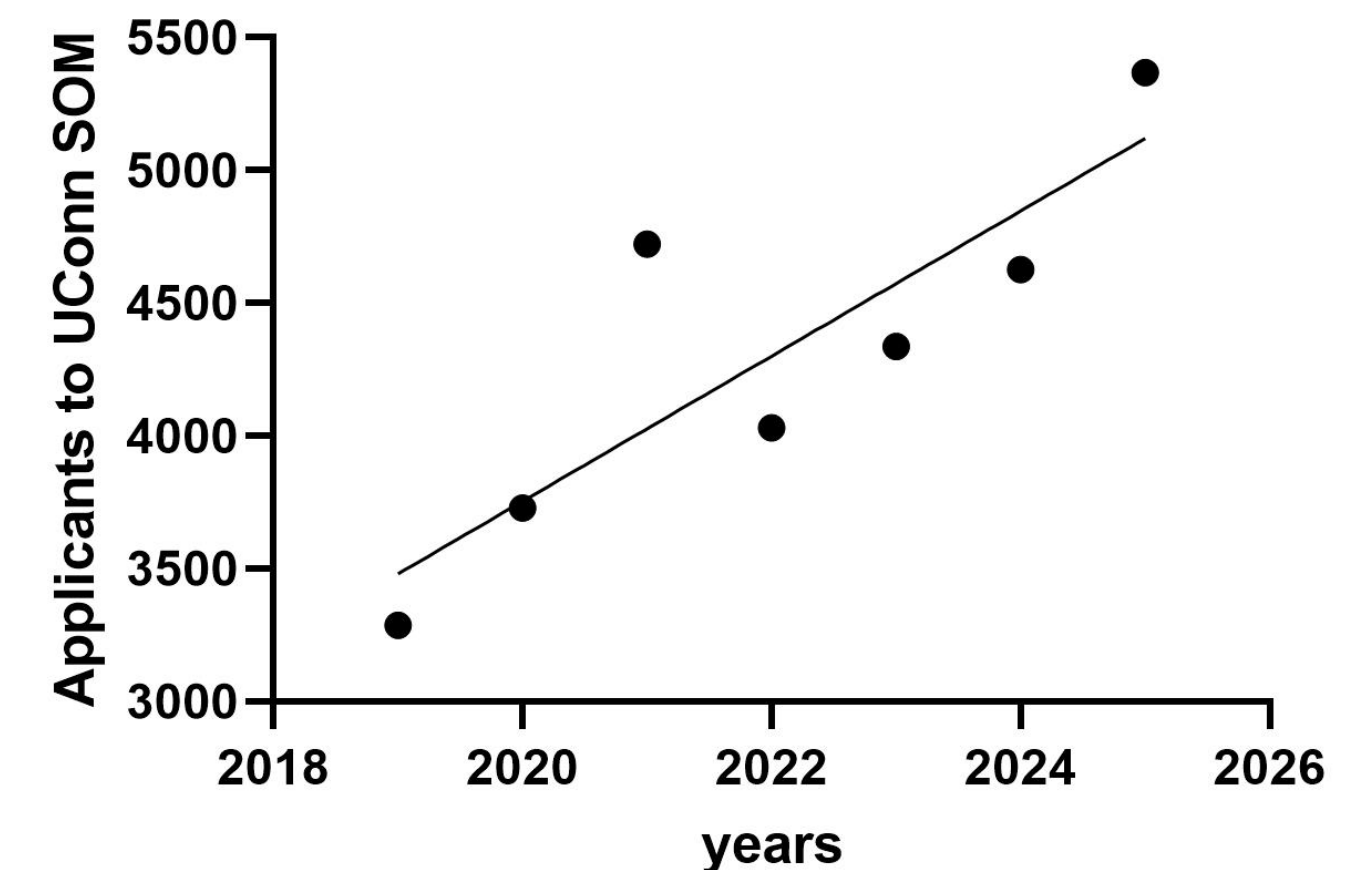


# The Schools of Medicine (SOM) and Dental Medicine (SODM) Provide Value for the State and its Residents

- **Demand:**
  - SOM had 5360 applicants for 112 spots
  - SODM had 1600 applicants for 52 spots
- **Growth:**
  - SOM increased class size by 10% since 2019
  - SODM increased its class size by 9% since 2019
- **Workforce Development:**
  - ~80% of SOM and 60% of SODM incoming students are CT residents
  - 37% of MDs practicing in CT
  - 65% of dentists practicing in CT



Increasing number of applications  
to UConn SOM-63% increase since 2019



# Financial Highlights

## School of Medicine and School of Dental Medicine

FY25	SOM & SODM	Research	Clinical
Revenues	\$175.1 M	\$136.3 M	\$1,141.9 M
Expenses	\$288.0 M	\$163.2 M	\$1,202.5 M
Deficit	(\$112.9 M)	(\$26.9 M)	(\$60.6 M)
Fund Balance			\$1.6 M
State Support	\$112.9 M	\$26.9 M	\$59.0 M

- Budget for FY 25 is breakeven after internal allocation of \$112.9M in state funds for educating and training medical students, dental students, and students in graduate school, dental and public health sciences programs; plus \$26.9M allocated for Research.
- U of Maryland (\$171M), UNC (\$163M), Univ of Buffalo (\$148M), Rutgers-RW Johnson (\$113M), SUNY Upstate (\$82M) and SUNY Downstate (\$98M).
- Net income from specialty training of physicians (Graduate Medical Education - GME) = \$15.1M
- Tuition and Fees = \$34M

# Constraints

## School of Medicine and School of Dental Medicine

- Limited opportunity to further increase tuition for SOM
  - SOM's tuition is already higher than the median of Northeast medical schools
- 30% of SOM graduates stay in Connecticut for specialized training (70% pursue training outside the state, though many return to CT after to practice)
- Class sizes are limited by physical space, accrediting requirements for faculty-to-student ratios, and the availability of clinical placements. Accrediting bodies for the Schools must approve all requests to increase class sizes.



# School of Medicine and School of Dental Medicine Opportunities for Improvement











- **Physician Retention:** Loan repayment programs (including CT SLRP) to retain MDs in Connecticut
- **Cost Reduction & Revenue Enhancements - SOM/SODM:**
  - Limit filling of positions; reduce purchases; negotiate for increased reimbursements from payors
  - For SODM, plans include a higher-than-normal increase in tuition and fees (4.5% compared to previous 3.5% increases)
  - Grow Residency Programs, which will generate new patient care revenue as well as additional GME revenue
- **Increase National Rankings**
  - SOM: Ranks 31<sup>st</sup> in both Research and Primary Care nationally for all public and private medical schools (US News)
  - SODM: While there are no comprehensive national rankings for dental schools in the US, UConn's Dental School is in the top 3 in terms of student performance outcome measures (board scores, residency placement), and its Research ranking is Top 10 (not adjusted for school size).
- **Increase External Federal Grants**
  - SOM external grants grew from \$80.6M in 2017 to \$124.4M in 2024 (an increase of 54%)
- **Foster Primary Care**
- **Commercialization of Research** including licensing income, start-up sales, royalty income, STTR/SBIR federal awards for developing drugs, biologics and devices.

# John Dempsey Hospital and Clinics: Create Access to Affordable, High-Quality Care for all Residents of CT

## Market-Leading Patient Experience, Quality and Growth

### Quality Care and Strong Recent Growth

UConn  
HEALTH

	UConn Health has strong quality, safety and patient experience scores relative to key competitors			UConn Health has experienced solid recent growth at the expense of Trinity and Bristol		
	Leapfrog Hospital Safety Grade	Healthgrades Patient Experience <sup>1</sup>	CMS Star Rating	Revenue 2020 – 2022 CAGR %	Discharges 2020 – 2022 CAGR %	ED Admissions 2020 – 2022 CAGR %
 UConn Health UConn John Dempsey Hospital	 FALL 2023	79%	★★★★☆	15.3%	2.8%	13.5%
 Hartford HealthCare Hartford Hospital	 FALL 2023	72%	★★★★☆	12.4%	2.1%	9.6%
 Bristol Health Bristol Hospital	 FALL 2023	66%	★★★★☆	2.1%	(7.2%)	8.6%
 Yale New Haven Health Yale New Haven Hospital	 FALL 2023	69%	★★★★☆	8.0%	(1.5%)	9.7%
 Trinity Health Of New England Saint Francis Hospital	 FALL 2023	68%	★★★★☆	0.5%	(11.7%)	(1.0%)

*“UConn Health’s Patient Care Enterprise has market-leading patient experience and quality-of-care metrics. It has also shown impressive growth for the last few years, taking market share from local private-sector competitors.”\**

\*Source: Cain Brothers report, executive summary, page 5.

# Financial Highlights - Clinical Enterprise

	FY23 Actuals	FY24 Actuals	% Variance
<b>Revenues:</b>			
State Support Salary (Block Grant)	153.1	111.4	
Additional State Support	110.5	86.7	
State Support Fringe	175.1	5.2	
<b>Total Funds received from the State</b>	<b>\$438.7</b>	<b>\$203.3</b>	<b>-53.7%</b>
Tuition and Fees	32.7	33.7	2.8%
Grants & Contracts	115.9	118.6	2.3%
Interns/Residents	79.2	84.1	6.2%
Net Patient Revenue	843.1	957.5	13.6%
Other Revenue	210.1	208.5	-0.8%
<b>Total Revenues</b>	<b>\$ 1,719.7</b>	<b>\$ 1,605.6</b>	<b>-6.6%</b>
<b>Total Revenues excluding state support</b>	<b>\$ 1,281.0</b>	<b>\$ 1,402.3</b>	<b>9.5%</b>

- FY23 to FY24: UConn Health's total **non-state revenues increased by 9.5%**

	FY23 Actuals	FY24 Actuals	% Variance
<b>Expenditures:</b>			
Salaries & Wages	550.2	605.5	10.1%
Fringe Benefits	357.8	155.0	-56.7%
Temporary/Contractual Support	146.6	162.2	10.6%
Drugs/Medical Supplies	275.6	309.1	12.2%
Resident and Fellow house staff	63.3	68.3	7.9%
Utilities	13.8	13.2	-4.8%
Interest Expense on Debt Service	8.3	7.9	-4.9%
Purchased Services	178.0	198.0	11.2%
Other Expenses	22.7	28.5	25.7%
Capital Projects/Debt Payments	78.4	45.2	-42.4%
<b>Total Expenditures</b>	<b>\$ 1,694.8</b>	<b>\$ 1,593.0</b>	<b>-6.0%</b>
<b>Expenditures excluding fringe benefit chan</b>	<b>\$ 1,694.8</b>	<b>\$ 1,795.7</b>	<b>6.0%</b>
<b>Net Gain</b>	<b>\$ 24.9</b>	<b>\$ 12.6</b>	

- FY23 to FY24: UConn Health's **expenditures** (excluding the reduction in fringe expense) **increased by 6.0%**

- **FY25: Breakeven Budget after internal allocation of \$59 M in state support to the clinical enterprise**
  - Medicaid specialty care/Mission services ~\$100M/year
  - Additional costs associated with Fringe rates ~\$25M
  - Managed Care rates ~\$50M
  - Teaching/research structure
- **FY25:** UConn Health is receiving \$198.7M in state support. This is \$4.6M less than what it received in FY24.



# Constraints

	FY25 Budget	FY26 Forecast
<b>Revenues:</b>		
State Support Salary (Block Grant)	118.2	119.9
Additional State Support - (ARPA Funds)	75.5	0.0
State Support Fringe	5.1	5.3
Total Funds received from the State	\$198.7	\$125.2
Tuition and Fees	34.2	35.1
Grants & Contracts	119.2	121.5
Interns/Residents	90.2	93.8
Net Patient Revenue	1003.4	1050.5
Other Revenue	206.4	208.4
Total Revenues	\$ 1,652.1	\$ 1,634.6
<b>Expenditures:</b>		
Salaries & Wages	640.0	649.6
Fringe Benefits (excludes Retirement)	166.9	171.1
Temporary/Contractual Support	159.2	162.6
Drugs/Medical Supplies	332.0	347.6
Resident and Fellow house staff	77.5	80.6
Utilities	14.8	15.4
Interest Expense on Debt Service	8.0	8.2
Purchased Services	198.0	203.7
Other Expenses	26.3	27.0
Capital Projects/Debt Payments	30.9	31.5
Total Expenditures	\$ 1,653.7	\$ 1,697.3
Use of (+) or contribution to (-) Reserves	1.6	
Net Gain	\$ (0.0)	\$ (62.7)

- UConn Health is projected to break even in FY25. But in FY26, to break even requires that total funds received from the state be kept whole, despite the cessation of ARPA funds.
- UConn Health's current breakeven budget for FY26 does not include the cost of collective bargaining increases (CBIs).

New Negotiated CBI Increases will Require Additional Funding					
If the CBI increase is —————>	1.0%	2.0%	3.0%	4.0%	4.5%
Total Cost Increases to UConn Health	\$8.3 M	\$16.6 M	\$24.8 M	\$33.1 M	\$37.3 M

# Constraints

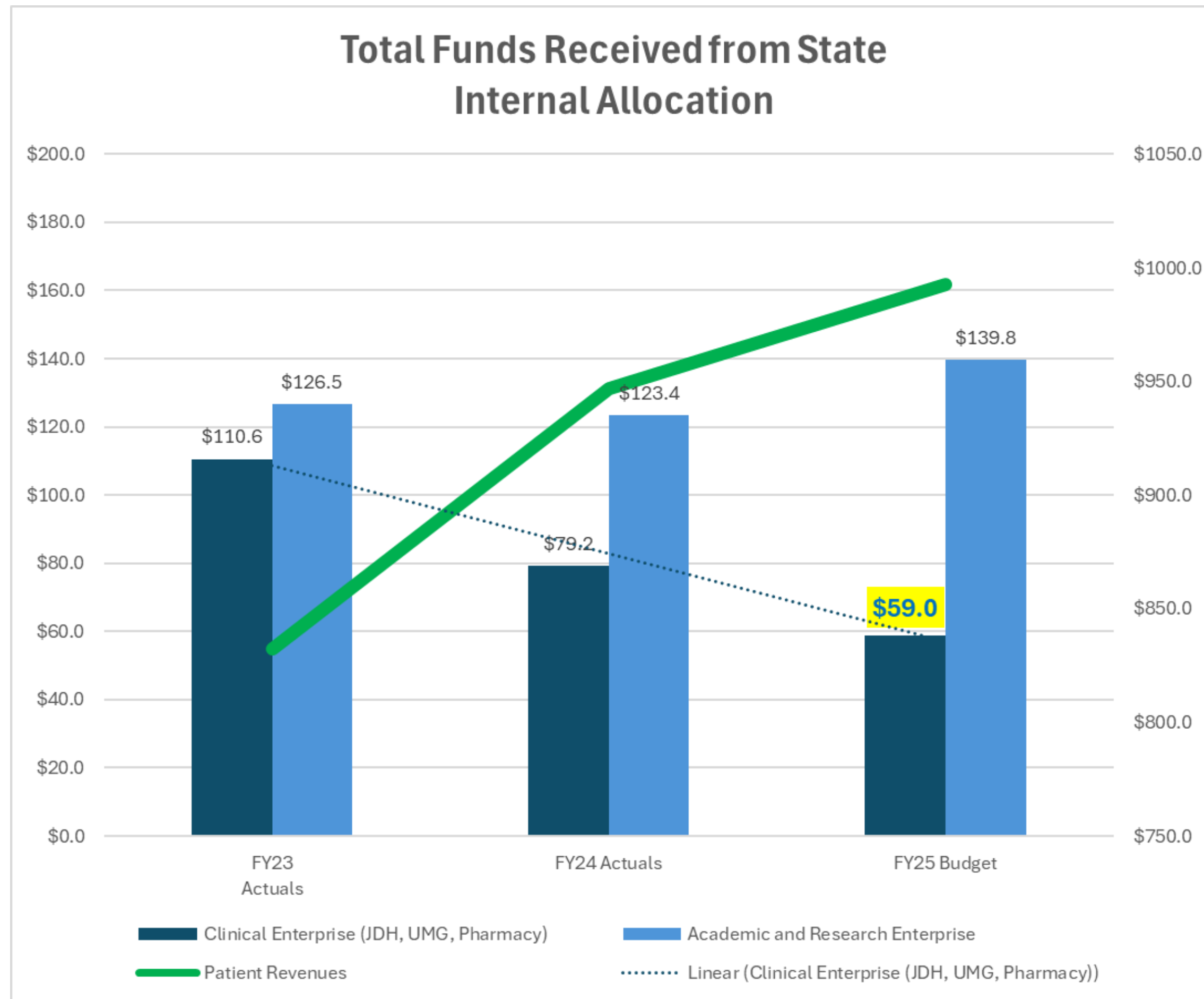
## Committed Fund Balances

Fund Source	FY24 (est)	FY25 (est)
<b>Central Administration:</b> Budget commitments and Accounting accruals	166.4	166.4
<b>Research and Academic:</b> Federal, Private and other Grants, Tuition and Fees, and Other Revenues	(139.8)	(139.8)
<b>Clinical:</b> Clinical Revenues and Other Revenues	45.7	44.1
<b>Unrestricted Operating Subtotal</b>	<b>72.3</b>	<b>70.6</b>
<b>Deferred Maintenance/Capital:</b>	<b>169.4</b>	<b>152.6</b>
<b>Pledged Debt Service:</b>	12.0	11.2
<b>TOTAL</b>	<b>253.7</b>	<b>234.4</b>

## Highlights

- UCH's unrestricted fund balances fall short of what UConn Health needs for maintenance and capital projects. UCH currently has > \$400M in deferred maintenance needs.
- Approximately \$170M of these fund balances are committed to address critical deferred maintenance projects, projects required to meet patient safety and regulatory requirements, and to invest in growth of clinical revenues.

# Opportunities for Improvement



Allocation of state support to the clinical enterprise continues to decrease as patient revenues from the hospital and the medical group practice grow.

Through cost savings, and growth, including strategic partnerships, there is an opportunity (over time) to continue to reduce and potentially eliminate reliance of the clinical enterprise on State funding (i.e. reduction of \$ 59M).

There is also an opportunity to increase philanthropy. (FY 24 Funds raised by foundation: \$8.3M)



# Technological Improvements & Efficiencies

## Some examples of recent technological improvements and efficiencies deployed at UConn Health:

- **Fuel Cell Installation**  
Partnership with Bloom Energy to install 6.5 mega watt fuel cell system on campus, to provide ~ 80% of the campus electricity needs under a power purchase agreement that will off-load electricity demand from the Eversource grid, and save UConn Health \$2-3 million annually in energy costs.
- **Budderfly Energy Efficiency Pilot Program**  
Working with Connecticut Innovations and the Governor's Innovations Lab, UConn Health recently launched a 12-month pilot program with a Shelton-based company Budderfly to deploy an innovative new ultra-high performance HVAC technology that will help us to achieve substantial energy cost savings and a net zero carbon footprint.
- **AI Scribes**  
Deploying an AI solution – Dragon Ambient eXperience (DAX) – that provides medical scribing services that is integrated with our electronic medical record system (EPIC). This solution will save costs on scribe contracts, improve clinical efficiency, and improve patient satisfaction and work-life balance for providers by reducing time for documentation.
- **EV Charging Stations**  
Utilizing grants and utility incentive programs to install 24 charging stations in parking areas throughout our campus.
- **AI in Radiology to Improve Patient Care and Efficiency**  
UConn Health has implemented an AI system to assist with the identification, management and treatment of patients with lung cancer. Our new Virtual Nodule Clinic from Optellum helps to ensure that lung nodules that appear as incidental findings on lung scans are followed up by physicians, which improves care and helps with early diagnosis of patients.
- **Digital Health “Most Wired” Recognition**  
Last year UConn Health was recognized as a Digital Health “Most Wired” organization for both Acute and Ambulatory services as a Level 7 award winner. This designation is in recognition of the innovative technologies and strategies UConn Health has deployed (such as population health/cost-of-care analytics, HIEs/integration engines, and patient portals) to help analyze data to achieve meaningful clinical and efficiency outcomes.

# Cost Savings & Revenue Enhancements

**FY25 Budget** includes a Financial Improvement Plan (FIP) of **\$15.2M**

- (FIP is an internal process where we identify additional cost savings and revenue enhancements that we can implement during the fiscal year)

## UCH FY25 FIP Key Initiatives

Key Initiatives:	Annual Target
<b>Clinical Operational Initiatives - JDH and Finance Corp</b> Implementing a telesitting system which will reduce 1:1 hours by half 340B Contract Pharmacy increasing volumes Review of incremental overtime and agency/per diems - possible increase in nursing recruitment to reduce expenses	<b>8,442,379</b>
<b>Clinical Operational Initiatives - UMG</b> Revenue improvement thru coding reviews Revenue - Maximize clinics thru Cheers initiative, Coding Review & Template maximization UMG Salary/FB reduction - Review budgets for all new support hires to see if can delay them a few months UMG Salary/FB reduction - Review vacancy support/administrative positions to see if can do without or delay a few months.	<b>2,460,565</b>
<b>Academic Initiatives - SOM</b> Elimination of vacant positions or hold vacancy for a few months before refilling	<b>2,195,561</b>
<b>Academic Initiatives - SODM</b> Elimination of vacant positions or hold vacancy for a few months before refilling	<b>482,090</b>
<b>Research Initiatives</b>	<b>1,644,406</b>
<b>TOTAL TARGET</b>	<b>\$ 15,225,000</b>

- A broader FIP (with outside experts) is also being planned as part of our Strategic Plan