





Office of Health Affairs
Andrew Agwunobi, MD, MBA
Chief Executive Officer
Executive Vice President for Health Affairs

December 9, 2020

TO: Members of the Board of Trustees

FROM: Andrew Agwunobi, MD, MBA 
CEO, Executive Vice President for Health Affairs

Jeffrey P Geoghegan, CPA 
Chief Financial Officer

RE: Spending Plan for Fiscal Year 2021 for UConn Health

RECOMMENDATION:

That the Board of Trustees approve the final six month Spending Plan for Fiscal Year 2021 of \$632.2 million to achieve the attached full year \$1,277.4 million for UConn Health.

RESOLUTION:

“Be it resolved that the Board of Trustees approve the final six month Spending Plan for Fiscal Year 2021 of \$632.2 million to achieve the attached full year \$1,277.4 million for UConn Health.”

BACKGROUND:

As UConn Health continues to operate within the current global pandemic the mitigation plans implemented to reduce operational losses have been successful and are on track to achieve the goals set for June 30, 2021. Therefore, UConn Health is requesting a spending plan for the final six month of FY21, and will continue to report back to the Board on a quarterly basis to update the revenue projections along with potential deficit mitigating items.

The General Assembly has approved an FY20 & 21 biennial budget that includes a block grant of \$132.9 million (\$275.3 million with fringe reimbursement and adjustments) for UConn Health for FY21. We are grateful to the Governor and General Assembly for their continued support of UConn Health and recognize the ongoing financial constraints on the State of Connecticut. State support, which consists of both the block grant and fringe reimbursement, is critical to UConn Health.

However, fringe benefit expenses are continuing to rise and these cost trends are unsustainable. A large portion of the fringe cost consists of the state unfunded pension and retiree health liabilities. In FY21, UConn Health estimates that it will pay \$53.8 million towards these liabilities from its non-state funding sources such as clinical, tuition and research grant revenue.

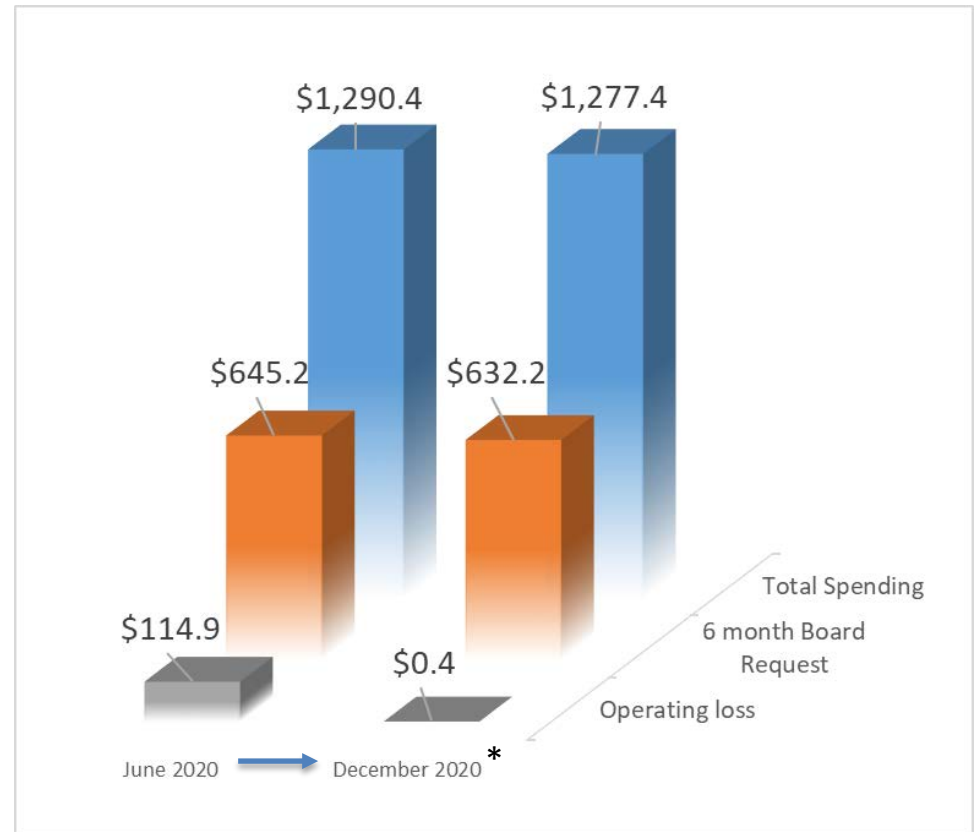


UConn Health Update

Updated spending based on current forecast for FY 2021

FY 2021 Original Budget

| | Original Budget |
|--------------------------------------|----------------------|
| Block Grant | 132,932,522 |
| Fringe Reimbursement | 142,406,625 |
| Tuition and Fees | 29,657,023 |
| Grants & Contracts | 85,389,310 |
| Interns/Residents | 77,735,751 |
| Net Patient Revenue | 535,741,185 |
| Other Revenue | 171,621,930 |
| Total Operating Revenue | 1,175,484,346 |
| Salary and Fringes | 783,864,053 |
| Drugs/Medical Supplies | 136,229,412 |
| Outside and Other Purchased Services | 106,797,439 |
| Other Expenses | 233,574,901 |
| Principal Debt Payments | 7,103,967 |
| Capital lease payments | 1,495,943 |
| Capital projects | 21,355,628 |
| Total Operating Expenses | 1,290,421,343 |
| Net loss from Operations | (114,936,997) |



* December 2020 numbers are current forecast including additional state support requested for COVID and Legacy costs.

FY 2021 Mitigation Plans

| | FY 21 Budget original BOD | |
|---|--------------------------------------|------------|
| UCH Loss | (114,936,995) | |
| Mitigation plans | | |
| (Management Initiatives) | | |
| Capital deferral | 4,936,995 | Completed |
| Furlough - management | 2,000,000 | Completed |
| Federal Funds | 10,000,000 | Completed |
| Financial Improvement Plan (FIP) | 40,000,000 | In process |
| (State Support Request) | | |
| Unfunded Legacy Cost Support | 53,800,000 | A |
| Unidentified Mitigation for COVID -19 Losses | 4,200,000 | |
| | 114,936,995 | |
| A - Per OPM guidance, assumes \$33.2 M is identified for unfunded legacy costs (consistent with Gov. proposed FY 21 budget adjustment). | | |

Current State Request

As presented to the Appropriations Committee on August 28, 2020

| | FY 21 Year End Forecast |
|---|-------------------------------|
| | (in Millions) |
| Unfunded Legacy Costs | (53.8) |
| COVID-19 Related Losses | (61.1) |
| Deficit | (114.9) |
| <u>Mitigation plans:</u> | |
| Capital deferral | 4.9 |
| Financial Improvement Plan (FIP) | 40.0 |
| Furlough - management | 2.0 |
| Federal Funds | 10.0 |
| | 56.9 |
| FY 21 Deficiency | (58.0) |
| <i>Unfunded Legacy Cost Support*</i> | <i>(53.8)</i> |
| <i>Remaining COVID Losses</i> | <i>(4.2)</i> |
| FY 20 Deficiency | (18.9) |
| <i>COVID Losses</i> | <i>(18.9)</i> |
| State Request | (76.9) |
| <p>* The legislature approved \$33.2 million in funding to UConn Health in FY20 to address a portion of the state's unfunded legacy costs charged to UConn Health. In FY21, the state's unfunded legacy costs are expected to reach \$53.8 million. The Governor's proposed FY21 budget included \$33.2 million toward that cost.</p> | |

Risks

- COVID surge
 - Modeling forecasts a possible effect on operations \$16.9M - \$46.8M
- State Legacy Cost Support has not been finalized.
- State COVID Deficiency support will need to go through the Legislative process.

FY 2021 Adjusted Budget / Current Forecast

| | Current Forecast |
|--|----------------------|
| Block Grant | 132,932,522 |
| Fringe Reimbursement | 143,871,146 |
| State Legacy Cost Support | 33,200,000 |
| Tuition and Fees | 29,707,249 |
| Grants & Contracts | 86,529,524 |
| Interns/Residents | 77,448,343 |
| Net Patient Revenue | 569,650,400 |
| Other Revenue | 178,792,048 |
| Total Operating Revenue | 1,252,131,232 |
| Salary and Fringes | 773,097,224 |
| Drugs/Medical Supplies | 139,863,652 |
| Outside and Other Purchased Services | 106,106,333 |
| Other Expenses | 233,717,191 |
| Principal Debt Payments | 7,103,967 |
| Capital lease payments | 1,495,943 |
| Capital projects | 15,983,876 |
| Total Operating Expenses | 1,277,368,186 |
| Net loss from Operations | (25,236,954) |
| Deficiency Request | 24,800,000 |
| Net Loss After State Deficiency Request | (436,954) |

Current request

- Based on the current forecast we are requesting the final 6 months spending.
- Total Spending was \$1,277.4
- June approval was granted for the first 6 months of spending or \$645.2M
- The balance needed for fiscal year 2021 based on the current forecast is \$632.2

Recommendation

- That the Board of Trustees approve the final six month Spending Plan for Fiscal Year 2021 of \$632.2 million to achieve the attached full year \$1,277.4 million for UConn Health.