

University of Connecticut Office of the Vice President and Chief Financial Officer

June 10, 2010

TO:

Members of the Board of Trustees

FROM:

Richard D. Gray

Vice President and Chief Financial Off

John M. Biancamano Chief Financial Officer

RE:

Spending Plan for Fiscal Year 2011 for the University of Connecticut

Health Center

RECOMMENDATION:

That the Board of Trustees approve the Spending Plan for Fiscal Year 2011 of \$787.3 million for the University of Connecticut Health Center. The approval is contingent on UCHC Board of Directors approval on June 14, 2010.

BACKGROUND:

The Fiscal Year 2011 Spending Plan includes \$787.3 million of revenue, including state funding of \$119.3 million (excluding fringe benefits), to cover \$787.3 million in expenses yielding a net gain of \$42,293. This budget includes planned revenue enhancements and expenditure reductions.



University of Connecticut Health Center

Operating Budget

Fiscal Year Ending 2011 and Review of Fiscal Year Ending 2010

University of Connecticut Health Center Current Fiscal Year Highlights Fiscal Year 2010 Budget vs. Fiscal Year 2010 Projection

Lower Revenue for:

- Tuition & Fees
- Decrease in Federal Grants and Contracts revenue
- Decrease in School of Medicine Faculty Contracts
- Net patient revenue for JDH, UMG and Dental Implant Center
- Endowment revenue decreased due to lower expenses available for reimbursement
- STIF Interest income rate very low
- Perfusion contract renegotiation

Higher expenses for:

- Medical supplies related to an increase in Orthopedic and Neurosurgery cases, Electrophysiology Lab
- Outside & Other Purchased Services (Marketing, New Tower)
- Outside Agencies Per Diem expense due to nursing staff vacancies

Lower expenses for:

- Personal Services and fringe benefit savings related to RIP (Retirement Incentive Program) employees, unfilled vacancies and furlough days
- Utilities, lower gas prices
- Pharmacy due to 340B pricing and lower volume
- Depreciation
- Repairs and Maintenance (JDH Building Services, Clinical Engineering, Grounds, Farmington Surgery Center Repairs)
- Medical Contractual Support (Interns & Residents, Anesthesia)
- General Maintenance Supplies

University of Connecticut Health Center Consolidated Statement of Revenues and Expenses (with Eliminations) Fiscal Year 2010 Budget & Fiscal Year 2010 Projection

		Fiscal Year		Fiscal Year	FY 2010 Budget vs	
		2010		2010	FY 2010 Proj. Actual	
		Approved		Projected		Percent
		Budget		Actual	Variance	Variance
Revenues:						
Tuitions	\$	11,435,993	\$	10,652,028	\$ (783,965)	-6.9%
Fees		6,188,722		6,079,988	(108,734)	-1.8%
Federal Research Grants and Contracts		68,690,000		65,625,897	(3,064,103)	-4.5%
Non-Federal Research Grants and Contracts		20,056,112		20,055,105	(1,007)	0.0%
Auxiliary Enterprises		14,605,924		13,138,068	(1,467,856)	-10.0%
Interns and Residents		43,713,244		43,557,799	(155,445)	-0.4%
Net Patient Care		331,175,061		321,225,304	(9,949,757)	-3.0%
Correctional Managed Health Care		100,097,000		92,041,932	(8,055,068)	-8.0%
Endowment/Foundation Income		4,314,545		3,197,273	(1,117,272)	-25.9%
Investment Income		1,034,842		298,034	(736,808)	-71.2%
Other Income		2,655,972		1,763,347	(892,625)	-33.6%
Total Revenues	\$	603,967,415	\$	577,634,775	\$ (26,332,640)	-4.4%
Expenses:						
Personal Services	\$	306,800,888	\$	297,846,828	\$ (8,954,060)	-2.9%
Fringe Benefits	'	116,637,843	•	112,767,301	(3,870,542)	-3.3%
Medical Contractual Support		15,678,577		12,982,676	(2,695,901)	
Medical/Dental House Staff		39,475,780		40,160,335	684,555	1.7%
Correctional Managed Health Care		100,097,000		92,110,452	(7,986,548)	-8.0%
Outside Agency Per Diems		710,019		1,973,943	1,263,924	178.0%
Drugs		20,254,775		17,916,411	(2,338,364)	-11.5%
Medical Supplies		46,866,130		47,957,266	1,091,136	2.3%
Utilities		16,727,331		13,641,283	(3,086,048)	-18.4%
Outside & Other Purchased Services		42,462,916		44,793,649	2,330,733	5.5%
Insurance		7,179,935		6,989,280	(190,655)	-2.7%
Repairs & Maintenance		11,847,702		8,814,029	(3,033,673)	-25.6%
Other Expenses		23,099,427		22,555,050	(544,377)	-2.4%
Depreciation		32,814,000	<u> </u>	30,585,030	(2,228,970)	-6.8%
Total Expenses	\$	780,652,323	\$	751,093,533	\$ (29,558,790)	-3.8%
Excess/(Deficiency) of Revenues						
over Expenses Prior to State Appropriations	\$	(176,684,908)	\$	(173,458,758)	3,226,150	1.8%
State Appropriation-Block Grant		117,734,347		117,734,347	-	0.0%
State Supported Fringe Benefits		45,466,001		44,124,313	(1,341,688)	
JDH Fringe Benefit Allotment		13,500,000		13,500,000	-	0.0%
Excess/(Deficiency)	\$	15,440	\$	1,899,902	· · · · ·	12205.1%
Total State Support		176,700,348		175,358,660	(1,341,688)	
Percent of Total Revenues		22.63%		23.29%	0.65%	2.9%

University of Connecticut Health Center FY 2011 Budget Assumptions

Overall Budget Assumptions

- Increase in health insurance and retirement fringe benefits (6% health and 1% retirement)
- Increase in appropriations (per Approved Budget) along with the associated increase in state supported fringe benefits
- Assumes bargaining unit increases for unionized employees based on most recent contracts (approximately 3% FY 11 impact)
- Includes non union salary increases (approximately 3% FY 11 impact)
- Furlough days (3) for all applicable employees

Education, Research, & Institutional Support Assumptions

- Tuition and Fees for the School of Medicine (SOM) and School of Dental Medicine (SODM) assumes a 5% rate increase and a slight increase in students (12)
- Grants and contracts revenues increase by 3%
- Net patient revenue increase for the Dental Faculty along with the Dental Implant Center are due to a recently hired Oral Surgeon
- Operating expenses related to the newly renovated 400 Farmington research building (increases to utilities, information technology, public safety, depreciation, repairs and maintenance)
- Increase in expenses related to the Connecticut Institute for Clinical and Translational Science (CICATS)
- Increases for outside legal and professional services related to labor relations
- Interns and Residents revenue assumes a 5% increase in rate along with a full year of the 15% indirect charge to the hospitals
- Increase in auxiliary revenue and other expenses related to the new Insurance Benefit Mandate Program and School of Dental Medicine Faculty Hill Health contract
- Research faculty recruitment in Nanomedicine, Cardiovascular, Stem Cells, Aging, Neuroscience, Musculoskeletal, Structural Biology, and Bio-behavioral (Addictions)
- Academic support for SOM curriculum improvement

University of Connecticut Health Center FY 2011 Budget Assumptions - Clinical

Clinical - John Dempsey Hospital/Dental Clinics Assumptions

- Net Patient Revenue assumes a 3.9% increase, primarily the result of rate increases
- Patient volume for Dental Clinics will remain flat
- Fringe Benefit Differential (per Approved Budget)
- Additional FTE's for patient safety, quality and pursuit of Magnet designation
- Malpractice insurance based on historical payouts
- Medical/dental house staff expense is budgeted with a 5% increase in rate and a full year of the 15% indirect charge
- Assumes a reduction to outside agency and overtime expenses due to budgeting at necessary staffing needs based on patient census
- Increase in other expenses related to nursing education and Magnet Status

Clinical - UConn Medical Group Assumptions

- Net Patient Revenue assumes a 4.4% increase, the result of rate (2.1%) and volume increases (2.3%)
- Malpractice insurance based on historical payouts
- Outside purchased services increasing due to Cardiac equipment lease and maintenance fees for the IDX system
- Clinical faculty recruitment in Surgery, Musculoskeletal, Dermatology and Rheumatology (primarily to refill vacant positions)

University of Connecticut Health Center Consolidated Statement of Revenues and Expenses (with Eliminations) Fiscal Year 2010 Projected Actual & Fiscal Year 2011 Budget

		Fiscal Year		Fiscal Year		FY 2010 Proj. Actual vs	
		2010		2011		FY 2011 Budget	
		Projected					Percent
		Actual		Budget		Variance	Variance
Revenues:							
Tuitions	\$	10,652,028	\$	11,949,540	\$	1,297,512	12.2%
Fees		6,079,988		6,459,170	Ť	379,182	6.2%
Federal Research Grants and Contracts		65,625,897		67,378,937		1,753,040	2.7%
Non-Federal Research Grants and Contracts		20,055,105		20,881,096		825,991	4.1%
Auxiliary Enterprises		13,138,068		13,788,253		650,185	4.9%
Interns and Residents		43,557,799		47,783,802		4,226,003	9.7%
Net Patient Care		321,225,304		335,078,322		13,853,018	4.3%
Correctional Managed Health Care		92,041,932		98,624,000		6,582,068	7.2%
Endowment/Foundation Income		3,197,273		3,223,488		26,215	0.8%
Investment Income		298,034		298,034		-	0.0%
Other Income		1,763,347		1,613,944		(149,403)	-8.5%
Total Revenues	\$	577,634,775	\$	607,078,586	\$	29,443,811	5.1%
Evnances							
<u>Expenses:</u> Personal Services	\$	207 046 020	\$	314,160,978	\$	16 214 150	5.5%
Fringe Benefits	۶	297,846,828 112,767,301	Ģ	120,240,834	Ģ	16,314,150 7,473,533	6.6%
Medical Contractual Support		12,982,676		13,510,755		7,473,533 528,079	4.1%
Medical/Dental House Staff		40,160,335		41,427,653		1,267,318	3.2%
Correctional Managed Health Care		92,110,452		98,624,000		6,513,548	7.1%
Outside Agency Per Diems		1,973,943		1,447,615		(526,328)	-26.7%
Drugs		17,916,411		18,581,834		665,423	3.7%
Medical Supplies		47,957,266		49,291,918		1,334,652	2.8%
Utilities		13,641,283		14,046,923		405,640	3.0%
Outside & Other Purchased Services		44,793,649		45,694,548		900,899	2.0%
Insurance		6,989,280		6,964,379		(24,901)	-0.4%
Repairs & Maintenance		8,814,029		9,516,161		702,132	8.0%
Other Expenses		22,555,050		23,810,498		1,255,448	5.6%
Depreciation		30,585,030		30,016,843		(568,187)	-1.9%
Total Expenses	Ś	751,093,533	\$	787,334,939	Ś	36,241,406	4.8%
Excess/(Deficiency) of Revenues		102,000,000	_	101,001,000	•	00,2 12,100	
over Expenses Prior to State Appropriations	\$	(173,458,758)	\$	(180,256,353)		(6,797,595)	-3.9%
State Appropriation-Block Grant		117,734,347		119,346,347		1,612,000	1.4%
State Supported Fringe Benefits		44,124,313		47,452,299		3,327,986	7.5%
JDH Fringe Benefit Allotment		13,500,000		13,500,000		-	0.0%
Excess/(Deficiency)	\$	1,899,902	\$	42,293	\$	(1,857,609)	-97.8%
Total State Support		175,358,660		180,298,646		4,939,986	2.8%
Percent of Total Revenues		23.29%	,	22.90%		-0.39%	-1.7%

University of Connecticut Health Center Key Financial and Statistical Indicators

Operating Budget Fiscal Year Ending June 30, 2011

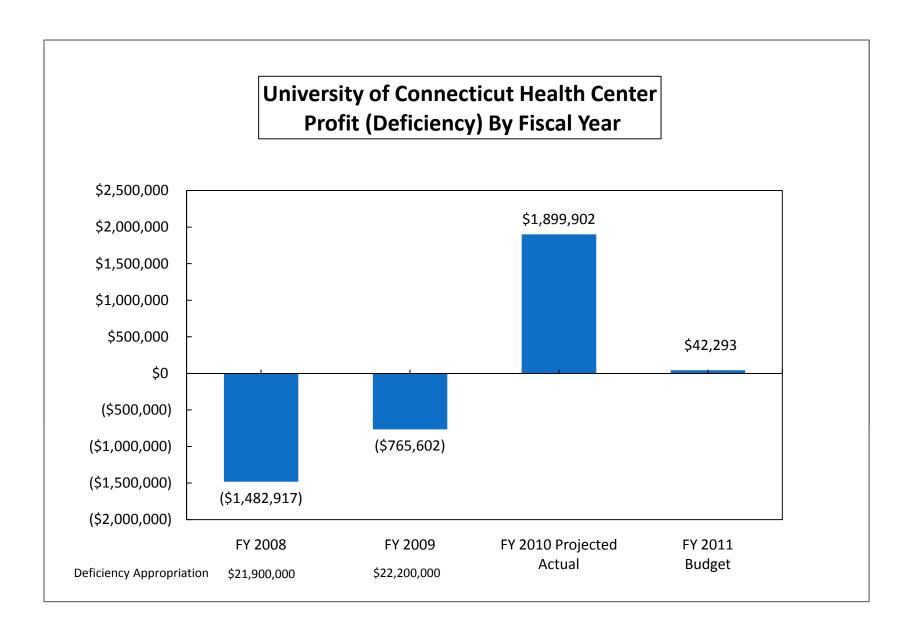
Category	Projected Actuals FY10	Budget FY11	Variance	Percent
				
Total UCHC Excess/Deficiency	\$1,899,902	\$42,293	(\$1,857,609)	97.8%
Education, Research & Institutional Support-Excess/(Deficiency)	(140,325,965)	(153,008,298)	(12,682,333)	-9.0%
Clinical Operations - Excess/(Deficiency)	(33,213,277)	(27,244,737)	5,968,540	18.0%
CMHC - Excess/(Deficiency)	\$80,484	(\$3,318)	(\$83,802)	-104.1%
State Appropriation-Block Grant	117,734,347	119,346,347	1,612,000	1.4%
State Supported Fringe Benefits	44,124,313	47,452,299	3,327,986	7.5%
JDH Fringe Benefit Allotment	13,500,000	13,500,000	0	0.0%
Total State Support	\$175,358,660	\$180,298,646	\$4,939,986	2.8%
State Support as a Percent of Total Revenues	23.29%	22.90%	-0.39%	-1.7%
Research Awards	\$96,700,000	\$91,500,000	(\$5,200,000)	-5.4%
Research Revenue Recognition in Financial Statements	\$85,662,095	\$88,229,126	\$2,567,031	3.0%
John Dempsey Hospital/Dental Clinics				
Inpatient Discharges	9,483	9,693	210	2.2%
Outpatient Equivalents (excluding Dental)	8,470	8,522	52	0.6%
Dental Visits	92,417	92,879	462	0.5%
Total Revenue per Adjusted Discharge	\$13,484	\$13,842	\$358	2.7%
Cost per Adjusted Discharge	\$14,747	\$14,811	\$64	0.4%
Days Revenue in Accounts Receivable	46	45	(1)	-2.2%
Case Mix Index	1.4887	1.4862	(0.0025)	-0.2%
FTE's per Adjusted Occupied Bed	4.97	4.69	(0.28)	-5.6%
Excess of Revenues over Expenses/(Deficiency)	(\$9,132,519)	(\$4,062,063)	\$5,070,456	55.5%
UConn Medical Group				
Physician RVU's	832,151	851,265	19,114	2.3%
Net Revenue Per RVU	\$94.34	\$96.08	\$1.74	1.8%
Cost per RVU	\$115.08	\$115.79	\$0.71	0.6%
Days Revenue in Accounts Receivable	58	56	(2)	-3.4%
Excess of Revenues over Expenses/(Deficiency)	(\$10,580,758)	(\$9,682,674)	\$898,084	8.5%

University of Connecticut Health Center-John Dempsey Hospital/Dental Clinics Statement of Revenues and Expenses Fiscal Year 2010 Projected Actual & Fiscal Year 2011 Budget

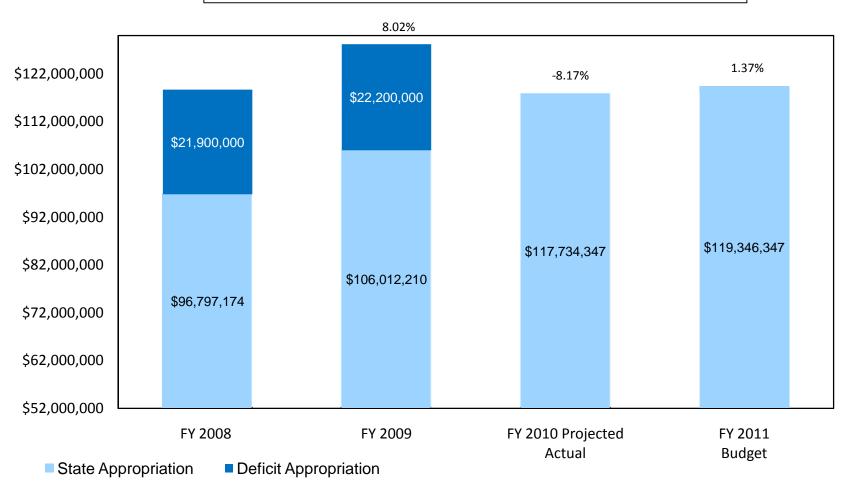
	Fiscal Year 2010 Projected		2010 2011		FY 2010 Projected Actual vs FY 2011 Budget		Percent	
		Actual		Budget		Variance	Variance	
Revenues:								
Net Patient Care	\$	248,056,632	\$	257,617,051		9,560,419	3.9%	
Auxiliary Enterprises		548,113		506,460		(41,653)	-7.6%	
Internal Income		1,893,468		1,943,365		49,897	2.6%	
Endowment/Foundation Income		501,224		551,245		50,021	10.0%	
Investment Income		62,990		62,990		-	0.0%	
Other Income		802,473		849,200		46,727	5.8%	
Total Revenues		251,864,900		261,530,311		9,665,411	3.8%	
Expenses:								
Personal Services	\$	87,227,675	\$	91,490,257	\$	4,262,582	4.9%	
Fringe Benefits		37,916,565		39,934,002		2,017,437	5.3%	
Medical Contractual Support		4,220,356		4,372,323		151,967	3.6%	
Internal Contractual Support		17,632,384		18,683,074		1,050,690	6.0%	
Medical/Dental House Staff		15,171,539		16,042,656		871,117	5.7%	
Outside Agency Per Diems		1,819,644		1,242,797		(576,847)	-31.7%	
Drugs		15,816,911		16,059,801		242,890	1.5%	
Medical Supplies		37,595,728		37,881,184		285,456	0.8%	
Utilities		2,655,325		2,658,579		3,254	0.1%	
Outside & Other Purchased Services		30,194,580		29,215,528		(979,052)	-3.2%	
Insurance		3,367,491		3,469,837		102,346	3.0%	
Repairs & Maintenance		5,487,538		5,292,345		(195,193)	-3.6%	
Other Expenses		3,326,032		3,412,692		86,660	2.6%	
Depreciation		12,065,651		9,337,299		(2,728,352)	-22.6%	
Total Expenses		274,497,419		279,092,374		4,594,955	1.7%	
Excess/(Deficiency) of Revenues over Expenses	\$	(22,632,519)	\$	(17,562,063)	\$	5,070,456	22.4%	
JDH Fringe Benefit Allotment		13,500,000		13,500,000		-	0.0%	
Excess/(Deficiency after Fringe								
Benefit Allotment		(9,132,519)		(4,062,063)		5,070,456	-55.5%	

University of Connecticut Health Center - UConn Medical Group Statement of Revenue and Expenses Fiscal Year 2010 Projected Actual & Fiscal Year 2011 Budget

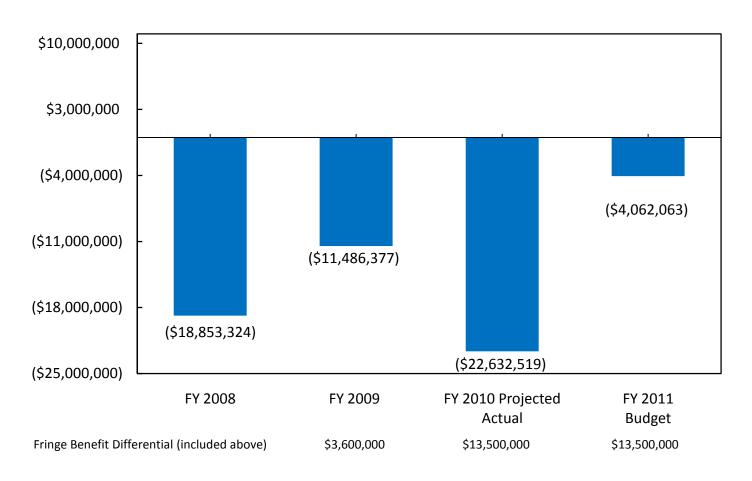
	Fiscal Year 2010 Projected		Fiscal Year 2011	FY 2	010 Projected Actual vs FY 2011 Budget	Percent	
REVENUES:		Actual	Budget		Variance	Variance	
Net Patient Revenue		78,082,259	81,520,200		3,437,941	4.4%	
Other Revenues		7,099,037	7,367,056		268,019	3.8%	
Total Revenues	\$	85,181,296	\$ 88,887,256	\$	3,705,960	4.4%	
EXPENSES:							
Personal Services		53,630,871	54,674,759		1,043,888	1.9%	
Fringe Benefits		17,719,133	18,803,515		1,084,382	6.1%	
Medical Contractual Support		7,218,552	7,131,811		(86,741)	-1.2%	
Outside Agency Per Diems		80,359	115,580		35,221	43.8%	
Drugs		1,987,198	2,122,991		135,793	6.8%	
Medical Supplies		1,389,906	1,433,784		43,878	3.2%	
Utilities		265,349	266,873		1,524	0.6%	
Outside & Other Purchased Services		10,585,541	11,049,552		464,011	4.4%	
Insurance		488,124	637,960		149,836	30.7%	
Repairs & Maintenance		455,701	526,679		70,978	15.6%	
Other Expenses		706,774	785,205		78,431	11.1%	
Depreciation		1,234,546	1,021,221		(213,325)	-17.3%	
Total Expenses		95,762,054	98,569,930		2,807,876	2.9%	
Excess/Deficiency of Revenues over Expenses	\$	(10,580,758)	\$ (9,682,674)	\$	898,084	8.5%	



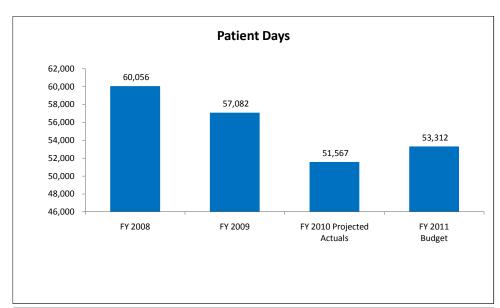
University of Connecticut Health Center State Appropriation w/o Fringe Benefits By Fiscal Year

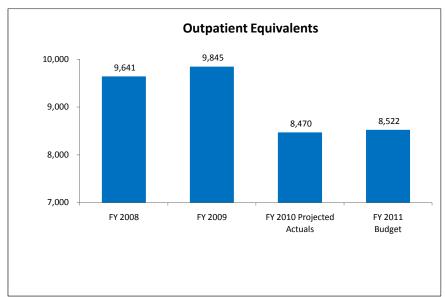


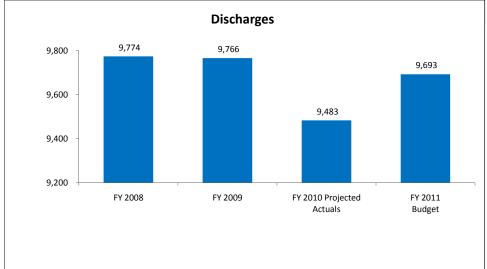
John Dempsey Hospital/Dental Clinics Deficiency by Fiscal Year

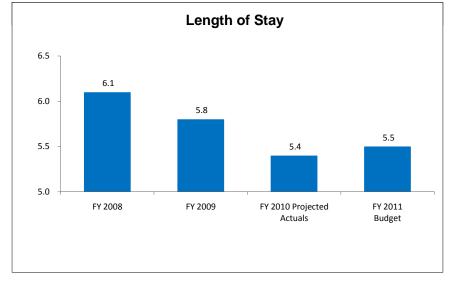


JOHN DEMPSEY HOSPITAL Statistical Graphs

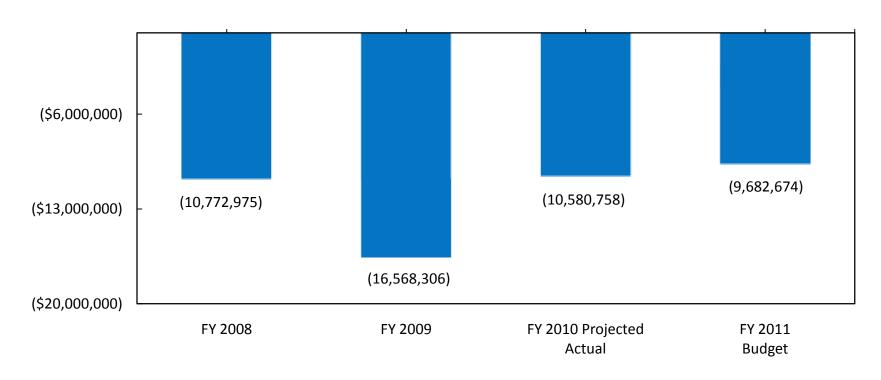




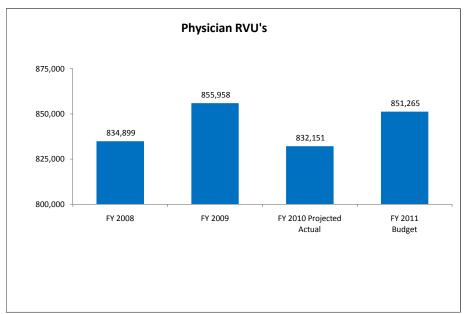


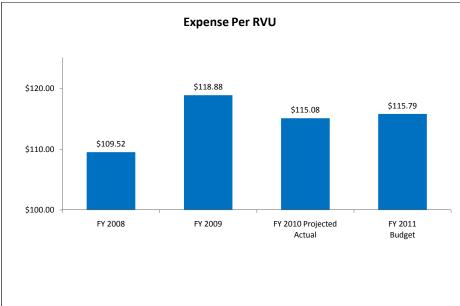


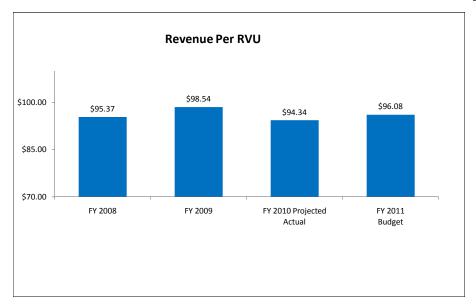
UConn Medical Group Deficiency By Fiscal Year

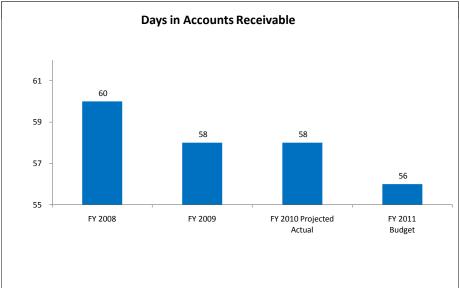


UConn Medical Group Statistical Graphs





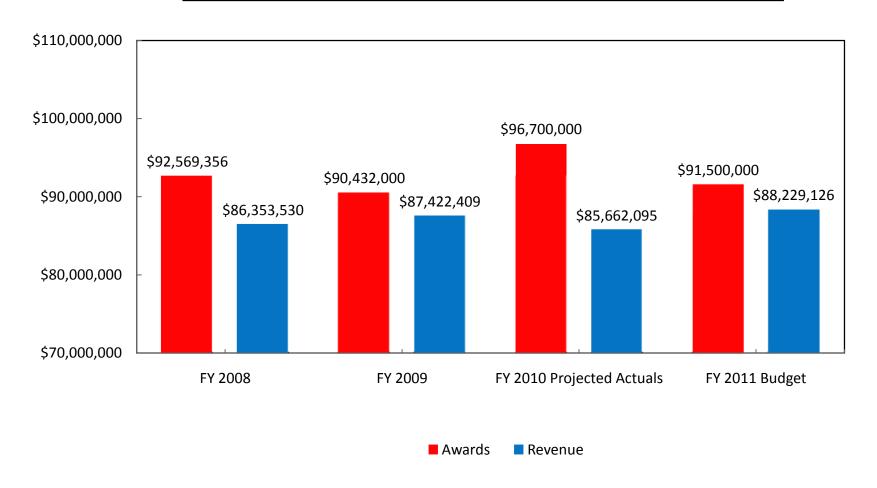




UNIVERSITY OF CONNECTICUT HEALTH CENTER

Research Awards and Revenue Recognition By Fiscal Year

Note: This graph includes the full grant amount (even if multi-year) in the year of the award





June 10, 2010

TO:

Members of the Board of Trustees

FROM:

Richard D. Gray

Vice President and Chief Financial Officer

John M. Biancamano Chief Financial Officer

RE:

State Appropriation Current Services Request for the Biennium Fiscal Years

2012 and 2013 for the University of Connecticut Health Center

RECOMMENDATION:

That the Board of Trustees approve for the Health Center a Current Services State Appropriation Request for the Biennium Fiscal Years 2012 and 2013 as follows: \$133.1 million for Fiscal Year 2012 and \$137.4 million for Fiscal Year 2013. The approval is contingent on UCHC Board of Directors approval on June 14, 2010.

BACKGROUND:

The FY 2012 Current Services State Appropriation Request is \$133.1 million. Also, the Health Center has budgeted \$50.9 million for Current Services fringe benefits and \$13.9 million for the John Dempsey Hospital fringe benefit differential, which are not appropriated directly to the Health Center. The FY 2012 Current Services State Appropriation Request represents an increase over the FY 2011 level of \$8.8 million.

The FY 2013 Current Services State Appropriation Request is \$137.4 million. The Health Center is requesting increased funding for personal services increases of \$9.3 million. Also, the Health Center has budgeted \$54.6 million for Current Services fringe benefits and \$14.3 million for the John Dempsey Hospital fringe benefit differential, which are not appropriated directly to the Health Center.

This request was reviewed and endorsed by the UCHC Finance Subcommittee on June 7, 2010.

An Equal Opportunity Employer

352 Mansfield Road Unit 2122 Storrs, Connecticut 06269-2122

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