

# UConn HEALTH

September 29, 2023

TO: Members University of Connecticut Board of Trustees

FROM: Jeffrey P. Geoghegan, CPA   
Executive Director, Finance Corporation

Chad Bianchi   
Chief Financial Officer, Finance Corporation

RE: 2023 Finance Corporation Report of Operations

## BACKGROUND:

Pursuant to CGS 10a-253, the Finance Corporation shall report on its operations for the preceding fiscal year to the Board of Trustees of The University of Connecticut. The report shall include a summary of the activities of the corporation, a statement of operations and, if necessary, recommendations for legislation to promote the purposes of the corporation.

The following report contains four sections to address these requirements and provide a general overview of the business. The four sections are: Overview and Corporate Structure, Statements of Operations, Summary of Significant Activities, and Requested Legislative Actions.

Quarterly Finance Corporation meetings are open to the public and listed on UConn Health's website. Our subsidiary boards typically meet once a year in the fall with meetings also open to the public.

## **SECTION 1: Overview and Corporate Structure**

Effective July 1, 1987, The University of Connecticut Health Center Finance Corporation (the Finance Corporation) was established pursuant to Public Act No. 87-458. The purpose of the Finance Corporation is to provide greater flexibility for John Dempsey Hospital (21002 Fund) (the Hospital), UConn Medical Group (UMG), and University Dentists and Educational Clinics and to promote the more efficient provision of health care services. The Finance Corporation has been empowered to purchase supplies and equipment; acquire facilities; approve write-offs of accounts receivable; negotiate and enter into joint ventures, shared service, and other agreements for all of the entities; and process malpractice claims on behalf of the University of Connecticut Health Center (UConn Health) and its entities.

The Finance Corporation is administered by a board of directors currently consisting of the President of the University of Connecticut, the Secretary of the Office of Policy and Management for the State of Connecticut, a member of the Board of Directors of UConn Health, the Executive Vice President for Health Affairs, and the Chairman of the Board of Trustees for the University of Connecticut, who is appointed by the Governor of the State of Connecticut or their respective designees. The Governor appoints one of these members as Chairman of the Board of the Finance Corporation.

The University of Connecticut Health Center Finance Corporation Circle Road Corporation (Circle Road Corporation), a subsidiary of the Finance Corporation, was formed pursuant to Section 10a-254 of the Connecticut General Statutes by the Finance Corporation (its sole member). This subsidiary corporation is administered by a board of directors elected on an annual basis by the sole member's board of directors or appointed by the Governor of the State of Connecticut, as prescribed in the bylaws of Circle Road Corporation. The number of directors shall not be less than three or more than ten, and 50% shall be members of the board of directors of the sole member or appointed by the Governor. At least one of these directors must be an independent director. There are four members of the subsidiary corporation's board of directors and five members of the sole member's board of directors.

In 2018, the Finance Corporation created a wholly owned subsidiary corporation, UConn Health Pharmacy Services, Inc. (UHPSI) pursuant to the authority granted by Section 10a-254 of the Connecticut General Statutes. The subsidiary's main focus is the provision of pharmacy operation services on behalf of UConn Health and its clinical units, including the Hospital and UMG. The subsidiary has been empowered to apply for and obtain all licenses, certificates or other credentials as required for pharmacy operations and granted the ability to enter into such contracts that are necessary or desirable for, or incidental to, the conduct of the subsidiary's business and affairs.

The sole member of UHPSI is the Finance Corporation (the Member). The Member has the power to elect and remove directors to/from UHPSI's Board of Directors. The property and affairs of UHPSI are managed by UHPSI's Board of Directors.

In 2022, the Finance Corporation entered into a joint venture with OIA of Connecticut, LLC to form UConn Health Imaging, LLC. UConn Health Imaging will provide additional radiology services off UConn Health's main campus in Farmington in a non-hospital clinic setting. The Finance Corporation will retain a 75% ownership interest. The business is expected to begin operations later in fiscal 2024.

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## SECTION 2: Statement of Operations (unaudited)

UCONN HELATH PHARMACY SERVICES, INC.	
FY23 OPERATIONS	
SEPTEMBER 19, 2023	
	The University of
	Connecticut
	Health Center
	Finance
	(Unaudited)
<b>Operating Revenues</b>	
Interest income - right-to-use building	\$ 255,081
Lease Revenue - right-to-use building	1,774,805
Interest income from direct financing lease	10,171,221
Contract and other income	1,025,232
Pharmaceutical revenues, net	111,329,599
<b>Total Operating Revenues</b>	<b>124,555,938</b>
<b>Operating Expenses</b>	
Professional services	42,813
Internal contractual support	2,033,041
Outside agency per diems	8,209,706
Pharmaceuticals/medical supplies	104,139,390
Equipment and software leases	88,453
Insurance	750
Interest expense	8,118,817
Depreciation	757,578
Amortization - right-to-use assets	120,913
Other	22,482
<b>Total Operating Expenses</b>	<b>123,533,943</b>
<b>Operating Income</b>	<b>1,021,995</b>
<b>Nonoperating Revenue (Expense)</b>	
Loan servicing fee	(11,892)
<b>Net Nonoperating (Expense) Revenue</b>	<b>(11,892)</b>
<b>Gain (Loss) before Transfers</b>	<b>1,010,103</b>
<b>Net Transfers from UConn</b>	
Health - Unrestricted (note 5)	10,375,000
<b>Increase in Net Position</b>	<b>11,385,103</b>
<b>Net Position - Beginning of year</b>	<b>32,845,777</b>
Cumulative Effect of Implementing GASB 87	(385,051)
<b>Net Position - Beginning of year (as restated 2022)</b>	<b>32,460,726</b>
<b>Net Position - End of year</b>	<b>\$ 43,845,829</b>

UCONN HELATH PHARMACY SERVICES, INC.	
FY23 OPERATIONS	
SEPTEMBER 19, 2023	
	UConn Health
	Pharmacy Services,
	Inc.
	(Unaudited)
<b>Operating Revenues</b>	
Contract and other income	\$ 1,025,232
Net patient Service revenues	<u>111,329,599</u>
<b>Total Operating Revenues</b>	<u>112,354,831</u>
<b>Operating Expenses</b>	
Internal contractual support	2,033,041
Outside agency per diems	8,209,706
Pharmaceuticals/medical supplies	104,139,390
Rent	88,453
Equipment and software leases	750
Repairs and maintenance	25,347
Interest expense	4,278
Depreciation	120,913
Amortization - RTU property	<u>19,800</u>
<b>Total Operating Expenses</b>	<u>114,641,678</u>
<b>Operating Income</b>	<u>(2,286,847)</u>
<b>Gain (Loss) before Transfers</b>	<u>(2,286,847)</u>
Net Transfers from UConn Health	9,000,000
<b>Increase in Net Position</b>	6,713,153
<b>Net Position - Beginning of year (as previously stated)</b>	<u>2,075,493</u>
<b>Cumulative Effect of Implementing GASB 87</b>	<u>(66,789)</u>
<b>Net Position - Beginning of year (as restated 2021)</b>	<u>2,008,704</u>
<b>Net Position - End of year</b>	<u>\$ 8,721,857</u>

UCHCFC CIRCLE ROAD CORP.	
FY23 OPERATIONS	
SEPTEMBER 19, 2023	
	UCHCFC
	Circle Road
	Corporation
	(Unaudited)
<b>Operating Revenues</b>	
Interest income from direct financing lease	\$ 10,171,221
<b>Total Operating Revenues</b>	<u>10,171,221</u>
<b>Operating Expenses</b>	
Professional services	3,497
Repairs and maintenance	7,865,439
Amortization - RTU property	<u>2,682</u>
<b>Total Operating Expenses</b>	<u>7,871,618</u>
<b>Operating Income</b>	<u>2,299,603</u>
<b>Nonoperating Revenue (Expense)</b>	
Interest income-RTU Building	20,078
Lease Revenue -RTU Building	16,793
Loan servicing fee	<u>(5,750)</u>
<b>Net Nonoperating (Expense) Revenue</b>	<u>31,121</u>
<b>Increase in Net Position</b>	2,330,724
<b>Net Position - Beginning of year (as previously stated)</b>	<u>12,504,846</u>
<b>Cumulative Effect of Implementing GASB 87</b>	<u>(33,411)</u>
<b>Net Position - Beginning of year (as restated 2022)</b>	<u>12,471,435</u>
<b>Net Position - End of year</b>	<u>\$ 14,802,159</u>

### **SECTION 3: Summary of Significant Activities**

**Finance Corporation:** The main Finance Corporation entity continues to pay the mortgage for the Musculoskeletal building and serve as facilitator for bad debt write-offs and joint ventures. In the current year, we have continued to work towards opening a new offsite radiology center which will be a joint venture with Orthopedic Imaging Associates (OIA) called UConn Health Imaging. It is expected that this center will open in March of 2024.

**Circle Road Corporation:** Circle Road Corporation continue to maintain the Outpatient Pavilion property in accordance with the mortgage. There were no significant operational issues in the current year and the 990 was filed on time in the spring.

**UHPSI:** UHPSI continued to expand its service offering and as a result grew its business during the past year. Total revenues grew approximately \$36 million though its bottom-line income decreased by roughly \$1.8 million. The UHPSI pharmacy, through its 340B contracted pharmacy relationship with the Hospital is an overall positive contributor to UConn Health though the entity itself shows operational losses on its individual income statement. The total estimated impact to UConn Health (via contributed margins in John Dempsey Hospital) was \$15.6 million.

UHPSI is also working to create a new entity, called UConn Health Infusion Pharmacy Services (UHIPS) with an outside business partner. This business will focus on infusion of specialty drugs based on scripts written by UConn Health providers.

UHPSI will continue to play a significant role in 340B maximization as well as in assisting UConn Health clinical units adapt to a changing landscape around medication coverages and reimbursement in the upcoming years.

### **SECTION 4: Requested Legislative Actions**

The Finance Corporation (and its subsidiaries) are not requesting legislative considerations at this time.