Phase I Report

May 2024

CAIN BROTHERS
A division of
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UCONN
HEALTH

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I. Executive Summary

This section is an executive summary of the key findings and discussion of this Report

Situational Overview

The University of Connecticut ("UConn") is the flagship public university of the State of Connecticut. UConn Health consists of UConn's academic medical center, various health science schools (such as the School of Medicine and School of Dental Medicine), dental clinics, research laboratories, a faculty physician group, and pharmacy services.

To attract top faculty and students, medical schools and universities across the country invest in and build robust research and education programs. Doing so requires funding as well as clinical teaching and research opportunities. Universities have grown and scaled their patient care enterprises to help generate the funding and opportunities support those academic needs. A scaled patient care enterprise can generate the cashflow necessary to fund the academic, capital, and patient care needs across the enterprise.

UConn Health has a medical school ranked 53rd by US News and World Report in research and 70th by Blue Ridge Institute for Medical Research (middle of the pack nationally). The UConn Health Patient Care Enterprise is comprised of a single-site hospital, various outpatient locations, and a faculty physician group that combined, has generated cash flow losses (*operating earnings before interest, depreciation, and amortization expenses*) averaging $140 million annually over the past four years before any State transfers (*see pages 51-55 for details, including adjustments made to the financials for GASB 68*). Recent accounting changes beginning in 2024, however, will result in materially reduced fringe benefit expenses for UConn Health because those costs are being absorbed by the State. UConn Health will still generate a loss after this accounting shift. UConn Health's Patient Care Enterprise is subscale, unprofitable and unable to financially support the academic mission nor fund recruiting or research for the medical school. Financial support from the State has been necessary to fund both the academic mission as well as losses from the Patient Care Enterprise.

UConn Health's Patient Care Enterprise serves an important public mission as approximately one quarter of its patient care is provided to Medicaid recipients and the uninsured. This public mission is shared by other large health systems in the State, who also provide about a quarter of their care to the uninsured and Medicaid recipients.

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. Despite this recent growth, UConn Health's Patient Care Enterprise remains one of the smallest academic medical centers ("AMC") in the nation (it is the smallest AMC associated with a state flagship public university) and materially subscale. While recent growth has been positive, organic growth will not be enough to achieve necessary scale nor overcome market consolidation that is happening both nationally and across the state.

Summary (cont'd)

The lack of operating scale is a contributor to the Patient Care Enterprise's financial losses. Relative to competitors, it does not have negotiating leverage within the marketplace and fixed costs for back-office functions like revenue cycle and information technology are spread over a much smaller base. However, the largest reason for the lack of profitability is UConn Health's employee benefit cost which are materially higher than the rest of the marketplace. Margins for the hospital industry are not large enough to pay for the current fringe benefit cost load.

Cain Brothers was engaged by the Office of Policy and Management of the State of Connecticut to examine the strategic position and evaluate alternatives for UConn Health. University medical school research rankings show positive correlation to the size of the affiliated Patient Care Enterprise. This suggests a larger, profitable Patient Care Enterprise will be needed for UConn's medical school to advance up the rankings. Solving the conundrum of a lack of scale and profitability will be required. This report outlines a number of potential alternatives, with a solution likely a combination of options.

Phase One Report Process

As part of the Phase One Report (the "Report") process, Cain Brothers undertook the following analyses, assessments, and evaluations:

- Assessed UConn Health's market position, taking into consideration regional and national industry trends, market competition, and the regulatory landscape;
- Undertook an analysis of other academic medical centers in the country, including analyzing research rankings and the patient care enterprises for other public academic medical centers and owned or affiliated health systems;
- Compiled, evaluated, and assessed data from UConn Health regarding its utilization, cost structure, payor mix, and key areas of profit and loss contributing to the current UConn Health financial status; and
- Identified potential strategic alternatives and structures, while keeping in mind the teaching and research missions of the University.

Summary (cont'd)

The Report evaluation process also included:

- Interviews and discussion with select UConn Health senior management, as well as union leadership;
- Review of financial and operational data on UConn Health, along with market and other data relevant to an overall situational assessment;
- Review of public and proprietary data on local market, regional, and national trends;
- Comparison of UConn Health's Patient Care Enterprise (as described herein) to industry benchmarks; and
- Identification and analysis of potential strategic alternatives for the Patient Care Enterprise of UConn Health.

Overview of UConn Health

- Located in Farmington, UConn Health is Connecticut's flagship public academic health center, with an integrated tripartite mission focused on ***Education, Research and Patient Care***
- UConn Health includes the UConn School of Medicine ("SOM"), UConn School of Dental Medicine ("SODM"), the Graduate School, John Dempsey Hospital ("JDH"), UConn Medical Group ("UMG"), UConn Dental Clinics, Research Laboratories, technology incubation facilities for start-up companies, and the Finance Corporation ("Finance Corp" or "FC"), which among other things, provides pharmacy services to UConn Health
- It is a critical source of the State's future health care professionals and is an essential provider of healthcare and dental services in the market
- UConn Health medical school is ranked 53rd by US News and World Report in research and 70th by Blue Ridge Institute for Medical Research

Education

- Enrollment[1] is 449 in SOM, 204 in SODM, and 378 in the Graduate School
- Solid national board performance and residency placement
- UConn Health has 793 residents (687 medical and 106 dental)[1] who train and provide patient care in local hospitals and dozens of community settings in more than 29 communities across the state

Research

- Quality research programs have enabled UConn Health to recruit distinguished researchers in neuroscience, molecular biology, molecular pharmacology, biochemistry, cell biology, toxicology, and endocrinology
- UConn Health's Alcohol Research Center and the Connecticut Clinical Chemosensory Research Center are some of the only federally supported centers in the nation
- UConn Technology Incubation Program – 35,000 sq. ft. state-of-the-art wet labs/office space for small start-ups

Patient Care

- **JDH, UMG, and Finance Corp make up the combined entity (referred herein as the "Patient Care Enterprise")**
- Provides medical services throughout Connecticut
- Essential healthcare provider to CT's citizens with ~24% of gross charges being Medicaid
- All UConn Health clinical care venues serve as sites for teaching and learning

1. UConn Health internal data

Overview of Patient Care Enterprise

The Patient Care Enterprise is comprised of UConn's John Dempsey Hospital and the UConn Medical Group

John Dempsey Hospital ("JDH")

- JDH is UConn's flagship state-owned acute care teaching hospital
- Recognized for its high-risk maternity services, cardiovascular program (interventional cardiology and surgery), cancer, musculoskeletal, neurosurgical care, stroke services and behavioral mental health services
- Includes the University Tower, completed in 2016, and the Connecticut Tower, which combined has over 400,000 sq. ft. of clinical space
- Newly expanded emergency department has 42 private rooms and an embedded simulation unit for training purposes
- Surgical unit has 12 operating rooms, including a new hybrid operating room

UConn Medical Group ("UMG")

- UMG is one of the region's largest multi-specialty faculty clinical practices with expertise in 50+ specialties
- Clinical operations are modeled, in part, on private group practices and include over 550 providers covering a wide range of specialties from primary care to cardiology, OB/GYN, cancer, orthopedics, and more[1]
- Opened in 2015, the Outpatient Pavilion is an approximately 320,000 sq. ft. state-of-the-art multispecialty outpatient clinical building on UCH's Lower Campus and is home to the majority of UMG's physician practices
- Patients are also seen in satellite offices in Avon, Canton, East Hartford, Putnam, Simsbury, Southington, Storrs, Torrington, West Hartford and Willimantic

Finance Corporation ("FC")

- FC functions as a service organization for UConn Health by providing contracting, real estate facilities, and pharmaceutical sales to UConn Health
- Sole member of UConn Health Pharmacy Services, Inc., a CT non-stock corporation that provides pharmacy services to UConn Health's constituents, including JDH's 340B pharmacy and UMG
- FC also acts as UConn Health's vehicle for establishing joint ventures and subsidiary corporations

Source: UConn Health Website, UConn Health Internal Data

1. 2022 UMG Audit

Quality Care and Strong Recent Growth

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	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[1]	CMS Star Rating	Revenue *2020 – 2022 CAGR %*	Discharges *2020 – 2022 CAGR %*	ED Admissions *2020 – 2022 CAGR %*
UCONN HEALTH UCONN JOHN DEMPSEY HOSPITAL	A FALL 2023	79%	★★★☆☆	*15.3%*	*2.8%*	*13.5%*
Hartford HealthCare Hartford Hospital	A FALL 2023	72%	★★★★☆	*12.4%*	*2.1%*	*9.6%*
Bristol Health Bristol Hospital	B FALL 2023	66%	★★★★☆	*2.1%*	*(7.2%)*	*8.6%*
Yale NewHaven Health Yale New Haven Hospital	C FALL 2023	69%	★★★☆☆	*8.0%*	*(1.5%)*	*9.7%*
Trinity Health Of New England Saint Francis Hospital	C FALL 2023	68%	★★★★☆	*0.5%*	*(11.7%)*	*(1.0%)*

Source: Healthgrades, Leapfrog Ratings, CMS Audited Financials, Definitive Healthcare, UConn Health internal data

1. Based on patients that would definitely recommend

Important Public Mission Typical of Other Health Systems, Rather Than Public Safety Net Hospitals

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John Dempsey Hospital has relatively less Uninsured and Medicaid in its patient mix than true safety net hospitals

John Dempsey Hospital has significantly fewer Medicaid discharges than other peer in-state health systems, and its percentage of Uninsured and Medicaid patients is typical of many health systems in the market

Payer Mix of Select Notable Safety Net Hospitals

	Medicaid + Uninsured Payer Mix %
Cook County Health	78%[1]
CHA Cambridge Health Alliance	60%[2]
Grady	48%[3]
UConn Health – UConn John Dempsey Hospital	26%

Payer Mix of Other In-State Peer Health Systems

	Medicaid + Uninsured Payer Mix %[4]	Medicaid Discharges[5]
Yale NewHaven Health	20%	28,271
Hartford HealthCare	24%	21,471
Trinity Health Of New England	27%	9,415
UConn Health – UConn John Dempsey Hospital	26%	2,561

Using 2022 HUSKY data[6], UConn Health is 2.9% of the State's total Medicaid inpatient discharges. On the outpatient side, UConn Health is 1.4%. However, in certain specialty areas (namely dental[7], musculoskeletal, rheumatology and dermatology), the percentages are much higher.

Source: State of CT Office of Health Strategy FY2022 Annual Report

1. CCH YTD Financial Update November 2023
2. Cambridge Health Alliance 2022 Annual Report
3. Grady Health Fast Facts 2022
4. State of CT Office of Health Strategy FY2022 Annual Report. Payer mix based on gross charges (the charge for an individual item or service that is reflected on a hospital's chargemaster, absent any discounts)
5. Definitive Healthcare, As of FY2022
6. Data provided by Dept of Social Services
7. Includes periodontology and oral & maxillofacial surgery

The Conundrum: Lack of Scale and Profitability is a Challenge for the State and University

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Scale

UConn Health Patient Care Enterprise is subscale relative to other Academic Medical Centers and other Connecticut health systems

- UConn Health is comprised of only one acute care facility
- UConn Health is 20% of the size, in terms of revenue, of the average of select public university academic health systems
- UConn Health has no leverage in the marketplace
- It lacks scale to support fixed costs (IT, revenue cycle, supply chain, etc.)
- UConn Health's students and residents are distributed amongst multiple organizations throughout the State for training, with UConn Health locations accounting for only 31% of the training
- UConn Health Medical School is ranked #53 according to the US News and World Report and #70 according to Blue Ridge Institute for Medical Research, respectively, in national research rankings
- The current economic engine in not large enough to support the research and teaching missions without significant State support

Profitability

UConn Health Patient Care Enterprise is unprofitable

- UConn Health has generated sizeable losses over the past four years before any transfers from the State[1] though that loss is expected to decrease beginning in 2024 due to accounting changes that shift retirement costs to the State[2]
- This is a significant challenge to reinvesting in the academic and research missions
- UConn Health's fringe benefits expense, even with the budget changes, are well above Connecticut market rates for other hospitals at an average of 25% of salaries
- This requires significant State support
- UConn Health is unable to generate cashflow to independently support growth initiatives
- UConn Health is unable to generate cashflow to support the capital needs of the organization

This Report examines market trends, analyzes other academic medical centers and their rankings, evaluates data from UConn Health, and identifies structures from other AMC transactions.

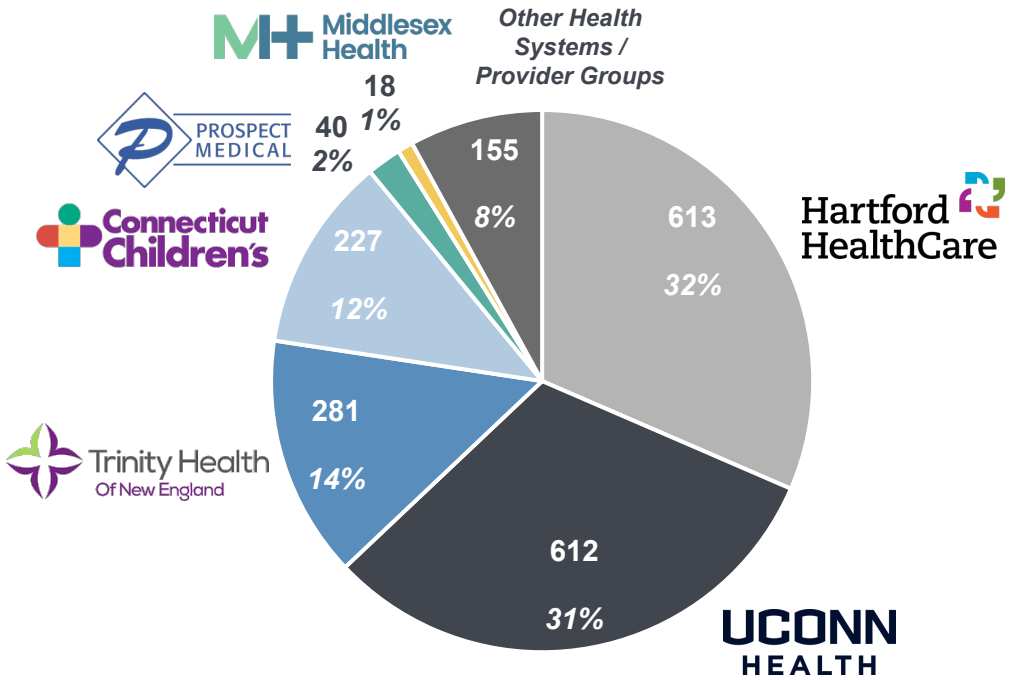
Any solution for UConn Health needs to factor in and try to solve for BOTH of these elements.

1. Audit Adjusted Financials Operating Cash Flow Before State Transfers
2. This is expected to decline to 35% in 2024; See slide 18

UConn Health Relies on Many Different Health System & Provider Groups for Training

- While a significant portion of UConn Health students & residents are engaged in rotations at UConn Health, they are also engaged at a variety of other health systems and provider groups throughout the State
- UConn Health utilizes a variety of partners to support its learners, which is not uncommon for AMCs. Given the small scale of UConn Health's Patient Care Enterprise, they have over 2/3 of those learners in other non-UConn Health locations, which is on the higher side of typical.
- As UConn Health considers various options for the Patient Care Enterprise, they must be mindful of not harming the academic mission that is at the core of the University

Academic Year 2022 – 2023 Rotation Enrollment by Health System / Provider Group



UConn Health students & residents provide care in: *Hartford, Bridgeport, New Britain, Middletown, East Hartford, Manchester, Waterbury, Norwich, New Haven, Derby, Willimantic, Putnam, Torrington, Farmington, West Hartford, Meriden, Suffield, Cheshire, Bloomfield, Danbury, Enfield, Glastonbury, Hamden, Newtown, Plainville, Storrs, Uncasville, Rocky Hill and Newington*

Source: UConn Health internal data

Patient Care Enterprise Relative to Other Public Universities

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UConn Health is undersized relative to academic health systems connected with other public universities

Select State Public Universities and Their Respective Owned or Affiliated Health System

University	Health System	Net Patient Care Revenue *($B)*	Health System Relationship to University	State	State Population (M)
University of Arizona	Banner Health	$11.8	Affiliated	AZ	7.4
University of Pittsburgh	UPMC	10.2	Affiliated	PA	13.0
Indiana University	IU Health	7.8	Affiliated	IN	6.9
University of Michigan	Michigan Medicine	7.1	Owned	MI	10.0
Rutgers University	RWJBarnabas	7.0	Affiliated	NJ	9.3
University of Colorado	University of Colorado Health	6.9	Affiliated	CO	5.9
University of Minnesota	M Health Fairview	6.3	Affiliated	MN	5.7
Louisiana State University	Ochsner LSU Health + Ochsner Health	5.4	Affiliated	LA	4.6
Univerity of North Carolina	University of North Carolina (UNC) Health Care	4.9	Owned	NC	10.8
University of Maryland	University of Maryland Medical System	4.7	Owned	MD	6.2
University of Wisconsin	University of Wisconsin Health	4.4	Owned	WI	5.9
University of Washington	University of Washington Medicine	4.3	Owned	WA	7.8
West Virginia University	WVU Health	4.1	Owned	WV	1.8
Ohio State	Ohio State University Health System	3.8	Owned	OH	11.8
Oregon University	Oregon Health & Science University	3.7	Owned	OR	4.2
Penn State	Penn State Health	3.4	Owned	PA	13.0
University of Kansas	University of Kansas Health System	3.4	Owned	KS	2.9
Medical University of South Carolina	Medical University of South Carolina	3.4	Owned	SC	5.4
University of Massachusetts	UMass Memorial Health Care	3.1	Affiliated	MA	7.0
Virginia Commonwealth University	Virginia Commonwealth University Health	3.0	Owned	VA	8.7
University of Utah	University of Utah Health	2.9	Owned	UT	3.4
University of Virginia	University of Virginia Medical Center	2.9	Owned	VA	8.7
University of Alabama	UAB Medicine	2.7	Owned	AL	5.1
University of Kentucky	University of Kentucky HealthCare	2.7	Owned	KY	4.5
University of Iowa	University of Iowa Health Care Health System	2.6	Owned	IA	3.2
University of Louisville	University of Louisville Health	2.2	Owned	KY	4.5
University of Nebraska	Nebraska Medicine	2.1	Owned	NE	2.0
Oklahoma University	OU Health	1.9	Owned	OK	4.0
University of Nevada	Renown Health	1.4	Affiliated	NV	3.2
University of New Mexico	UNM Health System	1.4	Owned	NM	2.1
University of Mississippi	University of Mississippi Medical Center	1.4	Owned	MS	2.9
University of Arkansas	University of Arkansas Medical Sciences Medical Center	1.3	Owned	AR	3.1
University of Illinois	University of Illinois Health Services	1.0	Owned	IL	12.5
University of Connecticut	**UConn Health**	**1.0**	**Owned**	**CT**	**3.6**

Source: Audited Financials, Definitive Healthcare

Patient Care Enterprise Relative to In-State Peers and Research Cohort

Total Revenue of Other In-State Peer Health Systems[1]

($ in millions)

UConn Health Patient Care Enterprise lags other large clinically integrated CT-based health systems

Dollars Awarded for Research

Affiliating UConn Health's research and academic missions to a much larger patient care enterprise can enhance those missions via support from patient care, rather than the State

Metric	Top 10 Ranked Schools	Ranked 11-20	Ranked 31-40	Ranked 61-70	UConn Health[5]
Average Total Research Awards ($M)	$572	$410	$194	$67	$60
Average # of Principal Investigators[2]	1,007	710	365	127	131
Average Net Patient Revenue of the AMC Health System ($B)[3,4]	$6.9	$6.5	$4.2	$2.7	$1.0

Source: Blue Ridge Institute for Medical Research, 2021 – 2023, Audited Financials, Definitive Healthcare

1. Total Operating Revenue, FY2023
2. Principal Investigator count is the amount of unique principal investigators that received an award per school
3. Latest Available Net Patient Revenue, either FY2022 or 2023
4. Revenue is reflective of the average health system in each cohort over the past 3 years
5. Ranked #70 in 2023 and #68 in 2021 – 2022

The Health System Market is Consolidating with the Focus on Scale Accelerating

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Scale will be increasingly necessary for health systems to compete in population health, adequately manage risk, and maintain the ability to compete with payers. While health systems have been increasing in scale, the total revenue of even the largest health systems pales in comparison to the size and scale of many of the payers.

Payers Gaining Scale[1]

	Revenue
United Healthcare / Optum	$372B
CVS aetna	$358B
Cigna	$195B
Elevance Health	$171B
CENTENE Corporation	$154B
Humana	$106B
KAISER PERMANENTE	$101B
HCSC Health Care Service Corporation	$54B
MOLINA HEALTHCARE	$34B

Health System Scale[1]

	Revenue
KAISER PERMANENTE	$101B
HCA Healthcare	$65B
CommonSpirit	$35B
Ascension	$28B
ADVOCATEHEALTH	$28B
UPMC	$28B
HIGHMARK HEALTH	$26B
Northwell Health	$18B

Large Recent Health System M&A[2]

February 2024
Northwell Health has announced plans to merge with Nuvance Health
Revenue of $18B

December 2023
Jefferson Health (Home of Sidney Kimmel Medical College) has announced plans to acquire Lehigh Valley Health Network
Revenue of $13B

June 2023
Saint Luke's has announced plans to merge with BJC HealthCare
Revenue of $10B

April 2023
KAISER PERMANENTE and Geisinger have partnered to launch
Risant Health
Revenue of $102B

April 2023
University of Michigan Health (Michigan Medicine) has merged with Sparrow
Revenue of $7B

December 2022
AdvocateAuroraHealth and Atrium Health have merged to form ADVOCATEHEALTH
Revenue of $28B

June 2022
Beaumont and Spectrum Health have merged to form Corewell Health
Revenue of $14B

April 2022
SCL Health has merged with Intermountain Healthcare
Revenue of $12B

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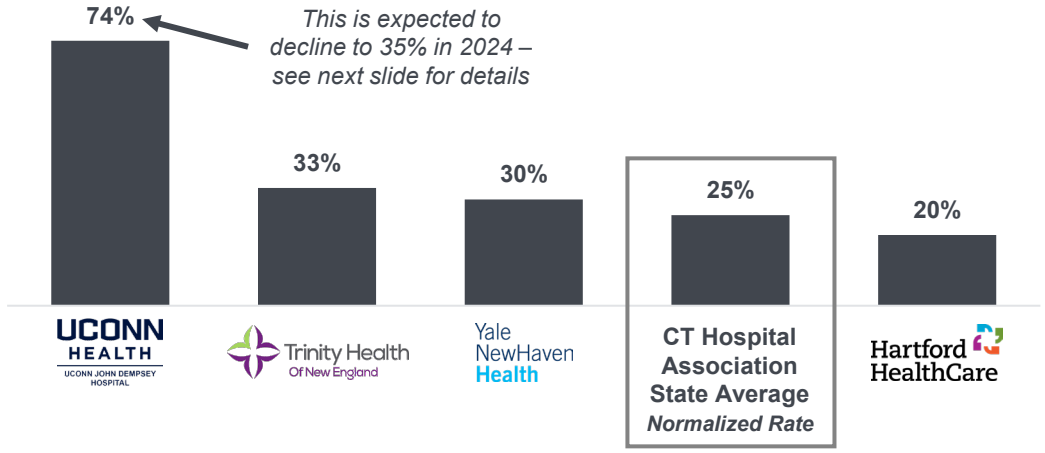
Source: Audited financials, Definitive Healthcare
1. Most recently available revenue figure
2. Revenue available at the time of announcement

UConn Health's Fringe Benefits Hamper Profitability

Fringe Rates as a % of Salaries Materially Higher than the Market[1]



Normalizing Benefits to the State Average Improves Profitability for John Dempsey Hospital[2]

$ in millions	2020A	2021A	2022A	2023A
Revenue	$464.3	$526.0	$617.4	$699.1
Growth %		*13.3%*	*17.4%*	*13.2%*
Salaries & Wages	173.9	185.1	202.6	233.9
Fringe Benefits	44.0	46.8	51.2	59.1
Other Operating Expenses	231.3	249.8	299.2	340.3
Total Operating Expenses	$449.2	$481.7	$553.0	$633.3
Cash Flow After Normalization	**$15.2**	**$44.3**	**$64.5**	**$65.8**
Margin %	*3.3%*	*8.4%*	*10.4%*	*9.4%*

Benefit Expenses Significant Contributor to Losses for John Dempsey Hospital

$ in millions	2020A	2021A	2022A	2023A
Revenue	$464.3	$526.0	$617.4	$699.1
Growth %		*13.3%*	*17.4%*	*13.2%*
Salaries & Wages	173.9	185.1	202.6	233.9
Fringe Benefits	117.9	134.0	149.6	167.6
Other Operating Expenses	231.3	249.8	299.2	340.3
Total Operating Expenses	$523.1	$568.8	$651.3	$741.8
Cash Flow Before State Transfers	**($58.7)**	**($42.8)**	**($33.9)**	**($42.6)**
Margin %	*(12.7%)*	*(8.1%)*	*(5.5%)*	*(6.1%)*

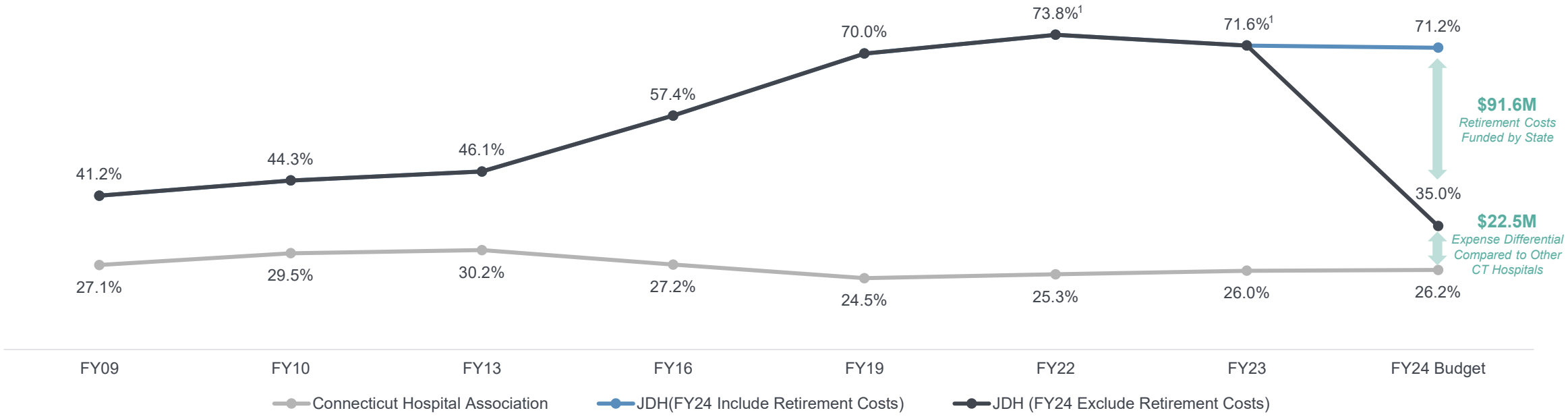
Combined Patient Care Enterprise is Breakeven After Normalizing Benefits[2]

$ in millions	2020A	2021A	2022A	2023A
Revenue	$600.8	$714.2	$847.2	$961.9
Growth %		*18.9%*	*18.6%*	*13.5%*
Salaries & Wages	286.8	306.1	333.5	369.6
Fringe Benefits	72.5	77.4	84.3	93.4
Other Operating Expenses	290.6	328.1	411.2	491.6
Total Operating Expenses	$650.0	$711.6	$829.0	$954.6
Cash Flow After Normalization	**($49.2)**	**$2.6**	**$18.2**	**$7.3**
Margin %	*(8.2%)*	*0.4%*	*2.1%*	*0.8%*

Note: Financials reflect UConn Health Patient Care Enterprise audits (JDH, UMG, and Finance Corp) that are adjusted for fringe benefits
1. Fringe Rate for FY2022
2. Utilizes 2022 Normalized Fringe Rate for FY2020 – FY2023

Historically Rising Fringe Benefit Costs to Decrease with the State Funding Retirement Costs

The fringe benefit expense as a percentage of salaries has been increasing and is materially higher than the Connecticut average for other hospitals in the State. Recent budget changes beginning in fiscal year 2024 were made to how fringe benefits are funded for employees of state public higher education institutions. Prior to FY 2024, the Office of the State Comptroller (OSC) covered all fringe benefit costs for certain employees of the constituent units, and the list of such employees was changed each pay period. The new methodology requires OSC fund certain fringe benefit costs for all employees at these institutions consistently throughout the year. UConn Health's block grant was adjusted to make the change budget neutral, however, the change has significantly reduced the marginal fringe rate that the hospital is responsible for, which is anticipated to enhance their research competitiveness. The fringe benefit expenses for UConn Health has been materially reduced with the State now funding all retirement costs directly and UConn funding all non-retirement costs. **This does not solve the fringe benefit cost issue for the State. It simply removes it from UConn Health's financials.**



Commentary

- The fringe expense as a percentage of salaries beginning in FY24 is ~35% for the state's only public hospital vs. ~25% for other CT hospitals, which accounts for an additional ~$23M in expenses for JDH relative to other CT hospitals.
- The fringe rate inclusive of the ~$92M in retirement costs funded by the state is ~71% vs. ~35% for the fringe benefits only inclusive of non-retirement costs funded by UConn Health in FY24 budget

Source: UConn Audit Adjusted Financials, Connecticut Hospital Association
1. Not including disability insurance

Structural Options Involving an External Partner to Consider

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Further analysis is needed to evaluate the feasibility of the various structural options

1. **UConn could divest of its Patient Care Enterprise and merge it with another health system**
   - This would be a change of control transaction
   - UConn Health's Patient Care Enterprise would combine its operations, assets, and liabilities with the partnering organization
   - This would enable UConn to secure a strong financial partner for the University, negotiate academic support payments, and shift SEBAC employees to private sector union and benefit structure
   - Could rebrand acquiring system under the UConn name in exchange for brand licensing agreement and payments
     - *Examples include:*
       - *Banner Health acquired University of Arizona Health*
       - *Indiana University Hospital merged with Methodist Hospital to form a new 501(c)3, later re-branding to IU Health*
       - *Wellstar acquired Augusta State University Health System*

2. **UConn Health could combine its Patient Care Enterprise with another health system via a Joint Operating Agreement (JOA) or Public Private Partnership (PPP)**
   - Form a NewCo via a contractual arrangement whereby UConn Health's Patient Care Enterprise and the partner would combine operations into a shared income statement
   - UConn would retain ownership of its assets (leasing them to the JOA) and could potentially shift SEBAC employees to the private sector benefit structure
   - The Partner would operate the combined NewCo patient care enterprise
   - This would enable UConn to secure a strong financial partner for the University, negotiate academic support payments, and potentially brand the NewCo under the UConn name in exchange for brand licensing agreement and payments
     - *Examples include:*
       - *East Carolina University's Brody School of Medicine and Vidant Health formed a JOA to create ECU Health*
       - *LSU entered into a PPP for its State-owned hospitals by forming a new 501(c)3 to own the operations of the hospitals and entering into a management arrangement for Ochsner Health to manage the operations of the combined enterprise*

Structural Options Involving an External Partner to Consider (cont'd)

Further analysis is needed to evaluate the feasibility of the various structural options

3. **UConn Health could form a service line partnership and/or lease space in JDH to a partner to generate a financial return**
   - A partner acquires a service line(s) from UConn Health and rents space in JDH to operate that service line in exchange for an upfront payment or stream of payments over a specified term
   - This does not solve UConn's subscale situation nor materially fix its economic issues
   - This is fraught with operational challenges, there is a risk that a partner would "cherry pick" profitable service lines, and JDH does not have significant excess capacity to lease out

4. **UConn Health and partners could create a Management Services Organization (MSO) to increase back-office scale and purchasing power**
   - UConn Health partners with other regionally adjacent health systems or AMCs to create a unified back-office operation
   - This requires substantial time and negotiation amongst the various parties involved
   - Ultimately, this too does not solve UConn's subscale situation nor materially fix its economic issues

There are Also Structural Options that do not Involve an External Partner

Further analysis is needed to evaluate the feasibility of the various structural options

5. **UConn could spin the Patient Care Enterprise out of the University and create an independent non-profit 501(c)3 organization**
   - UConn Health spins out into its own 501(c)3 and remains independent
   - This would enable UConn Health to build off its historical growth and branding
   - This structure could permit growth through acquisitions and/or affiliations with other independent hospital in the State
   - There would need to be a limited phased-out support payment(s) from the State
   - The opening balance sheet of this new company would be strained with limited cash to support operations
   - UConn could retain ownership of its assets (leasing them to the new 501(c)3) and could potentially shift SEBAC employees to a private sector union and benefit structure

6. **Create a separate Patient Care Enterprise SEBAC bargaining unit**
   - Carve the SEBAC agreement into smaller agreements so UCHC can negotiate wage increases like the rest of the economics it already fully controls (e.g., work rules)
   - Potential to enhance UConn Heath's affiliations with other health systems through clinical and strategic partnerships under the new, separately negotiated SEBAC arrangements
   - Without meaningful inorganic growth, this does not ultimately solve UConn Health's subscale situation

Any solution that is pursued, whether with an external partner or not, should look to solve both the subscale situation and the financial issues. And a solution may involve a combination of elements from these different options.

Summary Perspectives on External Structural Options

UCONN HEALTH

- Cain Brothers believes there will be opportunity to solve UConn Health's lack of scale and profitability through partnering UConn Health's patient care enterprise with another health system. That partnership could involve a merger or joint operating arrangement. A full divestiture of the patient care enterprise by merging it with another health system is a functionally permanent decision because it would be very hard to undo. A joint operating agreement, on the other hand, has more flexibility to unwind if the expected benefits of that path do not materialize over the course of time.

- This could provide scale to support UConn's academic and research mission as well as alleviate the State's economic support. But meaningful issues exist:
  - After a transition period, employees would likely need to be collectively bargained for private sector employees of the health systems. Market-appropriate wages, benefits and work rules are a must.
  - This doesn't eliminate the State's current pension liability; that liability should continue with the State going forward
  - There is significant concern around the potential length of the process and onerous conditions to garner State approval for such a partnership
  - Maintaining the UConn brand is important, and beneficial
  - Ability to absorb all of UConn's health science learners limits the number of potential partner options

- There would also likely be interest to acquire certain clinical service lines from UConn Health, thereby generating a financial return for UConn. This idea also has barriers:
  - It does not solve the lack of clinical scale to support the medical school
  - Would also require employees supporting those service line(s) to become employees of the private sector partner, with their wages, benefits, and work rules
  - There is risk that potential partners could "pick off" UConn Health's most profitable services

- Renting space at JDH or setting up back-office management services organization will likely not garner much interest
  - Not functional when considering ancillary activity such as imaging, lab, OR and procedure rooms
  - Material concern regarding how this would fit with private sector and public sector union employee interactions

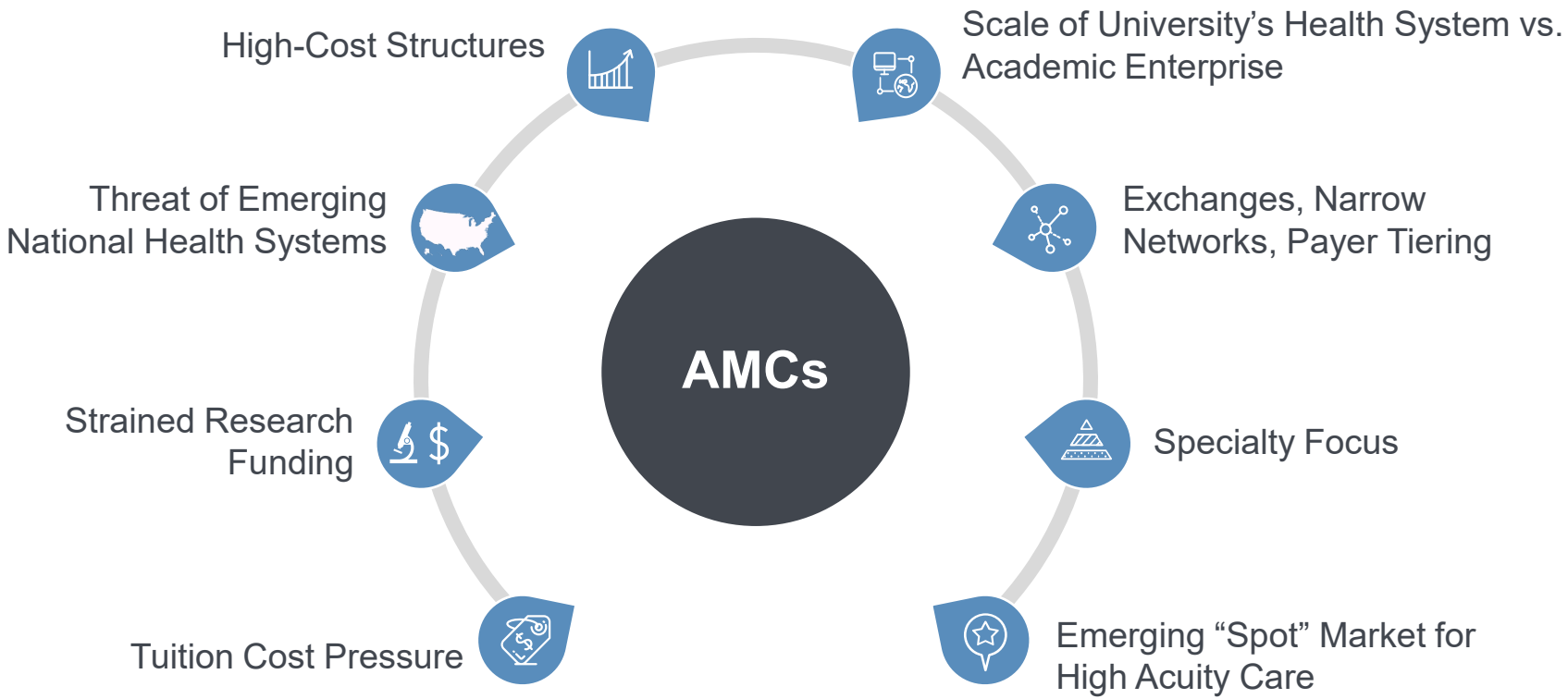
II. Academic Medical Centers and UConn's Place in the Landscape

This section discusses issues facing academic medical centers (AMCs) and provides an analysis of UConn and other medical schools, including research rankings, and their affiliated patient care enterprises

AMCs have unique needs and challenges. Scale and profitability in the patient care enterprise are necessary in order to support the academic mission of university medical schools and other health science colleges. UConn Health's Patient Care Enterprise is subscale relative to AMC peers, and likely prevents UConn from moving up the national medical school rankings.

Setting the Stage: There is Increasing Pressure on Academic Medical Centers Nationally

The Report will dive into challenges specific to UConn Health, however, medical schools and their AMCs nationally are facing a number of pressures



There are Certain Risks Specific to Academic Medical Centers

UCONN HEALTH

Summary of difficulties for AMCs in the evolving healthcare landscape

- High cost: need high reimbursements to fund high operating cost structure
- Tri-partite mission: clinical, teaching and research create knowledge but reduce clinical efficiency
- Clinical productivity of faculty is low due to teaching mission and comp models
- Most AMC care can be provided by leading community hospitals
- Additional capital intensity to stay in the “arms race”
- Complex governance models, university relations and access to capital further complicate AMCs performance

Standalone AMCs are at risk of being commoditized as “price-takers”

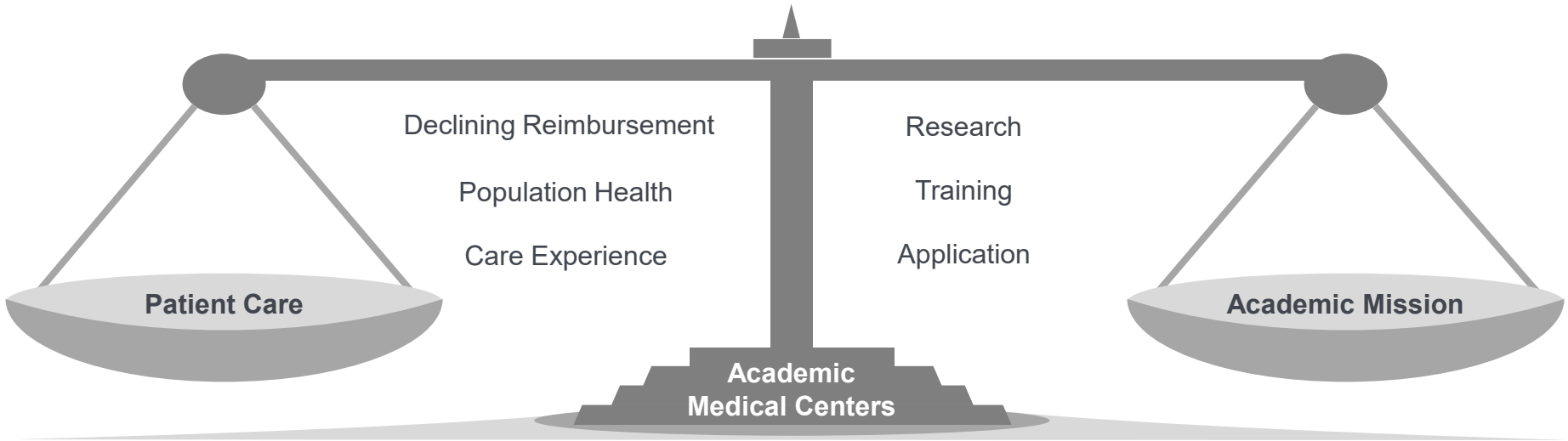
Focusing only on tertiary and quaternary care is insufficient to support legacy infrastructure and fixed costs

AMCs need to create or be part of larger organizations engaged in the capture of covered lives

Plus, Complexities Exist at the Interface Between AMCs and their Missions

UCONN HEALTH

The Patient Care and Academic Medicine missions are largely intertwined, but continually compete for time, money and resources



What common pressures face all health care institutions?

- Increasing expenses
- Declining reimbursement
- Compliance audits, readmission penalties, and hospital-acquired condition penalties
- Gaps in system of care (from primary care, to pre-acute, to acute, and then post-acute)
- New entrants to the healthcare ecosystem focused on profitable ambulatory growth

What unique features of AMCs impede achievement of the triple aim?

- High overhead and fixed costs of AMCs
- Operational inefficiencies in training setting
- Basic care falls through the gaps with many focused on higher-end tertiary and quaternary care
- Lack of focus on primary care and building out of ambulatory access
- Fragmentation and depersonalized experience

What complexities exist at the interface between AMCs and Markets?

- Decreased research funds
- Divergent faculty roles and responsibilities
- Declining subsidies for training
- Restricted resident work hours
- Employed vs. voluntary faculty
- AMC vs. community hospital
- Decreased clinical funds from Disproportionate Share Hospital (DSH) payments
- Price tiering vs. premium pricing

These Macro Challenges to Academic Medicine Create a Need for Structural Efficiencies

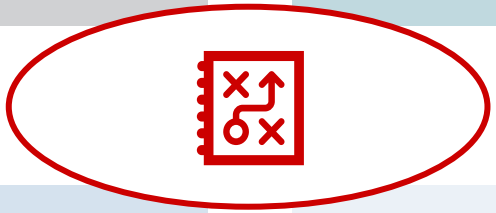
UCONN HEALTH

Cost pressures create need for underlying structural changes to achieve economies of scale

Expense inflation has resulted in significantly higher labor and supply costs

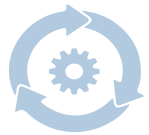
The bar has been "re-set" and payers are reluctant to fund the increases

Reimbursement and expense pressures will continue to strain cash flow (Medicare Trust Fund insolvency, federal deficits, single site reimbursement and 340B)



The "long COVID" for health systems has impaired ability to fully manage case mix, length of stay, and post-acute care, further straining cash flow

Complexity of academic health systems makes realizing cost structure improvements more difficult



To achieve structural cost efficiencies, UConn Health must consider doing so through economies of scale

Patient Care Enterprise Relative to Other Public Universities

UCONN HEALTH

UConn Health is undersized relative to academic health systems connected with other public universities

Select State Public Universities and Their Respective Owned or Affiliated Health System

University	Health System	Net Patient Care Revenue *($B)*	Health System Relationship to University	State	State Population (M)
University of Arizona	Banner Health	$11.8	Affiliated	AZ	7.4
University of Pittsburgh	UPMC	10.2	Affiliated	PA	13.0
Indiana University	IU Health	7.8	Affiliated	IN	6.9
University of Michigan	Michigan Medicine	7.1	Owned	MI	10.0
Rutgers University	RWJBarnabas	7.0	Affiliated	NJ	9.3
University of Colorado	University of Colorado Health	6.9	Affiliated	CO	5.9
University of Minnesota	M Health Fairview	6.3	Affiliated	MN	5.7
Louisiana State University	Ochsner LSU Health + Ochsner Health	5.4	Affiliated	LA	4.6
Univerity of North Carolina	University of North Carolina (UNC) Health Care	4.9	Owned	NC	10.8
University of Maryland	University of Maryland Medical System	4.7	Owned	MD	6.2
University of Wisconsin	University of Wisconsin Health	4.4	Owned	WI	5.9
University of Washington	University of Washington Medicine	4.3	Owned	WA	7.8
West Virginia University	WVU Health	4.1	Owned	WV	1.8
Ohio State	Ohio State University Health System	3.8	Owned	OH	11.8
Oregon University	Oregon Health & Science University	3.7	Owned	OR	4.2
Penn State	Penn State Health	3.4	Owned	PA	13.0
University of Kansas	University of Kansas Health System	3.4	Owned	KS	2.9
Medical University of South Carolina	Medical University of South Carolina	3.4	Owned	SC	5.4
University of Massachusetts	UMass Memorial Health Care	3.1	Affiliated	MA	7.0
Virginia Commonwealth University	Virginia Commonwealth University Health	3.0	Owned	VA	8.7
University of Utah	University of Utah Health	2.9	Owned	UT	3.4
University of Virginia	University of Virginia Medical Center	2.9	Owned	VA	8.7
University of Alabama	UAB Medicine	2.7	Owned	AL	5.1
University of Kentucky	University of Kentucky HealthCare	2.7	Owned	KY	4.5
University of Iowa	University of Iowa Health Care Health System	2.6	Owned	IA	3.2
University of Louisville	University of Louisville Health	2.2	Owned	KY	4.5
University of Nebraska	Nebraska Medicine	2.1	Owned	NE	2.0
Oklahoma University	OU Health	1.9	Owned	OK	4.0
University of Nevada	Renown Health	1.4	Affiliated	NV	3.2
University of New Mexico	UNM Health System	1.4	Owned	NM	2.1
University of Mississippi	University of Mississippi Medical Center	1.4	Owned	MS	2.9
University of Arkansas	University of Arkansas Medical Sciences Medical Center	1.3	Owned	AR	3.1
University of Illinois	University of Illinois Health Services	1.0	Owned	IL	12.5
University of Connecticut	**UConn Health**	**1.0**	**Owned**	**CT**	**3.6**

Source: Audited Financials, Definitive Healthcare

The Size of the Clinical Engine Matters in Medical School Rankings

UCONN HEALTH

Scale of the Patient Care Enterprise is correlated with higher research funding

Larger Patient Care Enterprises can drive more funding to the academic and research missions for the University

- National prestige as a medical school is driven by research ranking
- UConn Health is ranked #70 in 2023
- Medical schools connected to larger Patient Care Enterprises are generally ranked higher on the research list, with larger Patient Care Enterprises typically supporting greater funding for the academic mission through academic support payments from the Patient Care Enterprise to the University or School of Medicine
- With just over $950 million in total revenue, the Patient Care Enterprise of UConn Health is well behind its peers in the same ranking cohort of between 61-70, which average $2.7 billion in patient care revenue

Metric	Top 10 Ranked Schools	Ranked 11-20	Ranked 31-40	Ranked 61-70	UConn Health[4]
Average Total Research Awards ($M)	$572	$410	$194	$67	$60
Average # of Principal Investigators[1]	1,007	710	365	127	131
Average Net Patient Revenue of the AMC Health System ($B)[2,3]	$6.9	$6.5	$4.2	$2.7	$1.0

Affiliating UConn Health's research and academic missions with a much larger Patient Care Enterprise can enhance those missions and support from patient care, rather than the State

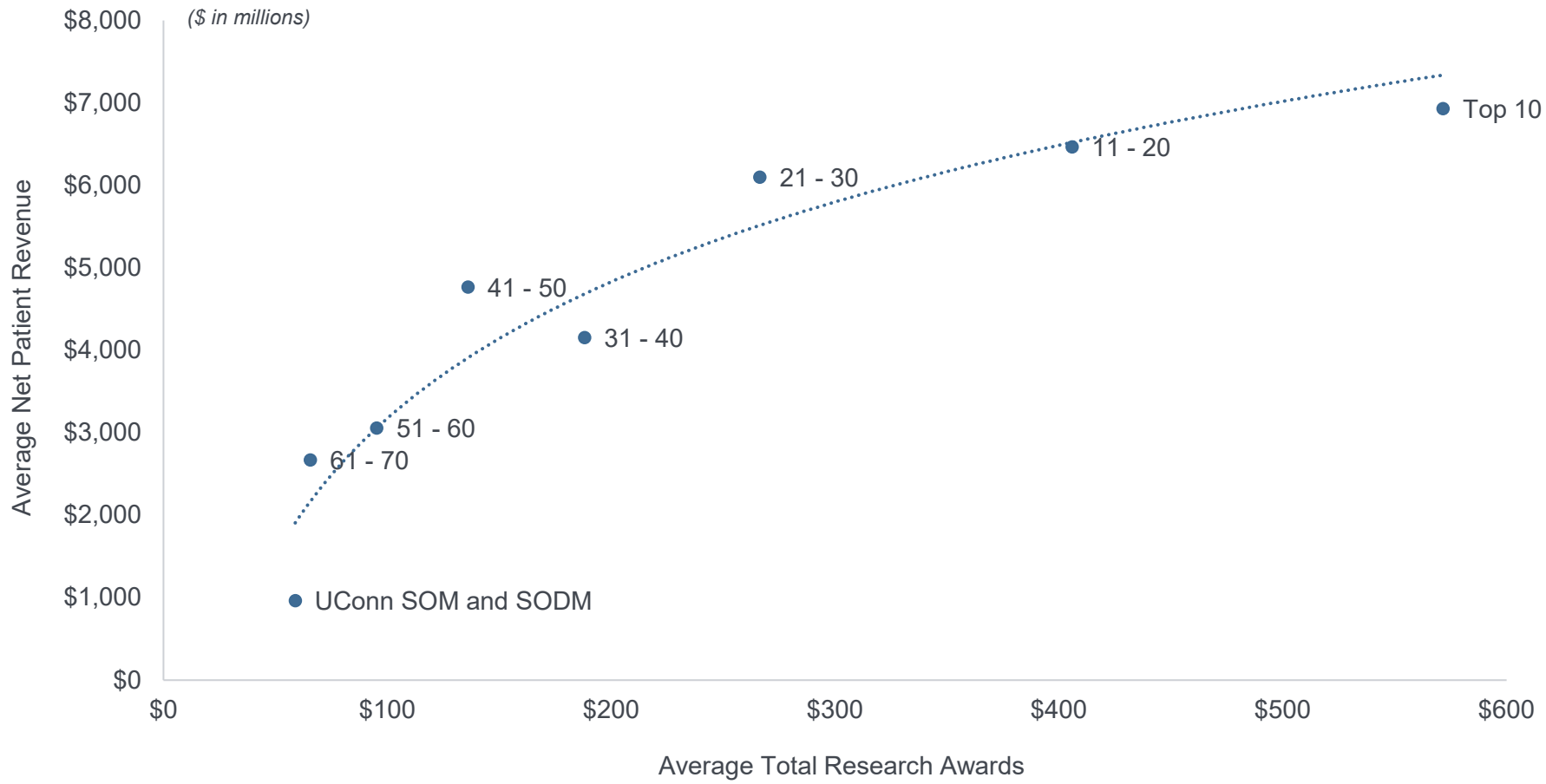
Source: Blue Ridge Institute for Medical Research, 2021 – 2023, Audited Financials, Definitive Healthcare

1. Principal Investigator count is the amount of unique principal investigators that received an award per school
2. Latest Available Net Patient Revenue, either FY2022 or 2023
3. Revenue is reflective of the average health system in each cohort over the past 3 years
4. Ranked #70 in 2023 and #68 in 2021 – 2022

The Size of the Clinical Engine Matters in Medical School Rankings (cont'd)

Average funding and average net patient service revenue are highly correlated across academic medical centers ranked 1 – 70

UConn Health SOM and SODM (Ranked #70) fall well behind on research funding relative to the 61 – 70 cohort based on recent ranking averages



Source: Blue Ridge Institute for Medical Research, 2021 – 2023, Audited Financials, Definitive Healthcare

Blue Ridge Medical School Ranking (page 1)

UCONN HEALTH

UConn Health's School of Medicine and School of Dental Medicine rank #70 in 2023

Rank	Public Medical School	Public / Private Med School	Health System / Hospital	Net Patient Revenue of Health System *($B)*
1	University of California San Francisco	Public	UCSF Health	$6.2
2	Washington University St Louis	Private	BJC HealthCare	6.0
3	University of Pennsylvania	Private	Penn Medicine	8.7
4	Yale University	Private	Yale New Haven Health	5.9
5	Johns Hopkins University	Private	Johns Hopkins Medicine	7.4
6	Stanford University	Private	Stanford University Medicine	7.2
7	Duke University	Private	Duke Health	4.6
8	University of Pittsburgh	Public	UPMC	10.2
9	Columbia University Health Sciences	Private	New York-Presbyterian	9.9
10	Vanderbilt University	Private	Vanderbilt University Medical Center	5.9
11	University of California Los Angeles	Public	UCLA Health	3.5
12	University of Michigan Ann Arbor	Public	Michigan Medicine	7.1
13	University of California San Diego	Public	UC San Diego Health	3.3
14	Mount Sinai Icahn School of Medicine	Private	Mount Sinai Health System	5.9
15	New York University School of Medicine	Private	NYU Langone Health	6.7
16	Northwestern University Chicago	Private	Northwestern Medicine	8.1
17	Emory University	Private	Emory Healthcare	5.0
18	University of Washington Seattle	Public	University of Washington Medicine	4.3
19	University of North Carolina Chapel Hill	Public	University of North Carolina (UNC) Health Care	4.9
20	Baylor College of Medicine	Private	Baylor Scott & White Health	13.1
21	Cornell University Weill Medical College	Private	New York-Presbyterian	9.9
22	University of Wisconsin Madison	Public	University of Wisconsin Health	4.4
23	Case Western Reserve University	Private	University Hospitals	5.1
24	University of Minnesota	Public	M Health Fairview	6.3
25	University of Texas Southwestern Dallas	Public	University of Texas Southwestern Medical Center	2.3
26	University of Colorado Denver	Public	University of Colorado Health	6.9
27	University of Alabama Birmingham	Public	UAB Medicine	2.7
28	Mayo Clinic Rochester	Private	Mayo Clinic Health System	13.8
29	Indiana Univ-Purdue Univ Indianapolis	Public	IU Health	7.8
30	Oregon Health & Science University	Public	Oregon Health & Science University	3.7
31	University of Southern California	Public	Keck Medicine of USC	2.2
32	University of Chicago	Private	UChicago Medicine	3.3
33	University of California Davis	Public	UC Davis Health	3.3
34	University of Utah	Public	University of Utah Health	2.9
35	Albert Einstein College of Medicine	Private	Montefiore Health System	4.8
36	University of Maryland Baltimore	Public	University of Maryland Medical System	4.7
37	University of Massachusetts Chan Medical School	Public	UMass Memorial Health Care	3.1
38	University of Virginia	Public	University of Virginia Medical Center	2.9

Source: Blue Ridge Institute for Medical Research, Audited Financials of Annual Reports, Definitive Healthcare

Blue Ridge Medical School Ranking (page 2)

UCONN HEALTH

UConn Health's School of Medicine and School of Dental Medicine rank #70 in 2023

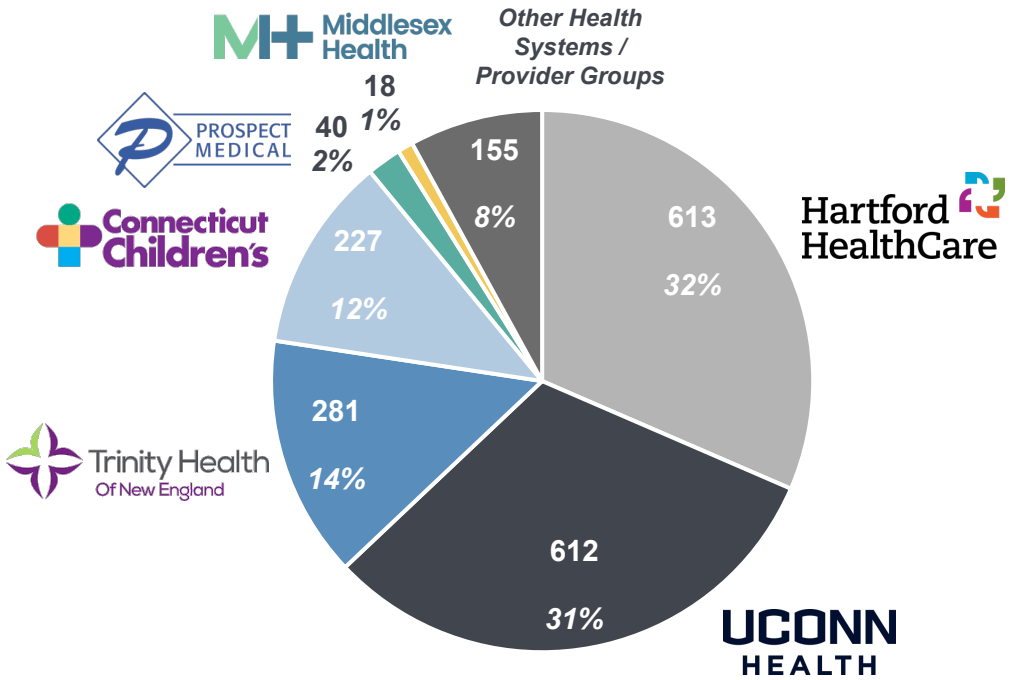
Rank	Public Medical School	Public / Private Med School	Health System / Hospital	Net Patient Revenue of Health System ($B)
39	University of Miami School of Medicine	Public	Jackson Health System	$2.2
40	Ohio State University	Public	Ohio State University Health System	3.8
41	University of Florida	Public	University of Florida Health	3.9
42	Harvard Medical School	Private	Mass General Brigham	12.8
43	University of Rochester	Private	Rochester Regional Health	3.1
44	Wake Forest University Health Science	Private	Atrium Health Wake Forest Baptist	3.4
45	Boston University Medical Campus	Private	BMC Health System	4.2
46	Rutgers, The State University of New Jersey	Public	RWJBarnabas	7.0
47	University of Iowa	Public	University of Iowa Health Care Health System	2.6
48	Medical College of Wisconsin	Private	Froedtert Health	3.1
49	University of Arizona	Public	Banner Health	11.8
50	Medical University of South Carolina	Public	Medical University of South Carolina	3.4
51	University of California Irvine	Public	UC Irvine Medical Center	1.9
52	University of Texas Health Science Center San Antonio	Public	University Health	1.4
53	University of Texas Health Science Center Houston	Public	Memorial Hermann Health System	7.5
54	University of Illinois Chicago	Public	University of Illinois Health Services	1.0
55	University of Kentucky	Public	University of Kentucky HealthCare	2.7
56	University of South Florida	Public	Tampa General Hospital	2.0
57	University of Kansas Medical Center	Public	University of Kansas Health System	3.4
58	University of Texas Medical Branch Galveston	Public	University of Texas Medical Branch Health	1.1
59	University of Nebraska Medical Center	Public	Nebraska Medicine	2.1
60	Virginia Commonwealth University	Public	Virginia Commonwealth University Health	3.0
61	University of Cincinnati	Public	University of Cincinnati Health	2.1
62	Tulane University of Louisiana	Private	LCMC Health	2.8
63	Pennsylvania State University Medical Center	Public	Penn State Health	3.4
64	Dartmouth College	Private	Dartmouth-Hitchcock Health	2.5
65	Brown University	Private	Care New England	1.1
66	Thomas Jefferson University	Private	Jefferson Health	8.3
67	Rush University Medical Center	Private	Rush University System for Health	2.9
68	Augusta University	Public	Wellstar Health System	4.7
69	Michigan State University	Public	Henry Ford Health System	7.3
70	**University of Connecticut School of Medicine**	**Public**	**UConn Health**	**1.0**
71	Wayne State University	Public	Henry Ford Health System	7.3
72	University of Oklahoma Health Sciences Center	Public	OU Health	1.9
73	Temple University	Public	Temple Health	2.5
74	University of Louisville	Public	University of Louisville Health	2.2
75	Tufts University Boston	Private	Tufts Medicine	1.9

Source: Blue Ridge Institute for Medical Research, Audited Financials of Annual Reports, Definitive Healthcare

UConn Health Relies on Many Different Health System & Provider Groups for Training

- While a significant portion of UConn Health students & residents are engaged in rotations at UConn Health, they are also engaged at a variety of other health systems and provider groups throughout the State
- UConn Health utilizes a variety of partners to support its learners, which is not uncommon for AMCs. Given the small scale of UConn Health's Patient Care Enterprise, they have over 2/3 of those learners in other non-UConn Health locations, which is on the higher side of typical.
- As UConn Health considers various options for the Patient Care Enterprise, they must be mindful of not harming the academic mission that is at the core of the University

Academic Year 2022 – 2023 Rotation Enrollment by Health System / Provider Group



UConn Health students & residents provide care in: *Hartford, Bridgeport, New Britain, Middletown, East Hartford, Manchester, Waterbury, Norwich, New Haven, Derby, Willimantic, Putnam, Torrington, Farmington, West Hartford, Meriden, Suffield, Cheshire, Bloomfield, Danbury, Enfield, Glastonbury, Hamden, Newtown, Plainville, Storrs, Uncasville, Rocky Hill and Newington*

Source: UConn Health internal data

III. Scale and Consolidation in the Healthcare Sector

This section dives into certain trends in the health system industry, new market entrants, hospital consolidation in Connecticut, and a comparative analysis of UConn Health's Patient Care Enterprise to other hospitals and health systems in the State

The delivery of healthcare may largely be local, but the business of healthcare is not. It is regional, and the regions are getting bigger. In addition, large insurers and retailers have entered the patient care provider business in a big way, with the intent of disrupting the industry. Dealing with this situation and surviving well into the future will require meaningful scale and profitability.

There Are a Number of Trends Impacting Health Systems Across the Country

UCONN HEALTH

The traditional hospital model is rapidly changing

Reimbursement pressures are getting worse; high labor cost exacerbates the issue

Health System mergers are shifting from local to regional (e.g. Northwell and Nuvance)

There is a battleground over value-based care enterprises between payers, private equity and health systems to manage risk

Vertical integration for health systems is becoming even more necessary (doctors to manage risk and scale in covered lives)

Competition for health systems is no longer just the other hospitals in the market, it has become large ambulatory care enterprises like Optum and Walgreens

Its not just economies of scale, but economies of capabilities that is becoming even more of a necessity to survive

The Health System Market is Consolidating with the Focus on Scale Accelerating

UCONN HEALTH

Scale will be increasingly necessary for health systems to compete in population health, adequately manage risk, and maintain the ability to compete with payers. While health systems have been increasing in scale, the total revenue of even the largest health systems pales in comparison to the size and scale of many of the payers.

Payers Gaining Scale[1]

	Revenue
United Healthcare / Optum	$372B
CVS / aetna	$358B
Cigna	$195B
Elevance Health	$171B
CENTENE Corporation	$154B
Humana	$106B
KAISER PERMANENTE	$101B
HCSC Health Care Service Corporation	$54B
MOLINA HEALTHCARE	$34B

Health System Scale[1]

	Revenue
KAISER PERMANENTE	$101B
HCA Healthcare	$65B
CommonSpirit	$35B
Ascension	$28B
ADVOCATEHEALTH	$28B
UPMC	$28B
HIGHMARK HEALTH	$26B
Northwell Health	$18B

Large Recent Health System M&A[2]

February 2024
Northwell Health has announced plans to merge with Nuvance Health
Revenue of $18B

December 2023
Jefferson Health (Home of Sidney Kimmel Medical College) has announced plans to acquire Lehigh Valley Health Network
Revenue of $13B

June 2023
Saint Luke's has announced plans to merge with BJC HealthCare
Revenue of $10B

April 2023
KAISER PERMANENTE and Geisinger have partnered to launch
Risant Health
Revenue of $102B

April 2023
University of Michigan Health (Michigan Medicine) has merged with Sparrow
Revenue of $7B

December 2022
AdvocateAuroraHealth and Atrium Health have merged to form ADVOCATEHEALTH
Revenue of $28B

June 2022
Beaumont and Spectrum Health have merged to form Corewell Health
Revenue of $14B

April 2022
SCL Health has merged with Intermountain Healthcare
Revenue of $12B

CAIN BROTHERS
A division of KeyBanc Capital Markets

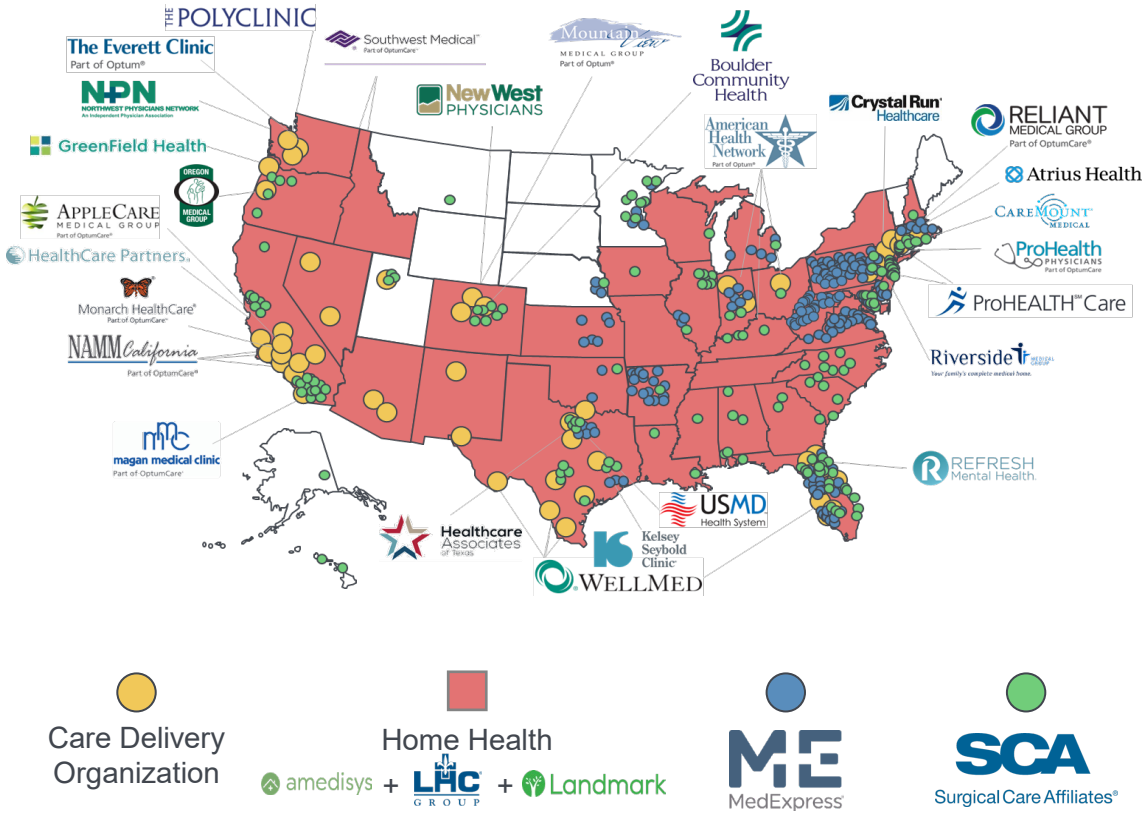
Source: Audited financials, Definitive Healthcare
1. Most recently available revenue figure
2. Revenue available at the time of announcement

United / Optum & Walgreens / VillageMD Have Invested Billions in Care Delivery & Physicians

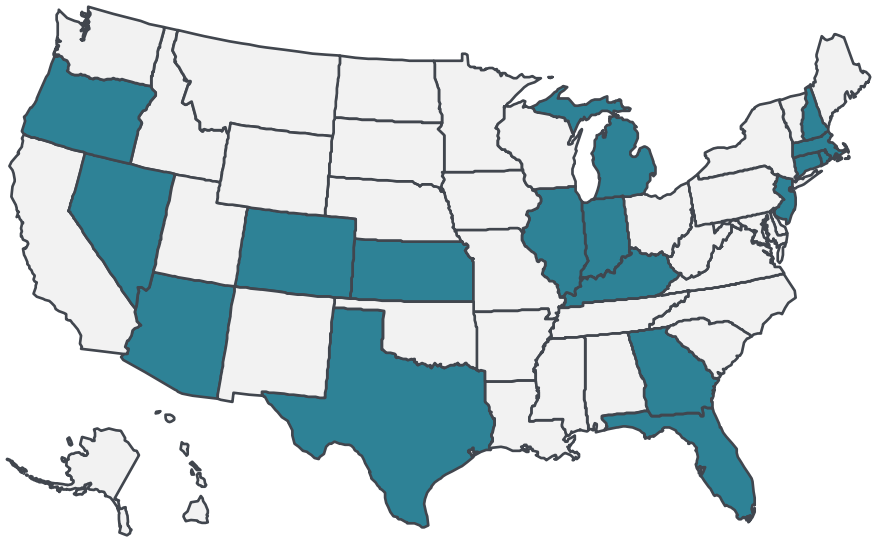
UCONN HEALTH

Non-provider groups are driving up demand for physician groups across the country

United is **largest private health insurance** company, has the **most attributed Medicare Advantage members** and employs the **most physicians** in the U.S.



Walgreens, which is within 5 miles of 75% of the US population, **has invested ~$10B in physicians / care delivery** with VillageMD, Summit Health, and CareCentrix



Source: Websites, Investor Presentations, Press Releases

Why Scale Matters

UCONN HEALTH

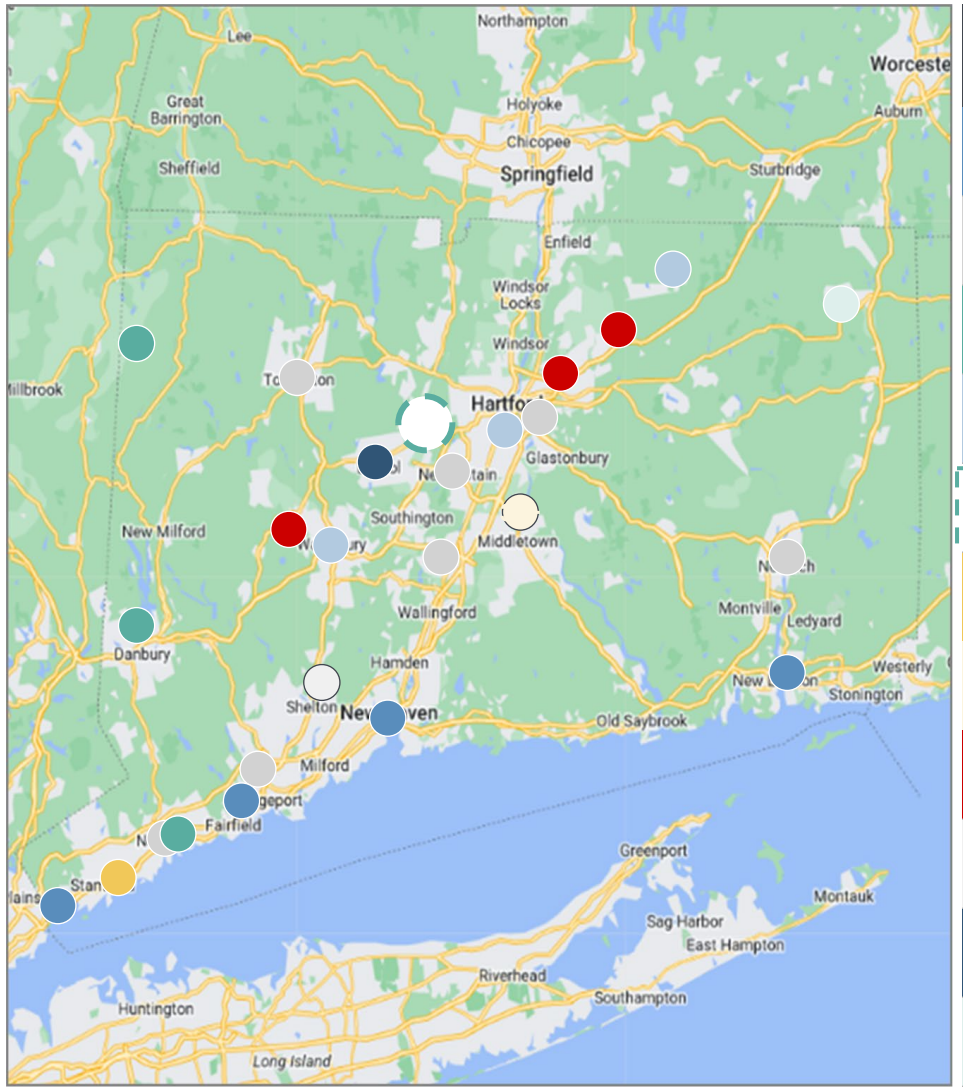
- Health systems are responding to a variety of financial and competitive pressures through mergers
- In a fee-for-service environment, the goal of scale was to leverage combined infrastructure to realize expense synergies
- As the sector moves towards value-based reimbursement models, scale is needed to allow systems to adequately manage risk
- As health system consolidation continues, mergers continue to shift from local to regional, and the **regions are getting bigger**
- The next wave of consolidation will create a small number of well positioned and efficiently operated national and super-regional health systems

- The common thread across all mergers is **scale**, and scale allows health systems to improve access to:
  - Covered lives
  - Physician infrastructure and alignment to manage risk
  - Advanced clinical and operational capabilities
  - Technological innovation, data analytics and research capabilities
  - Capital
  - Actuarial risk soundness to compete in a value-based world
- Systems continue to merge to achieve scale, with a recent example being **Advocate Aurora and Atrium Health**
- The merger of **Advocate Aurora** and **Atrium Health** created one of the largest healthcare delivery systems in the country
  - $28 billion health system, operating 67 hospitals, across six states, with 7,600 employed physicians, serving 5.5 million patients
- Not-for-profit, nonsecular and for-profit health systems alike continue to join forces to gain scale **on a regional and national level**
- Which begs the question….

What are AMCs, like UConn Health, doing to position themselves to compete?

Connecticut Health System Market

Overview of the CT Health Systems / Hospitals with greater than 100 beds; With this defined as the market, UConn Health has ~4.1% of total market share



	System / Hospital Name	Total Operating Revenue	Cash Flow (EBIDA)[1]	Beds	Short-Term Acute Care Hospitals	Unrestricted Cash	Days Cash on Hand	Market Share[2]
1	Yale NHHS	$6,553	$85	2,556	4	$3,699	208	31.6%
2	Hartford HealthCare	5,999	390	2,344	6	2,214	143	28.9%
3	Nuvance[4]	2,649	20	916	3	632	87	12.8%
4	Trinity Health of New England	1,962	24	1,162	3	42	8	9.5%
5	UConn Health Patient Care Enterprise	962	(144)	234	1	26	9	4.6%
6	Stamford Hospital	918	56	330	1	361	151	4.4%
7	Middlesex Hospital	536	22	297	1	209	157	2.6%
8	Prospect[3,5]	524	(46)	794	3	--	--	2.5%
9	Griffin Hospital	294	11	180	1	80	107	1.4%
10	Bristol Health[3]	209	(8)	154	1	13	21	1.0%
11	Day Kimball Hospital	145	(7)	122	1	17[3]	46[3]	0.7%

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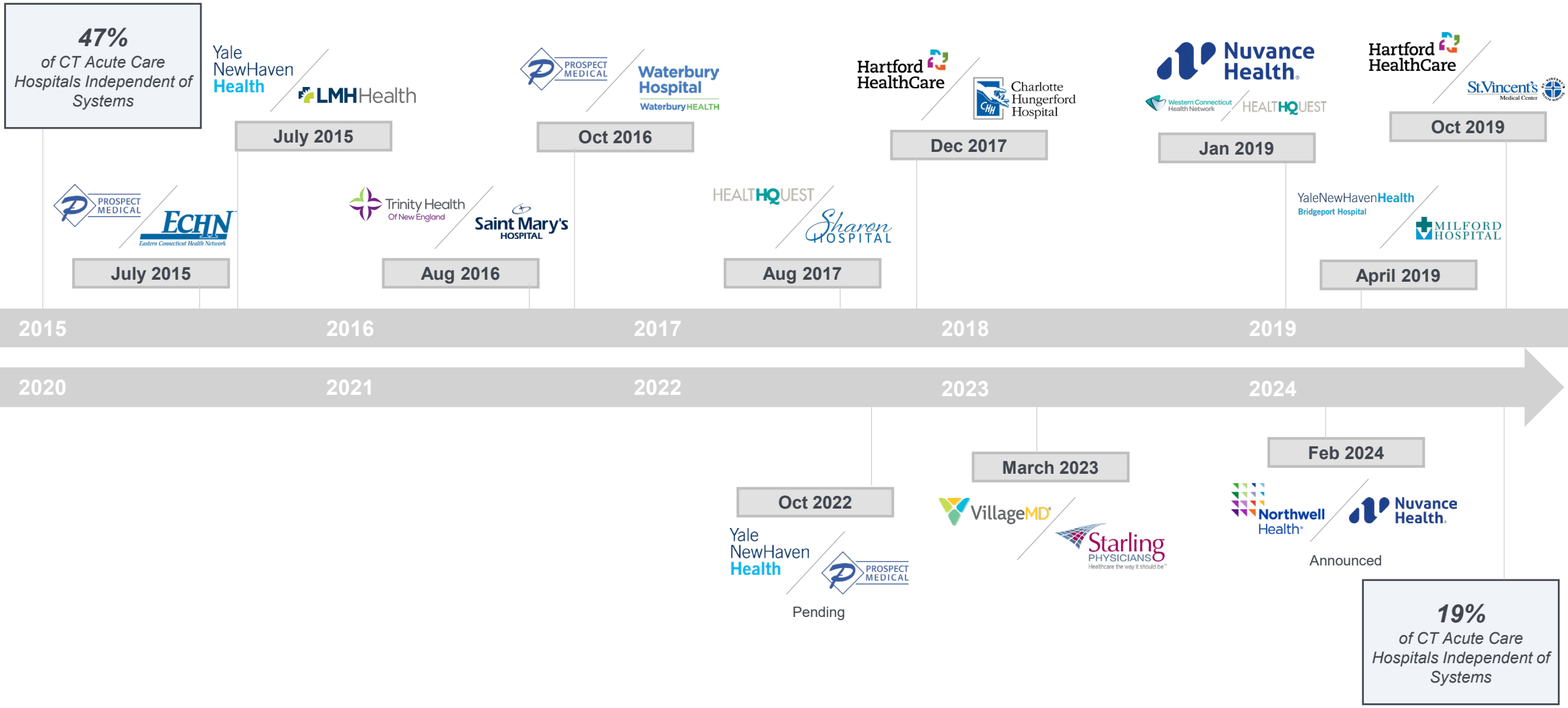
Note: All $ in millions; as of FY2023 unless noted otherwise
Source: Audited financial statements, EMMA filings, Definitive Healthcare
1. EBIDA equals Operating Income plus Depreciation and Amortization Expense; Unadjusted Operating EBIDA Before State Transfers
2. Market is defined as CT hospitals with greater than 100 beds
3. As of FY2022
4. Recently announced a 28-hospital merger deal with Northwell Health. Financials inclusive of Nuvance hospitals outside of CT
5. Only includes CT hospitals

Connecticut Has Experienced Significant Healthcare Provider Consolidation

Over the past ~10 years, CT health systems have acquired a significant number of hospitals, leaving less than 20% of acute care hospitals independent of systems



Source: Industry knowledge, Pitchbook, Definitive Healthcare

U.S. Antitrust Under the Biden-Harris Administration

UCONN HEALTH

There are anti-trust and legal concerns affiliated with large health system consolidation

Current Laws

- Sherman Act targets coordination and monopolies that restrict competition
- Clayton Act focuses on M&A that would impact competition
- FTC Act empowers enforcement against unfair competition
- In addition to the three acts above, states adhere to antitrust statues

Enforcement Agency Considerations

- HSR filings have doubled from 2010 to 2020
- Agencies are short on resources, with a mandate for increased merger enforcement
- FTC revising merger guidelines and model second request process to be more burdensome
- Investigations taking longer, with letters notifying parties that expiration of the HSR waiting period does not mean an end to the investigation

Proposed Enforcement Focus

- The FTC investigating competitive effects of mergers in “adjacent markets:”
  - Geographic
  - Business vertical integration
- Heightened scrutiny of Private Equity funds in healthcare
- Additional FTC focus on non-price impact in markets:
  - Quality of care
  - Vulnerable populations
  - Organized labor

Ultimately antitrust enforcement may present a higher time and dollar impact to proposed M&A

IV. UConn Health's Financial and Operational Analysis

This section provides a financial and operational overview of UConn Health's Patient Care Enterprise and provides detailed trend and comparative analyses across various categories, including patient care quality, revenue, expenses, fringe benefits, payer mix, utilization statistics, operating metrics, and utilization trends

UConn Health has strong patient care quality and experience metrics relative to the industry. They have also been on an impressive growth curve for the last few years, taking market share primarily from private sector entities Bristol and Trinity. However, UConn Health is woefully unprofitable, driven mainly by an unsustainable fringe benefit cost load that is well above the rest of the healthcare market. This lack of profitability requires State support to backstop losses, provide for capital investment, and subsidize the academic mission of UConn Health.

SWOT Analysis from Perspective of UConn Health Management

Strengths, weaknesses, opportunities and threats from the perspective of UConn Health Management

Strengths

- ✓ UConn Health's growth trajectory, now generating ~$1B, with significant academic and research capabilities
- ✓ Considerable economic impact to the State of Connecticut
- ✓ High-performing in measures for patient experience, quality and safety surveys and awards
- ✓ Newly constructed, state-of-the-art facilities
- ✓ Recognized for leading cardiology, cancer and musculoskeletal care
- ✓ Differentiator in the market with distinction as an AMC
- ✓ Leading provider in producing a physician workforce

Weaknesses

- – SEBAC Agreement
- – Subscale relative to leading health systems in the State
- – Rising healthcare fringe benefit rates

Opportunities

- + Continue to reduce the state subsidy
- + Ability to expand brand presence regionally
- + Continue expansion on ambulatory and non-ambulatory via partnerships
- + Become a closer partner with independents in the state

Threats

- × Difficult to separate Patient Care Enterprise from UConn without affecting teaching and research
- × Large, integrated in-state health systems that continue to expand
- × Inflationary cost pressures

Quality Awards

UCONN HEALTH

UConn Health is consistently recognized for outstanding patient experience

	Healthgrades Patient Experience[1]	*Medicare Overall Star Rating*	*Healthgrades Hospital Quality Awards*	*Leapfrog Hospital Safety Grade*		
UCONN HEALTH John Dempsey Hospital	79%	★★★☆☆	Outstanding Patient Experience Award™	A FALL 2022	A SPRING 2023	A FALL 2023
Hartford HealthCare Hartford Hospital	72%	★★★★☆	America's 250 Best Hospitals™	A FALL 2022	A SPRING 2023	A FALL 2023
Yale NewHaven Health Yale New Haven Hospital	69%	★★★☆☆	America's 250 Best Hospitals™	B FALL 2022	C SPRING 2023	C FALL 2023
Trinity Health Of New England Saint Francis Hospital	68%	★★★★☆		C FALL 2022	C SPRING 2023	C FALL 2023
Nuvance Health Norwalk Hospital	65%	★★★☆☆	America's 50 Best Hospitals™	C FALL 2022	C SPRING 2023	B FALL 2023

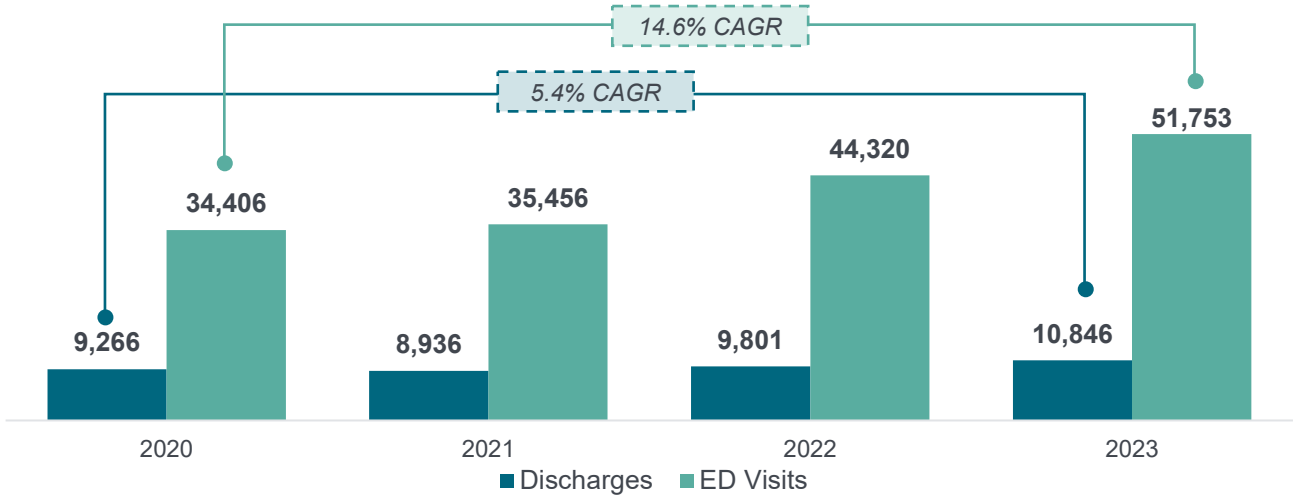
Source: Healthgrades, CMS Care Compare, Leapfrog Ratings

1. Based on patients that would definitely recommend

Sizeable Growth Achieved by UConn Health Relative to its In-State Peers

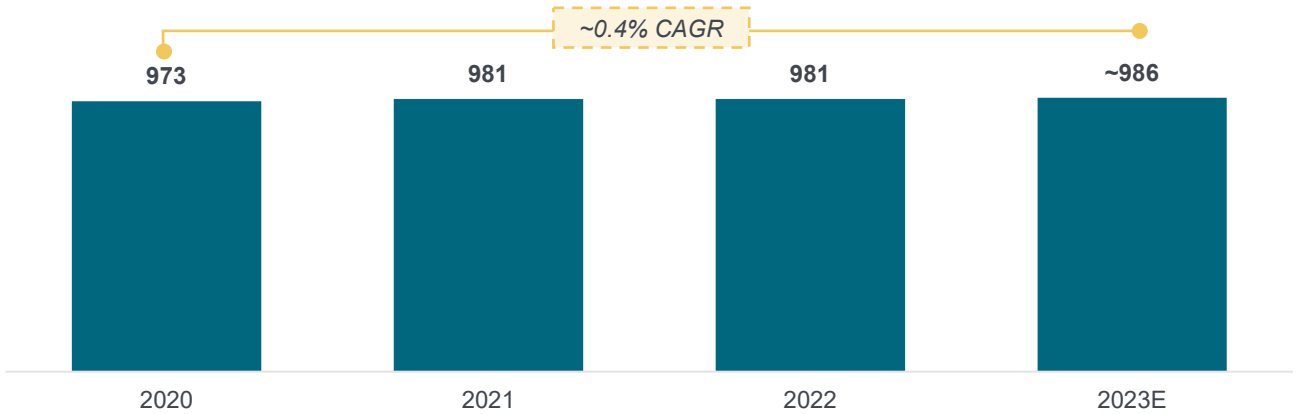
While the Capitol Planning Region population has been relatively stable, UConn Health has captured significant market share from its peers in the region

UConn Health (JDH) Discharges and ED Visits



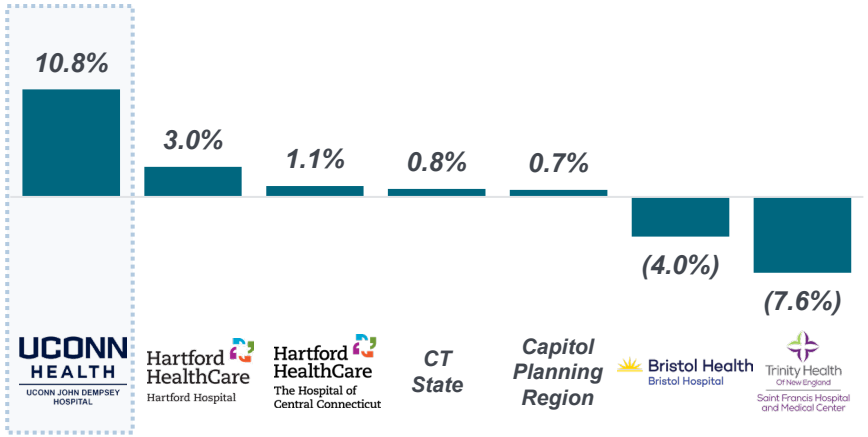
Capitol Planning Region Population[1]

(# in thousands)

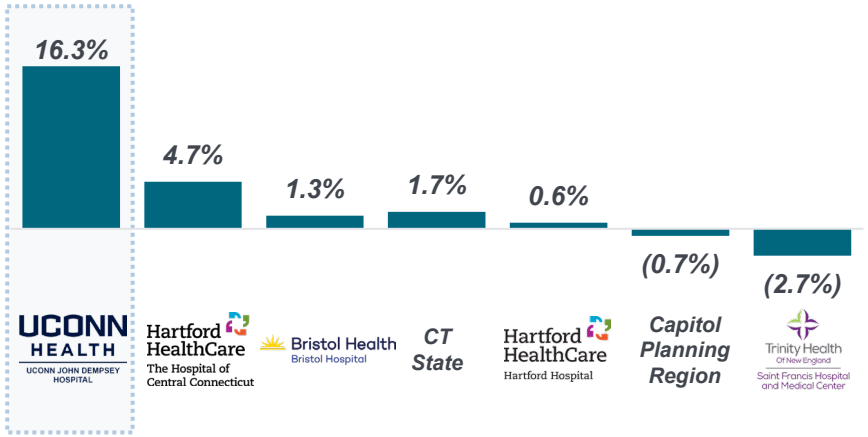


Clinical Growth Benchmarking

Discharges YoY Growth[2]



ED Visits YoY Growth[2]



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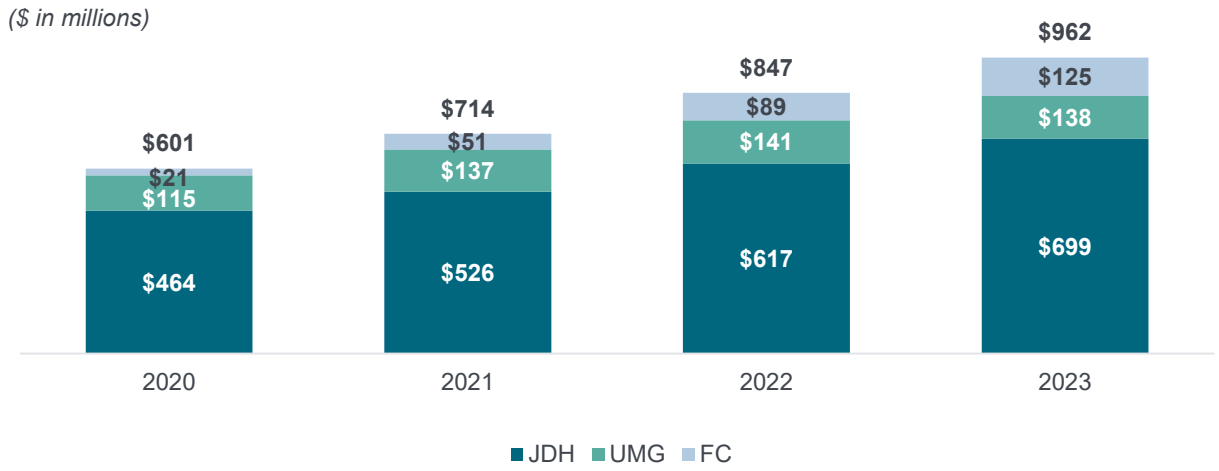
Source: Internal data received from UConn; Patient Census Report, Connecticut Hospital Association (CHA)
Note: The Capitol Planning Region is the county-equivalent for Census Bureau statistical and geospatial data for Connecticut. Although not perfectly aligned with the counties of Connecticut, the Capitol Planning Region is largely inclusive of cities and towns within the Hartford and Tolland counties.

1. US Census for 2020 – 2022 as of July 1st each year; 2023E based on average annual growth rate from 2020 – 2022
2. CHA Fiscal Year (October 2022 – September 2023)

Revenue Analysis

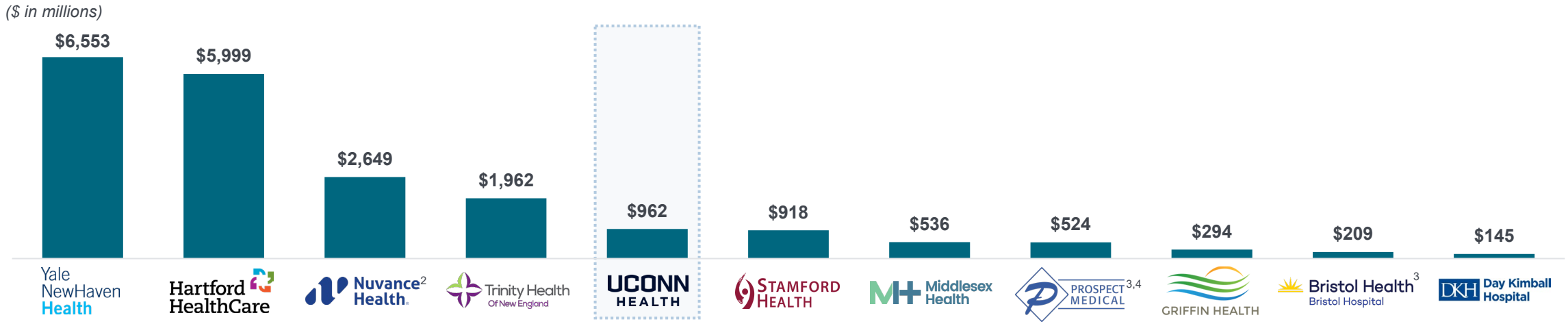
Despite the Patient Care Enterprise's consistent top-line growth, large CT health systems maintain a significant portion of market share

Total Revenue



- Rapid top-line growth expanding at a 17.0% CAGR from 2020 – 2023
  - Primarily driven by JDH growth at a 14.6% CAGR and FC growth at an 80.4% CAGR from 2020 – 2023
  - Supplemented by stable growth of UMG at a 6.2% CAGR from 2020 – 2023

Total Operating Revenue Relative to In-State Peers[1]



Source: UConn Audit Adjusted Financials, Audited Financials, EMMA filings, Definitive Healthcare

1. Includes CT-based health systems with greater than 100 beds; As of FY2023 unless noted otherwise
2. Inclusive of Nuvance hospitals outside of CT
3. As of FY2022
4. Only includes CT hospitals

John Dempsey Hospital Income Statement

UCONN HEALTH

Audited Financials for John Dempsey Hospital

	Income Statement				Common Size			
($ in millions)	**2020A**	**2021A**	**2022A**	**2023A**	**2020A**	**2021A**	**2022A**	**2023A**
Operating Revenues								
Net patient service revenues	$402.6	$456.6	$533.9	$590.3	*86.7%*	*86.8%*	*86.5%*	*84.4%*
Contract and other revenues	61.8	69.4	83.6	108.9	*13.3%*	*13.2%*	*13.5%*	*15.6%*
Total Operating Revenues	**$464.3**	**$526.0**	**$617.4**	**$699.1**	***100.0%***	***100.0%***	***100.0%***	***100.0%***
Revenue Growth Rate		*13.3%*	*17.4%*	*13.2%*				
Operating Expenses								
Salaries & wages	173.9	185.1	202.6	233.9	*37.5%*	*35.2%*	*32.8%*	*33.5%*
Fringe benefits	201.8	243.9	213.0	121.1	*43.5%*	*46.4%*	*34.5%*	*17.3%*
Depreciation & amortization	24.9	30.9	35.0	36.7	*5.4%*	*5.9%*	*5.7%*	*5.2%*
Contractual support	46.4	41.8	46.6	46.0	*10.0%*	*7.9%*	*7.5%*	*6.6%*
Supplies	98.6	118.3	156.7	174.4	*21.2%*	*22.5%*	*25.4%*	*24.9%*
Purchase services	52.3	55.6	52.4	57.5	*11.3%*	*10.6%*	*8.5%*	*8.2%*
Other expenses	34.0	34.1	43.4	62.3	*7.3%*	*6.5%*	*7.0%*	*8.9%*
Total Operating Expenses	**$632.0**	**$709.7**	**$749.8**	**$731.9**	***136.1%***	***134.9%***	***121.4%***	***104.7%***
Operating Income (Loss)	**($167.6)**	**($183.7)**	**($132.3)**	**($32.8)**	***(36.1%)***	***(34.9%)***	***(21.4%)***	***(4.7%)***
Nonoperating Revenues (Expenses)								
COVID-19 relief revenue	15.9	12.5	9.1	0.2	*3.4%*	*2.4%*	*1.5%*	*0.0%*
Interest expense	(0.1)	(4.4)	(4.3)	(5.0)	*(0.0%)*	*(0.8%)*	*(0.7%)*	*(0.7%)*
Other nonoperating expenses	0.6	2.2	2.7	2.5	*0.1%*	*0.4%*	*0.4%*	*0.4%*
Net Nonoperating Revenues (Expenses)	**$16.3**	**$10.3**	**$7.5**	**($2.3)**	***3.5%***	***1.9%***	***1.2%***	***(0.3%)***
Loss before Transfers	**($151.3)**	**($173.4)**	**($124.8)**	**($35.1)**	***(32.6%)***	***(33.0%)***	***(20.2%)***	***(5.0%)***
Cash Flow (EBIDA)[1]	**($142.7)**	**($152.8)**	**($97.3)**	**$3.9**	***(30.7%)***	***(29.0%)***	***(15.8%)***	***0.6%***
Transfers from UConn Health – Unrestricted[2]	75.2	82.0	127.7	86.5	*16.2%*	*15.6%*	*20.7%*	*12.4%*
Transfers to UConn Health	(50.1)	(61.9)	(71.2)	(17.9)	*(10.8%)*	*(11.8%)*	*(11.5%)*	*(2.6%)*
Increase (Decrease) in Net Position	**($126.2)**	**($153.3)**	**($68.3)**	**$33.5**	***(27.2%)***	***(29.1%)***	***(11.1%)***	***4.8%***
Capital Expenditures	**($4.8)**	**($5.1)**	**($56.9)**	**($14.2)**	***(1.0%)***	***(1.0%)***	***(9.2%)***	***(2.0%)***

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Note: Fiscal year ended June 30
Source: Audited financial statements
1. Cash Flow (EBIDA) = Operating Income (Loss) + Depreciation and amortization; Unadjusted Operating EBIDA Before State Transfers
2. Includes transfers from the state made on behalf of UConn Health

UConn Medical Group Income Statement

UCONN HEALTH

Audited Financials for UConn Medical Group

	Income Statement				Common Size			
($ in millions)	**2020A**	**2021A**	**2022A**	**2023A**	**2020A**	**2021A**	**2022A**	**2023A**
Operating Revenues								
Net patient service revenues	$102.7	$124.9	$123.8	$129.6	*89.1%*	*91.2%*	*87.9%*	*93.7%*
Contract and other revenues	12.6	12.1	17.0	8.7	*10.9%*	*8.8%*	*12.1%*	*6.3%*
Total Operating Revenues	**$115.2**	**$137.0**	**$140.8**	**$138.2**	***100.0%***	***100.0%***	***100.0%***	***100.0%***
Revenue Growth Rate		*18.9%*	*2.7%*	*(1.8%)*				
Operating Expenses								
Salaries & wages	112.9	121.0	130.9	135.7	*98.0%*	*88.3%*	*93.0%*	*98.2%*
Fringe benefits	104.4	129.1	113.1	63.2	*90.5%*	*94.3%*	*80.4%*	*45.7%*
Depreciation & amortization	2.9	9.6	11.2	11.7	*2.5%*	*7.0%*	*7.9%*	*8.4%*
Contractual support	17.4	9.8	4.7	3.1	*15.1%*	*7.2%*	*3.3%*	*2.2%*
Supplies	8.6	8.5	8.7	9.8	*7.4%*	*6.2%*	*6.2%*	*7.1%*
Purchase services	17.0	11.9	12.3	14.6	*14.7%*	*8.7%*	*8.7%*	*10.6%*
Other expenses	7.3	9.7	9.5	9.3	*6.4%*	*7.1%*	*6.8%*	*6.8%*
Total Operating Expenses	**$270.5**	**$299.7**	**$290.4**	**$247.4**	***234.7%***	***218.7%***	***206.3%***	***179.0%***
Operating Income (Loss)	**($155.2)**	**($162.7)**	**($149.6)**	**($109.2)**	***(134.7%)***	***(118.7%)***	***(106.3%)***	***(79.0%)***
Nonoperating Revenues (Expenses)								
COVID-19 relief revenue	2.4	2.0	5.9	–	*2.1%*	*1.5%*	*4.2%*	*0.0%*
Interest expense	(0.0)	(4.8)	(4.5)	(4.7)	*(0.0%)*	*(3.5%)*	*(3.2%)*	*(3.4%)*
Other nonoperating expenses	(0.1)	0.1	0.1	0.1	*(0.1%)*	*0.0%*	*0.0%*	*0.0%*
Net Nonoperating Revenues (Expenses)	**$2.3**	**($2.7)**	**$1.5**	**($4.6)**	***2.0%***	***(2.0%)***	***1.0%***	***(3.4%)***
Loss before Transfers	**($152.9)**	**($165.4)**	**($148.1)**	**($113.8)**	***(132.7%)***	***(120.7%)***	***(105.2%)***	***(82.3%)***
Cash Flow (EBIDA)[1]	**($152.3)**	**($153.1)**	**($138.4)**	**($97.5)**	***(132.2%)***	***(111.7%)***	***(98.3%)***	***(70.5%)***
Net Transfers from UConn Health - Unrestricted (UMG)[2]	107.9	101.0	103.7	143.4	*93.6%*	*73.7%*	*73.7%*	*103.7%*
Increase (Decrease) in Net Position	**($45.0)**	**($64.4)**	**($44.4)**	**$29.6**	***(39.0%)***	***(47.0%)***	***(31.5%)***	***21.4%***
Capital Expenditures	**($0.8)**	**($0.5)**	**($7.3)**	**($5.5)**	***(0.7%)***	***(0.4%)***	***(5.2%)***	***(4.0%)***

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Note: Fiscal year ended June 30
Source: Audited financial statements
1. Cash Flow (EBIDA) = Operating Income (Loss) + Depreciation and amortization; Unadjusted Operating EBIDA Before State Transfers
2. Includes transfers from the state made on behalf of UConn Health

Finance Corporation Income Statement

UCONN HEALTH

Audited Financials for the Finance Corporation

	Income Statement				Common Size			
($ in millions)	**2020A**	**2021A**	**2022A**	**2023A**	**2020A**	**2021A**	**2022A**	**2023A**
Operating Revenues								
Net patient service revenues[1]	–	$37.4	$75.4	$111.3	*0.0%*	*73.1%*	*84.7%*	*89.4%*
Contract and other revenues	21.2	13.8	13.6	13.2	*100.0%*	*26.9%*	*15.3%*	*10.6%*
Total Operating Revenues	**$21.2**	**$51.2**	**$89.0**	**$124.6**	***100.0%***	***100.0%***	***100.0%***	***100.0%***
Revenue Growth Rate		*141.2%*	*73.9%*	*40.0%*				
Operating Expenses								
Depreciation & amortization	0.8	0.8	0.9	0.9	*3.6%*	*1.6%*	*1.0%*	*0.7%*
Contractual support	1.5	0.8	1.1	2.0	*7.1%*	*1.5%*	*1.2%*	*1.6%*
Supplies	6.4	33.9	69.9	104.1	*30.4%*	*66.2%*	*78.5%*	*83.6%*
Other expenses	1.1	3.8	5.9	8.4	*5.0%*	*7.4%*	*6.7%*	*6.7%*
Total Operating Expenses	**$9.8**	**$39.3**	**$77.8**	**$115.4**	***46.1%***	***76.7%***	***87.4%***	***92.7%***
Operating Income (Loss)	**$11.4**	**$11.9**	**$11.2**	**$9.1**	***53.9%***	***23.3%***	***12.6%***	***7.3%***
Nonoperating Revenues (Expenses)								
Interest expense[2]	(9.2)	(8.9)	(8.5)	(8.1)	*(43.5%)*	*(17.3%)*	*(9.6%)*	*(6.5%)*
Other nonoperating expenses	(0.0)	1.0	(0.0)	(0.0)	*(0.1%)*	*1.9%*	*(0.0%)*	*(0.0%)*
Net Nonoperating Revenues (Expenses)	**($9.2)**	**($7.9)**	**($8.5)**	**($8.1)**	***(43.5%)***	***(15.4%)***	***(9.6%)***	***(6.5%)***
Loss before Transfers	**$2.2**	**$4.0**	**$2.7**	**$1.0**	***10.4%***	***7.9%***	***3.0%***	***0.8%***
Cash Flow (EBIDA)[3]	**$12.2**	**$12.7**	**$12.1**	**$10.0**	***57.5%***	***24.9%***	***13.6%***	***8.0%***
Net Transfers from UConn Health - Unrestricted (FC)[4]	–	–	–	10.4	*0.0%*	*0.0%*	*0.0%*	*8.3%*
Increase (Decrease) in Net Position	**$2.2**	**$4.0**	**$2.7**	**$11.4**	***10.4%***	***7.9%***	***3.0%***	***9.1%***
Capital Expenditures	**–**	**($6.6)**	**($25.6)**	**–**	***0.0%***	***(12.9%)***	***(28.8%)***	***0.0%***

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Note: Fiscal year ended June 30
Source: Audited financial statements

1. Net patient service revenues include pharmacy revenue
2. Interest expense is presented as operating in the audit but included as nonoperating for Phase I Report purposes
3. Cash Flow (EBIDA) = Operating Income (Loss) + Depreciation and amortization; Unadjusted Operating EBIDA Before State Transfers
4. Includes transfers from the state made on behalf of UConn Health

UConn Health Patient Care Enterprise Income Statement

UCONN HEALTH

Audited Financials for the combined Patient Care Enterprise

	Income Statement				Common Size			
($ in millions)	2020A	2021A	2022A	2023A	2020A	2021A	2022A	2023A
Operating Revenues								
Net patient service revenues	$505.3	$618.9	$733.0	$831.1	*84.1%*	*86.7%*	*86.5%*	*86.5%*
Contract and other revenues	95.5	95.3	114.1	130.7	*15.9%*	*13.3%*	*13.5%*	*13.5%*
Total Operating Revenues	**$600.8**	**$714.2**	**$847.2**	**$961.9**	***100.0%***	***100.0%***	***100.0%***	***100.0%***
Revenue Growth Rate		*18.9%*	*18.6%*	*13.5%*				
Operating Expenses								
Salaries & wages	286.8	306.1	333.5	369.6	*47.7%*	*42.9%*	*39.4%*	*38.4%*
Fringe benefits	306.2	373.0	326.1	184.3	*51.0%*	*52.2%*	*38.5%*	*19.2%*
Depreciation & amortization	28.6	41.4	47.1	49.2	*4.8%*	*5.8%*	*5.6%*	*5.1%*
Contractual support	65.4	52.3	52.4	51.1	*10.9%*	*7.3%*	*6.2%*	*5.3%*
Supplies	113.6	160.7	235.3	288.3	*18.9%*	*22.5%*	*27.8%*	*30.0%*
Purchase services	69.3	67.5	64.7	72.1	*11.5%*	*9.5%*	*7.6%*	*7.5%*
Other expenses	42.4	47.6	58.9	80.0	*7.1%*	*6.7%*	*7.0%*	*8.3%*
Total Operating Expenses	**$912.2**	**$1,048.6**	**$1,117.9**	**$1,094.7**	***151.8%***	***146.8%***	***132.0%***	***113.8%***
Operating Income (Loss)	**($311.4)**	**($334.5)**	**($270.8)**	**($132.8)**	***(51.8%)***	***(46.8%)***	***(32.0%)***	***(13.8%)***
Nonoperating Revenues (Expenses)								
COVID-19 relief revenue	18.3	14.5	15.1	0.2	*3.0%*	*2.0%*	*1.8%*	*0.0%*
Interest expense	(9.3)	(18.1)	(17.3)	(17.8)	*(1.6%)*	*(2.5%)*	*(2.0%)*	*(1.8%)*
Other nonoperating expenses	0.5	3.3	2.7	2.5	*0.1%*	*0.5%*	*0.3%*	*0.3%*
Net Nonoperating Revenues (Expenses)	**$9.4**	**($0.4)**	**$0.5**	**($15.1)**	***1.6%***	***(0.1%)***	***0.1%***	***(1.6%)***
Loss before Transfers	**($302.0)**	**($334.8)**	**($270.3)**	**($147.9)**	***(50.3%)***	***(46.9%)***	***(31.9%)***	***(15.4%)***
Cash Flow (EBIDA)[1]	**($282.8)**	**($293.1)**	**($223.7)**	**($83.6)**	***(47.1%)***	***(41.0%)***	***(26.4%)***	***(8.7%)***
Transfers from UConn Health - Unrestricted (JDH)[2]	75.2	82.0	127.7	86.5	*12.5%*	*11.5%*	*15.1%*	*9.0%*
Transfers to UConn Health (JDH)	(50.1)	(61.9)	(71.2)	(17.9)	*(8.3%)*	*(8.7%)*	*(8.4%)*	*(1.9%)*
Net Transfers from UConn Health - Unrestricted (UMG)[2]	107.9	101.0	103.7	143.4	*18.0%*	*14.1%*	*12.2%*	*14.9%*
Net Transfers from UConn Health - Unrestricted (FC)[2]	–	–	–	10.4	*0.0%*	*0.0%*	*0.0%*	*1.1%*
Increase (Decrease) in Net Position	**($169.0)**	**($213.7)**	**($110.0)**	**$74.5**	***(28.1%)***	***(29.9%)***	***(13.0%)***	***7.7%***
Capital Expenditures	**($5.6)**	**($12.2)**	**($89.9)**	**($19.7)**	***(0.9%)***	***(1.7%)***	***(10.6%)***	***(2.0%)***

CAIN BROTHERS
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Note: Fiscal year ended June 30
Source: Audited financial statements
1. Cash Flow (EBIDA) = Operating Income (Loss) + Depreciation and amortization; Unadjusted Operating EBIDA Before State Transfers
2. Includes transfers from the state made on behalf of UConn Health

Audited vs. Audit Adjusted Financials

UCONN HEALTH

Below is a summary of the adjustments made to the audited financials, and the next three slides are a restatement of the audited financials reflecting this adjustment

- **The audited financials reflect pension accounting adjustments for retirement liabilities**
  - The expenses incurred for the State Employees' Retirement System (SERS), Teachers' Retirement System (TRS) and Other Postemployment Benefits (OPEB) Retirement Manual contributions are recorded and disclosed in accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*[1]
  - These are actuarial adjustments and do not reflect actual expenses incurred for fringe benefits in that year
- **The "audit adjusted" financials reflect a more accurate view of profitability by capturing the cash basis of the accounts. The financials analyzed in this report are the audit adjusted numbers unless specifically noted otherwise.**

Audited Fringe Benefits Expense vs. Audit Adjusted Fringe Benefits Expense *($ in millions)*

	FY 2020A	FY 2021A	FY 2022A	FY 2023A
JDH				
Fringe Benefits per Audit	**$201.8**	**$243.9**	**$213.0**	**$121.1**
Less: 65021 - Retirement Manual - SERS	(40.1)	(48.3)	(22.6)	45.8
Less: 65022 - Retirement Manual - TRS	(0.3)	(0.5)	(0.1)	(0.1)
Less: 65024 - Retirement Manual - OPEB	(43.5)	(61.2)	(40.7)	0.7
Fringe Benefits per Audit Adjusted Financials	**$117.9**	**$134.0**	**$149.6**	**$167.6**
UMG				
Fringe Benefits per Audit	**$104.4**	**$129.1**	**$113.1**	**$63.2**
Less: 65021 - Retirement Manual - SERS	(18.9)	(23.5)	(11.5)	18.4
Less: 65022 - Retirement Manual - TRS	0.0	(0.3)	(0.1)	(0.3)
Less: 65024 - Retirement Manual - OPEB	(24.0)	(35.7)	(24.9)	(4.4)
Fringe Benefits per Audit Adjusted Financials	**$61.5**	**$69.6**	**$76.7**	**$76.9**
Clinical Enterprise				
Fringe Benefits per Audit	**$306.2**	**$373.0**	**$326.1**	**$184.3**
Less: 65021 - Retirement Manual - SERS	(59.0)	(71.8)	(34.1)	64.2
Less: 65022 - Retirement Manual - TRS	(0.3)	(0.8)	(0.1)	(0.4)
Less: 65024 - Retirement Manual - OPEB	(67.5)	(96.9)	(65.6)	(3.7)
Fringe Benefits per Audit Adjusted Financials	**$179.4**	**$203.5**	**$226.3**	**$244.4**

CAIN BROTHERS
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Note: Fiscal year ended June 30
Source: Audited financial statements
1. GASB 68 requires UConn Health to recognize a net pension liability for the difference between the present value of the projected benefits for past service known as the Total Pension Liability (TPL) and the restricted resources held in trust for the payment of pension benefits, known as the Fiduciary Net Position (FNP).

John Dempsey Hospital Income Statement

UCONN HEALTH

Audit Adjusted Financials for John Dempsey Hospital

	Income Statement				Common Size			
($ in millions)	**2020A**	**2021A**	**2022A**	**2023A**	**2020A**	**2021A**	**2022A**	**2023A**
Operating Revenues								
Net patient service revenues	$402.6	$456.6	$533.9	$590.3	*86.7%*	*86.8%*	*86.5%*	*84.4%*
Contract and other revenues	61.8	69.4	83.6	108.9	*13.3%*	*13.2%*	*13.5%*	*15.6%*
Total Operating Revenues	**$464.3**	**$526.0**	**$617.4**	**$699.1**	***100.0%***	***100.0%***	***100.0%***	***100.0%***
Revenue Growth Rate		*13.3%*	*17.4%*	*13.2%*				
Operating Expenses								
Salaries & wages	173.9	185.1	202.6	233.9	*37.5%*	*35.2%*	*32.8%*	*33.5%*
Fringe benefits	117.9	134.0	149.6	167.6	*25.4%*	*25.5%*	*24.2%*	*24.0%*
Depreciation & amortization	24.9	30.9	35.0	36.7	*5.4%*	*5.9%*	*5.7%*	*5.2%*
Contractual support	46.4	41.8	46.6	46.0	*10.0%*	*7.9%*	*7.5%*	*6.6%*
Supplies	98.6	118.3	156.7	174.4	*21.2%*	*22.5%*	*25.4%*	*24.9%*
Purchase services	52.3	55.6	52.4	57.5	*11.3%*	*10.6%*	*8.5%*	*8.2%*
Other expenses	34.0	34.1	43.4	62.3	*7.3%*	*6.5%*	*7.0%*	*8.9%*
Total Operating Expenses	**$548.0**	**$599.8**	**$686.4**	**$778.4**	***118.0%***	***114.0%***	***111.2%***	***111.3%***
Operating Income (Loss)	**($83.7)**	**($73.8)**	**($68.9)**	**($79.3)**	***(18.0%)***	***(14.0%)***	***(11.2%)***	***(11.3%)***
Nonoperating Revenues (Expenses)								
COVID-19 relief revenue	15.9	12.5	9.1	0.2	*3.4%*	*2.4%*	*1.5%*	*0.0%*
Interest expense	(0.1)	(4.4)	(4.3)	(5.0)	*(0.0%)*	*(0.8%)*	*(0.7%)*	*(0.7%)*
Other nonoperating expenses	0.6	2.2	2.7	2.5	*0.1%*	*0.4%*	*0.4%*	*0.4%*
Net Nonoperating Revenues (Expenses)	**$16.3**	**$10.3**	**$7.5**	**($2.3)**	***3.5%***	***1.9%***	***1.2%***	***(0.3%)***
Loss before Transfers	**($67.4)**	**($63.5)**	**($61.4)**	**($81.6)**	***(14.5%)***	***(12.1%)***	***(9.9%)***	***(11.7%)***
Cash Flow (EBIDA)[1]	**($58.7)**	**($42.8)**	**($33.9)**	**($42.6)**	***(12.7%)***	***(8.1%)***	***(5.5%)***	***(6.1%)***
Transfers from UConn Health – Unrestricted[2]	75.2	82.0	127.7	86.5	*16.2%*	*15.6%*	*20.7%*	*12.4%*
Transfers to UConn Health	(50.1)	(61.9)	(71.2)	(17.9)	*(10.8%)*	*(11.8%)*	*(11.5%)*	*(2.6%)*
Increase (Decrease) in Net Position	**($42.3)**	**($43.4)**	**($4.9)**	**($13.0)**	***(9.1%)***	***(8.2%)***	***(0.8%)***	***(1.9%)***
Capital Expenditures	**($4.8)**	**($5.1)**	**($56.9)**	**($14.2)**	***(1.0%)***	***(1.0%)***	***(9.2%)***	***(2.0%)***

CAIN BROTHERS
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Note: Fiscal year ended June 30
Source: Audit adjusted financial statements
1. Cash Flow (EBIDA) = Operating Income (Loss) + Depreciation and amortization; Unadjusted Operating EBIDA Before State Transfers
2. Includes transfers from the state made on behalf of UConn Health

UConn Medical Group Income Statement

UCONN HEALTH

Audit Adjusted Financials for UConn Medical Group

	Income Statement				Common Size			
($ in millions)	**2020A**	**2021A**	**2022A**	**2023A**	**2020A**	**2021A**	**2022A**	**2023A**
Operating Revenues								
Net patient service revenues	$102.7	$124.9	$123.8	$129.6	*89.1%*	*91.2%*	*87.9%*	*93.7%*
Contract and other revenues	12.6	12.1	17.0	8.7	*10.9%*	*8.8%*	*12.1%*	*6.3%*
Total Operating Revenues	**$115.2**	**$137.0**	**$140.8**	**$138.2**	***100.0%***	***100.0%***	***100.0%***	***100.0%***
Revenue Growth Rate		*18.9%*	*2.7%*	*(1.8%)*				
Operating Expenses								
Salaries & wages	112.9	121.0	130.9	135.7	*98.0%*	*88.3%*	*93.0%*	*98.2%*
Fringe benefits	61.5	69.6	76.7	76.9	*53.4%*	*50.8%*	*54.5%*	*55.6%*
Depreciation & amortization	2.9	9.6	11.2	11.7	*2.5%*	*7.0%*	*7.9%*	*8.4%*
Contractual support	17.4	9.8	4.7	3.1	*15.1%*	*7.2%*	*3.3%*	*2.2%*
Supplies	8.6	8.5	8.7	9.8	*7.4%*	*6.2%*	*6.2%*	*7.1%*
Purchase services	17.0	11.9	12.3	14.6	*14.7%*	*8.7%*	*8.7%*	*10.6%*
Other expenses	7.3	9.7	9.5	9.3	*6.4%*	*7.1%*	*6.8%*	*6.8%*
Total Operating Expenses	**$227.7**	**$240.1**	**$253.9**	**$261.0**	***197.6%***	***175.3%***	***180.4%***	***188.8%***
Operating Income (Loss)	**($112.4)**	**($103.1)**	**($113.2)**	**($122.8)**	***(97.6%)***	***(75.3%)***	***(80.4%)***	***(88.8%)***
Nonoperating Revenues (Expenses)								
COVID-19 relief revenue	2.4	2.0	5.9	–	*2.1%*	*1.5%*	*4.2%*	*0.0%*
Interest expense	(0.0)	(4.8)	(4.5)	(4.7)	*(0.0%)*	*(3.5%)*	*(3.2%)*	*(3.4%)*
Other nonoperating expenses	(0.1)	0.1	0.1	0.1	*(0.1%)*	*0.0%*	*0.0%*	*0.0%*
Net Nonoperating Revenues (Expenses)	**$2.3**	**($2.7)**	**$1.5**	**($4.6)**	***2.0%***	***(2.0%)***	***1.0%***	***(3.4%)***
Loss before Transfers	**($110.1)**	**($105.8)**	**($111.7)**	**($127.4)**	***(95.5%)***	***(77.3%)***	***(79.3%)***	***(92.2%)***
Cash Flow (EBIDA)[1]	**($109.5)**	**($93.5)**	**($102.0)**	**($111.1)**	***(95.0%)***	***(68.3%)***	***(72.4%)***	***(80.4%)***
Net Transfers from UConn Health - Unrestricted (UMG)[2]	107.9	101.0	103.7	143.4	*93.6%*	*73.7%*	*73.7%*	*103.7%*
Increase (Decrease) in Net Position	**($2.2)**	**($4.8)**	**($7.9)**	**$15.9**	***(1.9%)***	***(3.5%)***	***(5.6%)***	***11.5%***
Capital Expenditures	**($0.8)**	**($0.5)**	**($7.3)**	**($5.5)**	***(0.7%)***	***(0.4%)***	***(5.2%)***	***(4.0%)***

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Note: Fiscal year ended June 30
Source: Audit adjusted financial statements
1. Cash Flow (EBIDA) = Operating Income (Loss) + Depreciation and amortization; Unadjusted Operating EBIDA Before State Transfers
2. Includes transfers from the state made on behalf of UConn Health

Finance Corporation Income Statement

UCONN HEALTH

Audited Financials (no adjustments) for the Finance Corporation

	Income Statement				Common Size			
($ in millions)	**2020A**	**2021A**	**2022A**	**2023A**	**2020A**	**2021A**	**2022A**	**2023A**
Operating Revenues								
Net patient service revenues[1]	–	$37.4	$75.4	$111.3	*0.0%*	*73.1%*	*84.7%*	*89.4%*
Contract and other revenues	21.2	13.8	13.6	13.2	*100.0%*	*26.9%*	*15.3%*	*10.6%*
Total Operating Revenues	**$21.2**	**$51.2**	**$89.0**	**$124.6**	***100.0%***	***100.0%***	***100.0%***	***100.0%***
Revenue Growth Rate		*141.2%*	*73.9%*	*40.0%*				
Operating Expenses								
Depreciation & amortization	0.8	0.8	0.9	0.9	*3.6%*	*1.6%*	*1.0%*	*0.7%*
Contractual support	1.5	0.8	1.1	2.0	*7.1%*	*1.5%*	*1.2%*	*1.6%*
Supplies	6.4	33.9	69.9	104.1	*30.4%*	*66.2%*	*78.5%*	*83.6%*
Other expenses	1.1	3.8	5.9	8.4	*5.0%*	*7.4%*	*6.7%*	*6.7%*
Total Operating Expenses	**$9.8**	**$39.3**	**$77.8**	**$115.4**	***46.1%***	***76.7%***	***87.4%***	***92.7%***
Operating Income (Loss)	**$11.4**	**$11.9**	**$11.2**	**$9.1**	***53.9%***	***23.3%***	***12.6%***	***7.3%***
Nonoperating Revenues (Expenses)								
Interest expense[2]	(9.2)	(8.9)	(8.5)	(8.1)	*(43.5%)*	*(17.3%)*	*(9.6%)*	*(6.5%)*
Other nonoperating expenses	(0.0)	1.0	(0.0)	(0.0)	*(0.1%)*	*1.9%*	*(0.0%)*	*(0.0%)*
Net Nonoperating Revenues (Expenses)	**($9.2)**	**($7.9)**	**($8.5)**	**($8.1)**	***(43.5%)***	***(15.4%)***	***(9.6%)***	***(6.5%)***
Loss before Transfers	**$2.2**	**$4.0**	**$2.7**	**$1.0**	***10.4%***	***7.9%***	***3.0%***	***0.8%***
Cash Flow (EBIDA)[3]	**$12.2**	**$12.7**	**$12.1**	**$10.0**	***57.5%***	***24.9%***	***13.6%***	***8.0%***
Net Transfers from UConn Health - Unrestricted (FC)[4]	–	–	–	10.4	*0.0%*	*0.0%*	*0.0%*	*8.3%*
Increase (Decrease) in Net Position	**$2.2**	**$4.0**	**$2.7**	**$11.4**	***10.4%***	***7.9%***	***3.0%***	***9.1%***
Capital Expenditures	**–**	**($6.6)**	**($25.6)**	**–**	***0.0%***	***(12.9%)***	***(28.8%)***	***0.0%***

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Note: Fiscal year ended June 30
Source: Audited financial statements

1. Net patient service revenues include pharmacy revenue
2. Interest expense is presented as operating in the audit but included as nonoperating for Phase I Report purposes
3. Cash Flow (EBIDA) = Operating Income (Loss) + Depreciation and amortization; Unadjusted Operating EBIDA Before State Transfers
4. Includes transfers from the state made on behalf of UConn Health

UConn Health Patient Care Enterprise Income Statement

UCONN HEALTH

Audit Adjusted Financials for the combined Patient Care Enterprise

	Income Statement				Common Size			
($ in millions)	**2020A**	**2021A**	**2022A**	**2023A**	**2020A**	**2021A**	**2022A**	**2023A**
Operating Revenues								
Net patient service revenues	$505.3	$618.9	$733.0	$831.1	*84.1%*	*86.7%*	*86.5%*	*86.5%*
Contract and other revenues	95.5	95.3	114.1	130.7	*15.9%*	*13.3%*	*13.5%*	*13.5%*
Total Operating Revenues	**$600.8**	**$714.2**	**$847.2**	**$961.9**	***100.0%***	***100.0%***	***100.0%***	***100.0%***
Revenue Growth Rate		*18.9%*	*18.6%*	*13.5%*				
Operating Expenses								
Salaries & wages	286.8	306.1	333.5	369.6	*47.7%*	*42.9%*	*39.4%*	*38.4%*
Fringe benefits	179.4	203.5	226.3	244.4	*29.9%*	*28.5%*	*26.7%*	*25.4%*
Depreciation & amortization	28.6	41.4	47.1	49.2	*4.8%*	*5.8%*	*5.6%*	*5.1%*
Contractual support	65.4	52.3	52.4	51.1	*10.9%*	*7.3%*	*6.2%*	*5.3%*
Supplies	113.6	160.7	235.3	288.3	*18.9%*	*22.5%*	*27.8%*	*30.0%*
Purchase services	69.3	67.5	64.7	72.1	*11.5%*	*9.5%*	*7.6%*	*7.5%*
Other expenses	42.4	47.6	58.9	80.0	*7.1%*	*6.7%*	*7.0%*	*8.3%*
Total Operating Expenses	**$785.5**	**$879.1**	**$1,018.1**	**$1,154.8**	***130.7%***	***123.1%***	***120.2%***	***120.1%***
Operating Income (Loss)	**($184.7)**	**($165.0)**	**($170.9)**	**($192.9)**	***(30.7%)***	***(23.1%)***	***(20.2%)***	***(20.1%)***
Nonoperating Revenues (Expenses)								
COVID-19 relief revenue	18.3	14.5	15.1	0.2	*3.0%*	*2.0%*	*1.8%*	*0.0%*
Interest expense	(9.3)	(18.1)	(17.3)	(17.8)	*(1.6%)*	*(2.5%)*	*(2.0%)*	*(1.8%)*
Other nonoperating expenses	0.5	3.3	2.7	2.5	*0.1%*	*0.5%*	*0.3%*	*0.3%*
Net Nonoperating Revenues (Expenses)	**$9.4**	**($0.4)**	**$0.5**	**($15.1)**	***1.6%***	***(0.1%)***	***0.1%***	***(1.6%)***
Loss before Transfers	**($175.3)**	**($165.3)**	**($170.4)**	**($208.0)**	***(29.2%)***	***(23.1%)***	***(20.1%)***	***(21.6%)***
Cash Flow (EBIDA)[1]	**($156.1)**	**($123.6)**	**($123.8)**	**($143.8)**	***(26.0%)***	***(17.3%)***	***(14.6%)***	***(14.9%)***
Transfers from UConn Health - Unrestricted (JDH)[2]	75.2	82.0	127.7	86.5	*12.5%*	*11.5%*	*15.1%*	*9.0%*
Transfers to UConn Health (JDH)	(50.1)	(61.9)	(71.2)	(17.9)	*(8.3%)*	*(8.7%)*	*(8.4%)*	*(1.9%)*
Net Transfers from UConn Health - Unrestricted (UMG)[2]	107.9	101.0	103.7	143.4	*18.0%*	*14.1%*	*12.2%*	*14.9%*
Net Transfers from UConn Health - Unrestricted (FC)[2]	–	–	–	10.4	*0.0%*	*0.0%*	*0.0%*	*1.1%*
Increase (Decrease) in Net Position	**($42.2)**	**($44.1)**	**($10.2)**	**$14.3**	***(7.0%)***	***(6.2%)***	***(1.2%)***	***1.5%***
Capital Expenditures	**($5.6)**	**($12.2)**	**($89.9)**	**($19.7)**	***(0.9%)***	***(1.7%)***	***(10.6%)***	***(2.0%)***

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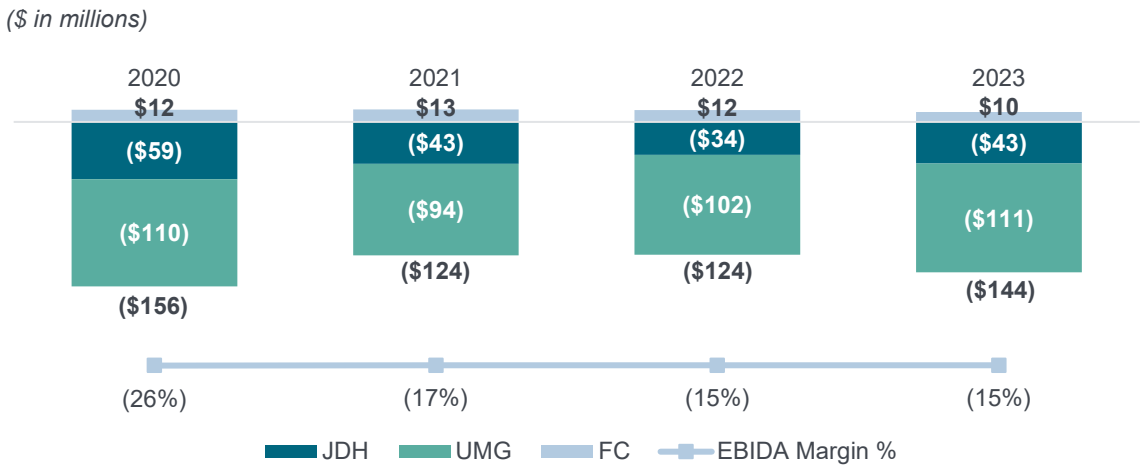
Note: Fiscal year ended June 30
Source: Audit adjusted financial statements
1. Cash Flow (EBIDA) = Operating Income (Loss) + Depreciation and amortization; Unadjusted Operating EBIDA Before State Transfers
2. Includes transfers from the state made on behalf of UConn Health

Revenue and Profitability Analysis

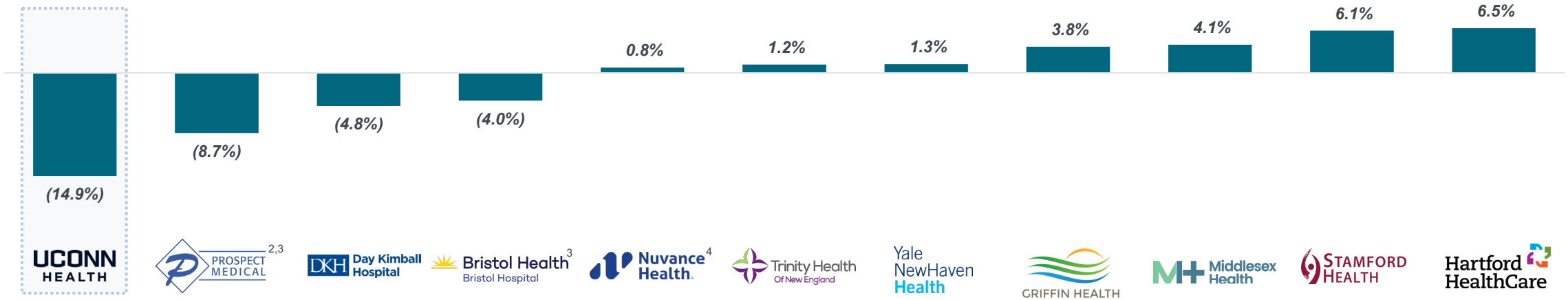
Significant fringe benefit expenses result in the Patient Care Enterprise profitability lagging compared to in-state peers

Cash Flow (EBIDA)[1]



- From 2020 – 2023, Salaries, Wages & Benefits as a % of revenue declined from 77.6% to 63.8% for the Patient Care Enterprise, largely driven by JDH's Salaries, Wages & Benefits as a % of revenue declining from 62.8% to 57.4% while UMG's Salaries, Wages & Benefits as a % of revenue increased from 151.4% to 153.8% from 2020 – 2023
- Fringe benefits as a % of salaries and wages increased from 62.6% to 66.1% from 2020 – 2023, driven by increases for both JDH and UMG
- This level of fringe benefit cost is outside of what is reasonable for market competition, rendering the Patient Care Enterprise unable to generate positive cash flow to sustain itself and invest in capital projects
  - The on-going losses incurred by outsized levels of fringe benefit expense ultimately functions as a subsidy paid by the taxpayers

Cash Flow (EBIDA) Margin[1]



Source: UConn Audit Adjusted Financials, Audited Financials, EMMA filings, Definitive Healthcare

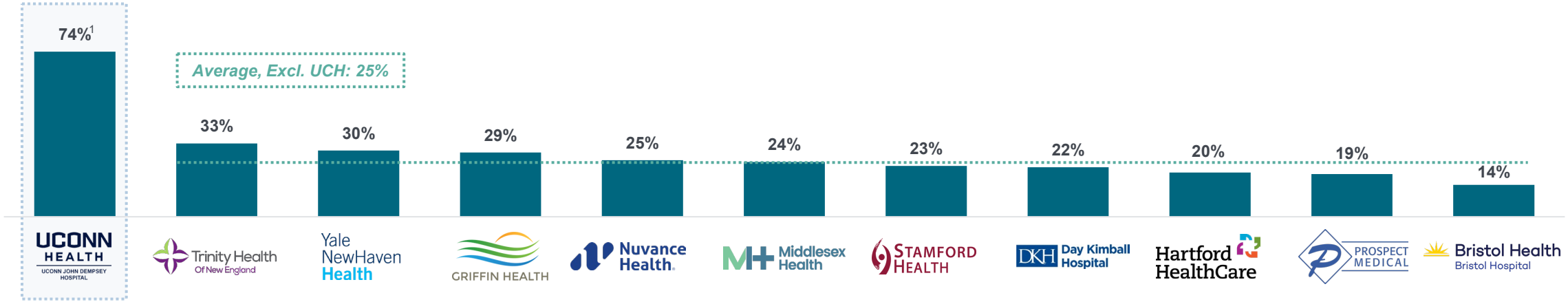
1. Cash Flow (EBIDA) = Operating Income (Loss) + Depreciation and amortization; Unadjusted Operating EBIDA Before State Transfers. As of FY2023 unless noted otherwise
2. Only includes CT hospitals
3. As of FY2022
4. Inclusive of Nuvance hospitals outside of CT

Significant Fringe Benefit Costs Relative to Connecticut Health Systems

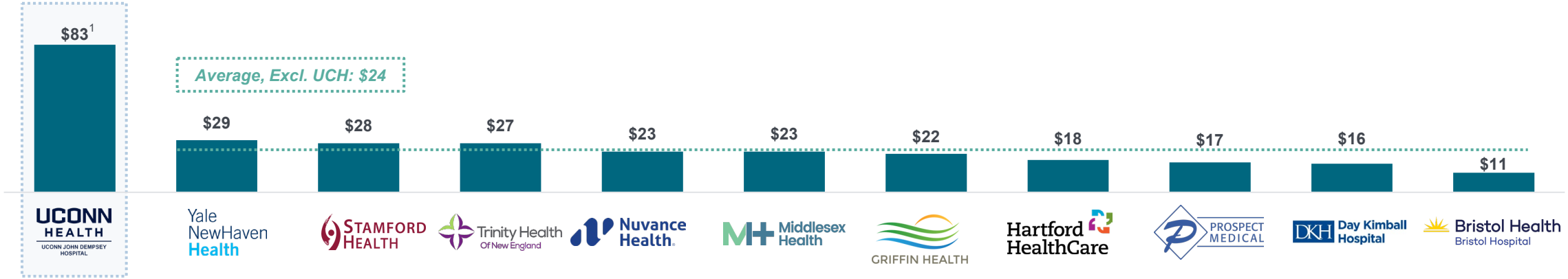
UCONN HEALTH

UConn Health has a substantially higher fringe rate and fringe benefit cost per FTE, compared to other Connecticut-based health systems

2022 Fringe Rate (Fringe Benefits % of Salaries and Wages)



2022 Fringe Benefits Per FTE *($ in thousands)*



Source: UConn Audit Adjusted Financials, Connecticut Hospital Association

1. Not including disability insurance

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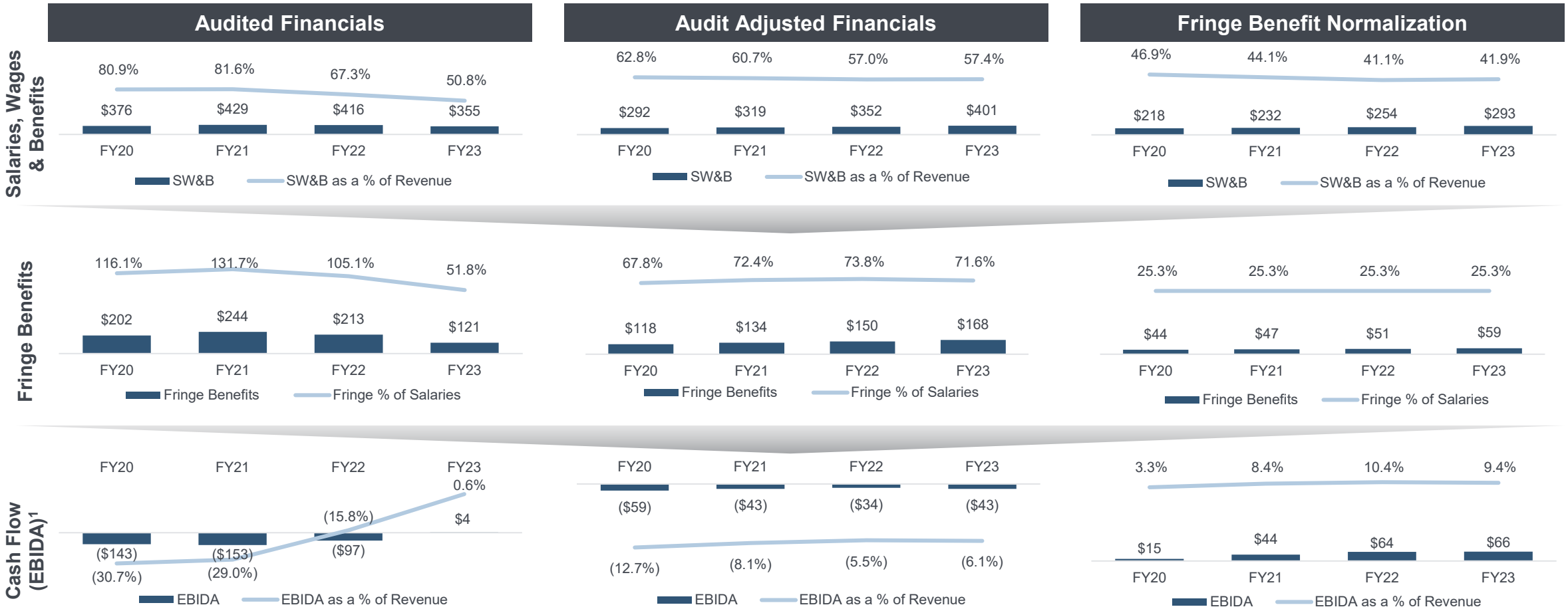
Detailed Salaries & Wages and Fringe Benefits Analysis

UCONN HEALTH

John Dempsey Hospital



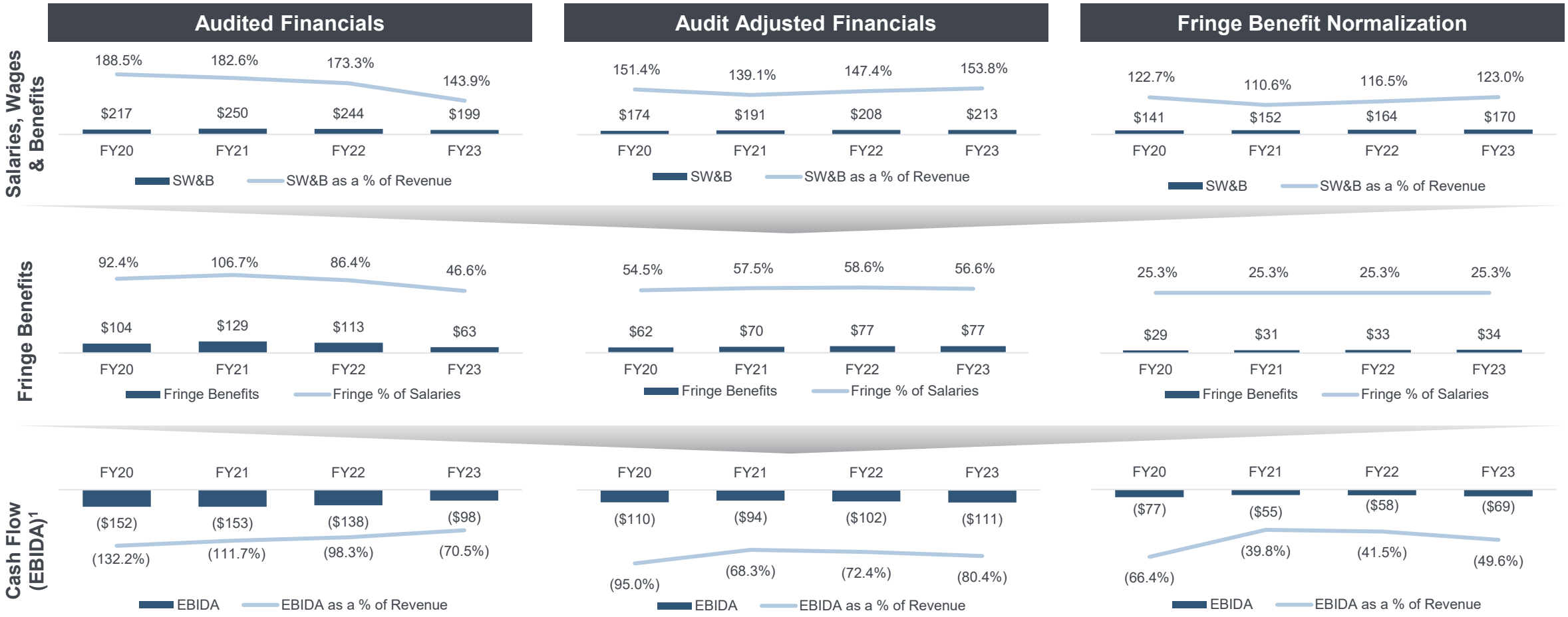
- JDH Audited fringe benefits include Retirement and SERS, TRS and OPEB Retirement Manual contributions
- The change in EBIDA from Audited to Audit Adjusted is a result of certain pension adjustments being removed to reflect the true cost of fringe benefits expensed across the Patient Care Enterprise
- The increase in EBIDA is a result of the fringe rate being reduced to 25.3% to reflect market-level rates, greatly increasing profitability across the Patient Care Enterprise

All $ in millions
Source: Audited Financials, Audit Adjusted Financials
1. Cash Flow (EBIDA) = Operating Income (Loss) + Depreciation and amortization; Unadjusted Operating EBIDA Before State Transfers

Detailed Salaries & Wages and Fringe Benefits Analysis (cont'd)

UCONN HEALTH

UConn Medical Group

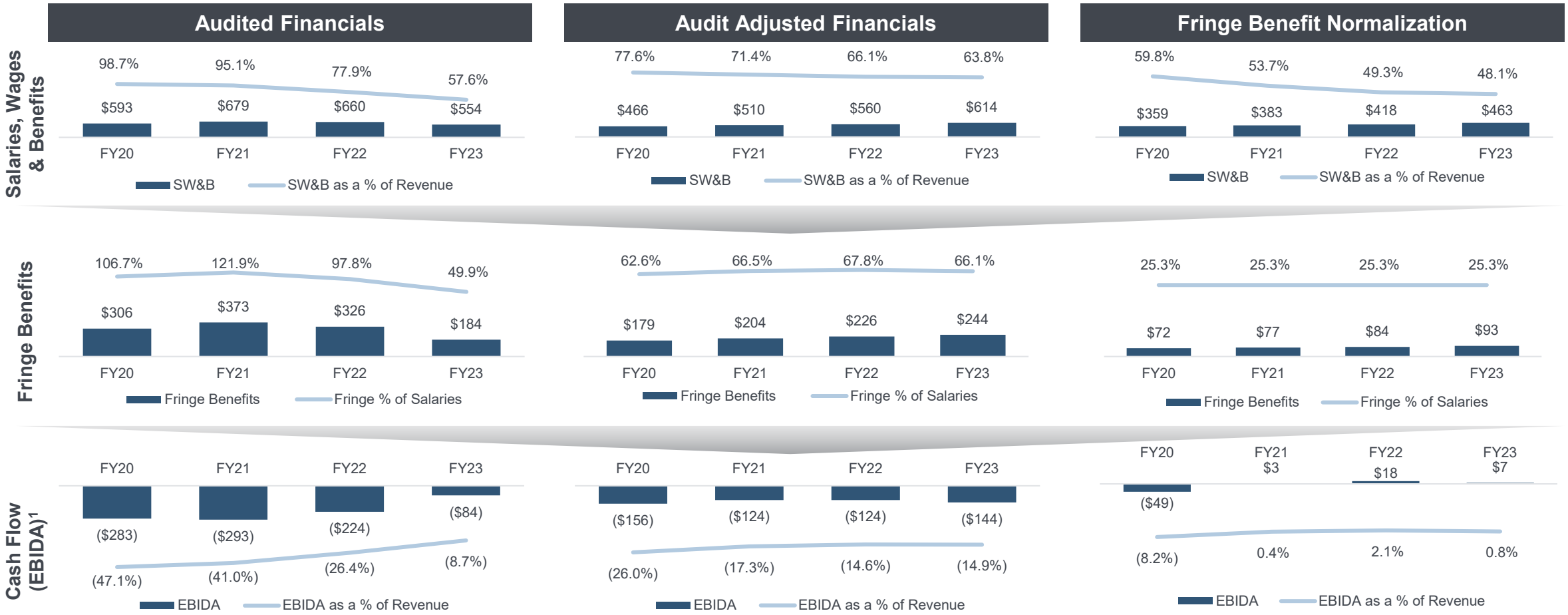


- UMG Audited fringe benefits include Retirement and SERS, TRS and OPEB Retirement Manual contributions
- The change in EBIDA from Audited to Audit Adjusted is a result of certain pension adjustments being removed to reflect the true cost of fringe benefits expensed across the Patient Care Enterprise
- The increase in EBIDA is a result of the fringe rate being reduced to 25.3% to reflect market-level rates, greatly increasing profitability across the Patient Care Enterprise

All $ in millions
Source: Audited Financials, Audit Adjusted Financials
1. Cash Flow (EBIDA) = Operating Income (Loss) + Depreciation and amortization; Unadjusted Operating EBIDA Before State Transfers

Detailed Salaries & Wages and Fringe Benefits Analysis (cont'd)

Patient Care Enterprise (John Dempsey Hospital + UConn Medical Group + Finance Corporation)



- Patient Care Enterprise Audited fringe benefits include Retirement and SERS, TRS and OPEB Retirement Manual contributions
- The change in EBIDA from Audited to Audit Adjusted is a result of certain pension adjustments being removed to reflect the true cost of fringe benefits expensed across the Patient Care Enterprise
- The increase in EBIDA is a result of the fringe rate being reduced to 25.3% to reflect market-level rates, greatly increasing profitability across the Patient Care Enterprise

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All $ in millions
Source: Audited Financials, Audit Adjusted Financials
1. Cash Flow (EBIDA) = Operating Income (Loss) + Depreciation and amortization; Unadjusted Operating EBIDA Before State Transfers

State Transfers To and From Patient Care Enterprise

Transfers from the State support both the fringe benefits and working capital/operating support

	FY 2023A
State Support for Fringe Benefits	
JDH	77.0
UMG	30.9
FC	–
A Total State Support for Fringe Benefits	**$107.9**
Working Capital/Operating Support from the State	
JDH	9.5
UMG	112.5
FC	10.4[1]
B Total Working Capital/Operating Support from the State	**$132.4**
Transfers from UConn Health to Patient Care Enterprise	
JDH	86.5
UMG	143.4
FC	10.4
C Total Transfers from UConn Health to Patient Care Enterprise	**$240.3**
Transfers to UConn Health from Patient Care Enterprise	
JDH	(17.9)
UMG	–
FC	–
D Total Transfers to UConn Health from Patient Care Enterprise	**($17.9)**
Net Transfers	
JDH	68.6
UMG	143.4
FC	10.4
E Total Net Transfers	**$222.4**
% of Revenue	*23.1%*
% of Salaries, Wages & Benefits	*36.2%*

A Total State Support for Fringe Benefits: Funding from the State to support fringe benefits for both JDH and UMG

B Total Working Capital and Operating Support from the State: Funding from the State to primarily support losses incurred by UMG

C Total Transfers from UConn Health to Patient Care Enterprise: Combination of Total Support for Fringe Benefits and Total Working Capital/Operating Support from the State

- ***Funding from the State is provided to UConn Health and then subsequently to JDH, UMG, and FC, respectively***

D Total Transfers to UConn Health from Patient Care Enterprise: Transfers from JDH to UConn Health for operational support

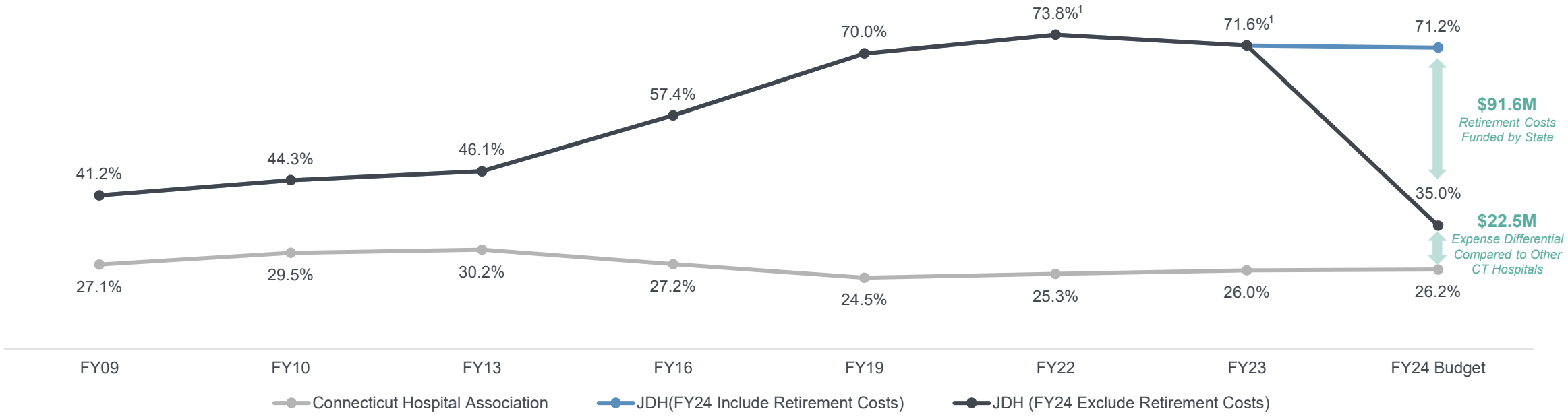
E Total Net Transfers: Combination of Total Transfers from UConn Health to Patient Care Enterprise and Total Transfers to UConn Health from Patient Care Enterprise

- Signifies total net funding from the State/UConn Health to JDH, UMG, and FC

Note: Fiscal year ended June 30
Source: UConn Audit Adjusted Financials, Audited financial statements
1. Represents lease payments made from UConn Health to the Finance Corp for use of real estate held by the Finance Corp

Historically Rising Fringe Benefit Costs to Decrease with the State Funding Retirement Costs

The fringe benefit expense as a percentage of salaries has been increasing and is materially higher than the Connecticut average for other hospitals in the State. Recent budget changes beginning in fiscal year 2024 were made to how fringe benefits are funded for employees of state public higher education institutions. Prior to FY 2024, the Office of the State Comptroller (OSC) covered all fringe benefit costs for certain employees of the constituent units, and the list of such employees was changed each pay period. The new methodology requires OSC fund certain fringe benefit costs for all employees at these institutions consistently throughout the year. UConn Health's block grant was adjusted to make the change budget neutral, however, the change has significantly reduced the marginal fringe rate that the hospital is responsible for, which is anticipated to enhance their research competitiveness. The fringe benefit expenses for UConn Health has been materially reduced with the State now funding all retirement costs directly and UConn funding all non-retirement costs. **This does not solve the fringe benefit cost issue for the State. It simply removes it from UConn Health's financials.**



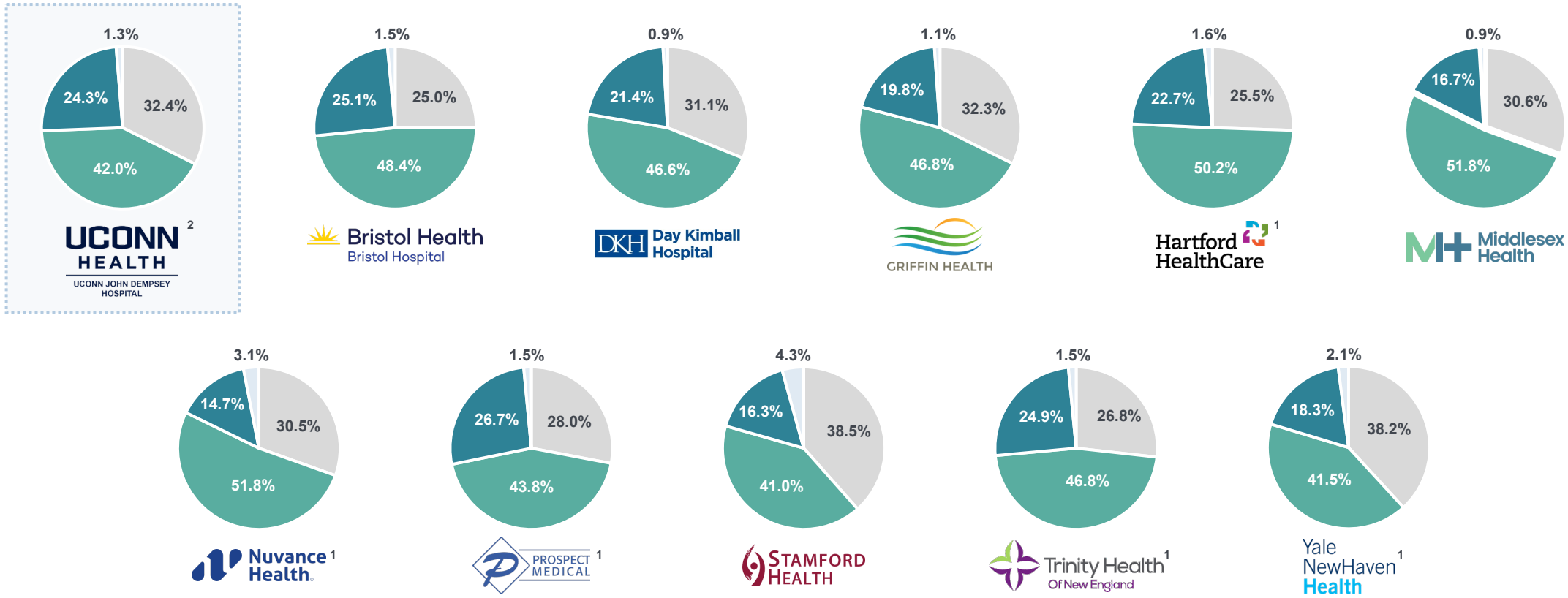
Commentary

- The fringe expense as a percentage of salaries beginning in FY24 is ~35% for the state's only public hospital vs. ~25% for other CT hospitals, which accounts for an additional ~$23M in expenses for JDH relative to other CT hospitals.
- The fringe rate inclusive of the ~$92M in retirement costs funded by the state is ~71% vs. ~35% for the fringe benefits only inclusive of non-retirement costs funded by UConn Health in FY24 budget

Source: UConn Audit Adjusted Financials, Connecticut Hospital Association
1. Not including disability insurance

Payer Mix Analysis Across the State

Below is a summary of the payer mix (% of gross charges for Commercial, Medicare, Medicaid, and Uninsured reimbursement) for hospitals across the State. UConn Health is largely in line with other health systems in the State.



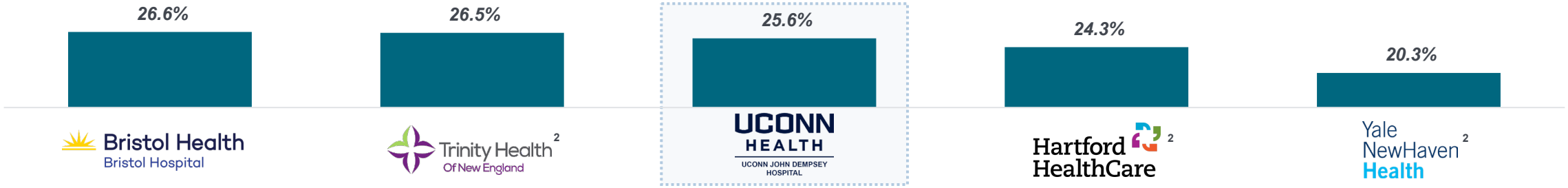
Source: State of CT Office of Health Strategy FY2022 Annual Report
Note: Payer mix based on gross charges

1. Average of CT affiliate hospitals
2. UConn Audit Adjusted Financials

Payer Mix and Reimbursement Analysis – State Peers

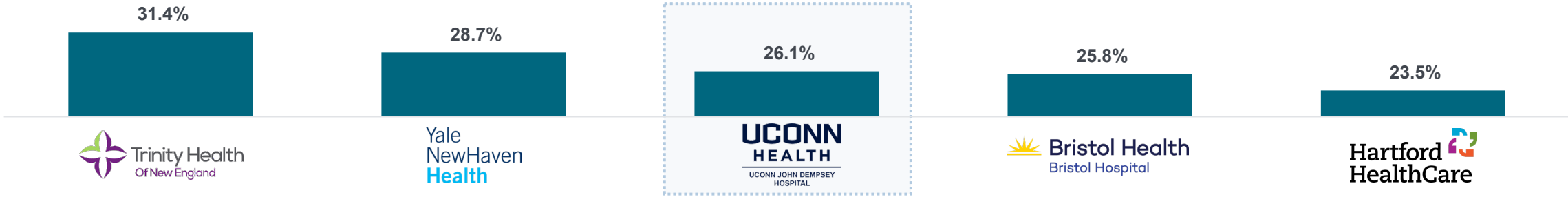
Below is a comparison of UConn Health's Medicaid payer mix and discharges relative to peer hospitals in the State. JDH has significantly fewer Medicaid discharges than other health systems, and its percentage of Medicaid and Uninsured patients is typical of many health systems in the market.

Medicaid + Uninsured Payer Mix (as a % of Gross Charges)[1]



Number of Medicaid Discharges[3]

Medicaid Payer Mix (as a % of Total Discharges)[3]



1. Source: State of CT Office of Health Strategy FY2022 Annual Report. Payer mix based on gross charges (the charge for an individual item or service that is reflected on a hospital's chargemaster, absent any discounts)
2. Average of CT affiliate hospitals
3. Source: Definitive Healthcare, As of FY2022. Payer mix based on total discharges (the formal release of a hospitalized individual)

Connecticut HUSKY Health Program Utilization

In 2022, there were 96,435 inpatient admissions of HUSKY members. 2,772, or 2.9% of those admissions occurred at John Dempsey Hospital. There were 22,837,615 outpatient service visits for HUSKY members. 314,824, or 1.4% occurred at John Dempsey. However, on the outpatient side, UConn Health sees a very high percentage of HUSKY members across key specialties.

Top 10 Outpatient Specialties as a % of Total HUSKY Utilization

Performing Provider Specialty Code Description	Visits with JDH	Percent of Total Visits Occurring at JDH
Internal Medicine	39,994	3.3%
Emergency Medicine Practitioner	32,568	4.2%
Radiology	29,816	3.6%
Dermatology	21,959	38.7%
Obstetrics/Gynecology	20,083	4.1%
Family Nurse Practitioner	15,582	1.6%
Orthopedic Surgery	15,305	9.7%
Cardiology	14,313	4.5%
Neurology	8,010	8.3%
Otology, Laryngology, Rhinology	6,593	8.9%

Top 10 UConn Health Outpatient Specialties based on the % of Visits at UConn Health relative to the Total Visits by HUSKY members across other providers across the State[1]

Performing Provider Specialty Code Description	Visits with JDH	Percent of Total Members Having Visits at JDH
Periodontist	15	100.0%
Neuromusculoskeletal & Sports Medicine	5,793	79.9%
Dermatology	21,959	29.3%
Preventative Medicine	27	25.3%
Oral And Maxillofacial Surgeon	233	23.1%
Primary Care Nurse Practitioner	3,843	14.0%
Orthopedic Surgery	15,305	12.3%
Rheumatology	3,589	8.8%
Acute Care Nurse Practitioner	3,361	8.8%
Neurological Surgery	1,763	8.1%

65% of UConn Health's outpatient visits are across 10 specialties. In those specialties, UConn Health sees an average of just under 10% of the HUSKY members that had a visit in that specialty.

UConn Health sees a large number of HUSKY members on the outpatient side across certain specialties, and in some specialties sees a large percentage (> 8%) of the HUSKY population.

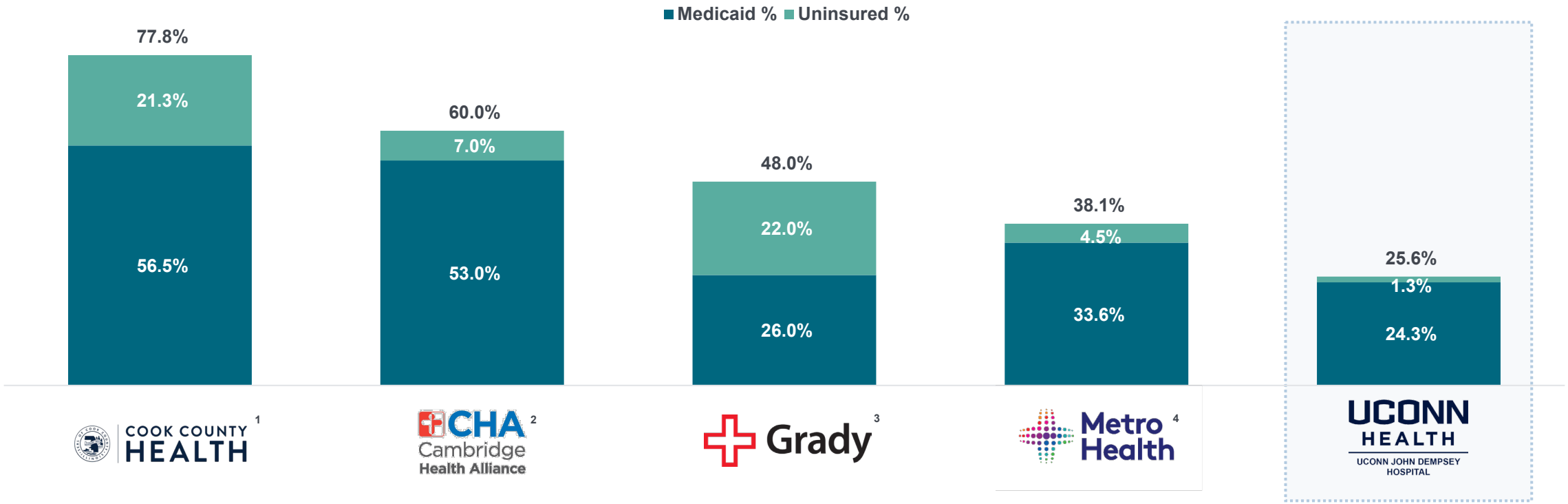
Source: Internal data received from the state of CT
Note: As of FY2022
1. e.g. 100% of HUSKY members that had a periodontist visit went to UConn Health for those visits

Payer Mix Analysis – Select Safety Net Hospitals

Comparison of UConn Health's Medicaid payer mix and discharges to select notable safety net hospitals

John Dempsey Hospital serves an important public mission, but does not meet the widely regarded standard of a safety net hospital, as evidenced by the lower uninsured and Medicaid populations served relative to other recognized safety net hospitals across the country

Medicaid + Uninsured Payer Mix

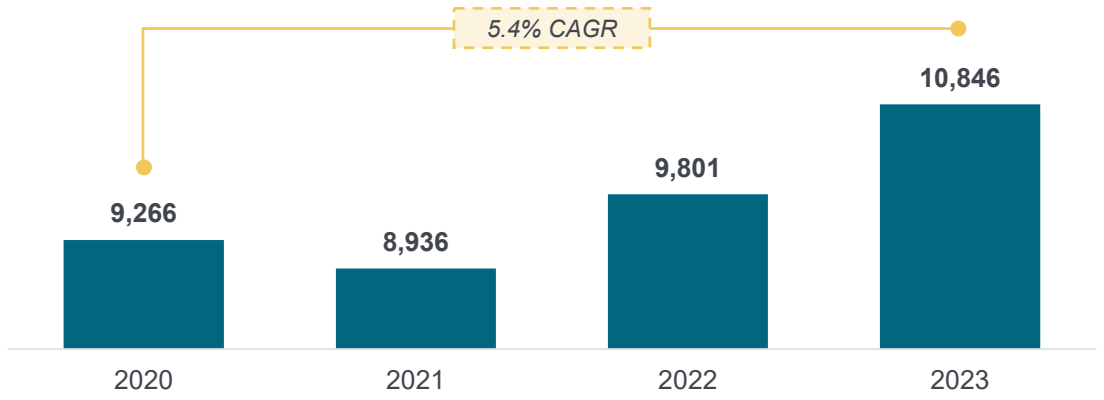


Source: State of CT Office of Health Strategy FY2022 Annual Report
1. CCH YTD Financial Update November 2023
2. Cambridge Health Alliance 2022 Annual Report
3. Grady Health Fast Facts 2022
4. MetroHealth System Board of Trustees Meeting April 2023

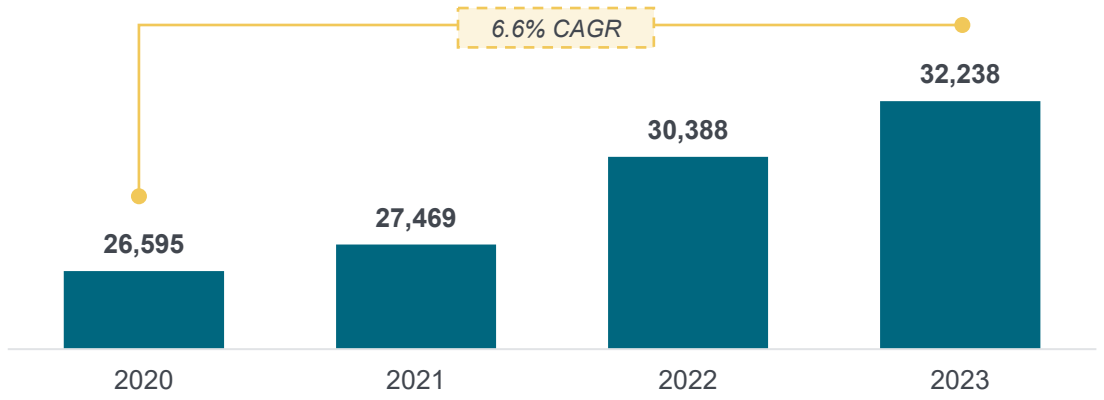
JDH Clinical Utilization Analysis

UCONN HEALTH

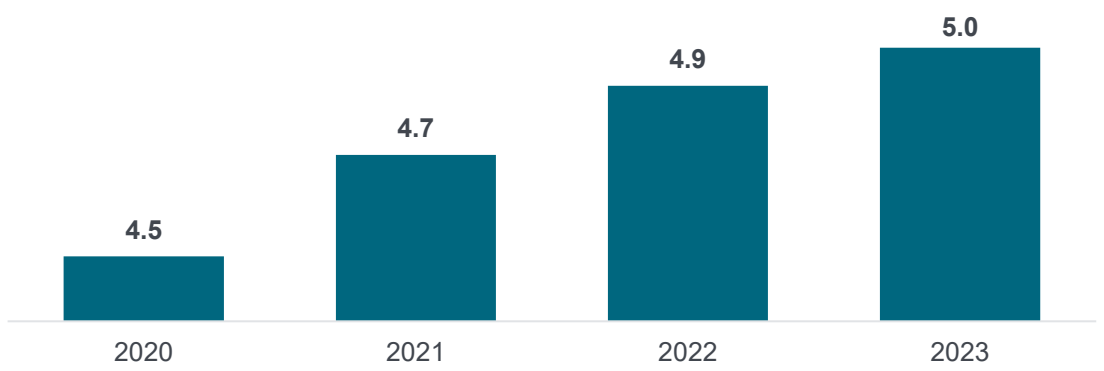
Discharges



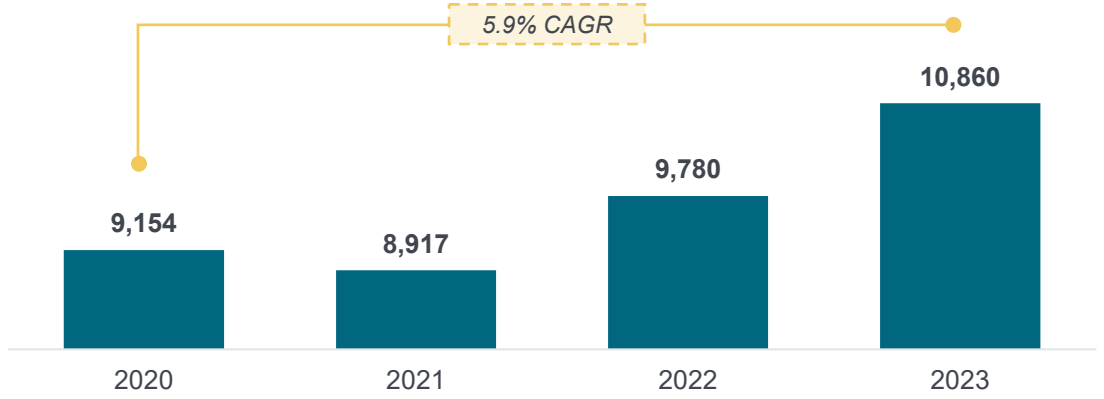
Adjusted Discharges



Average Length of Stay



Admissions

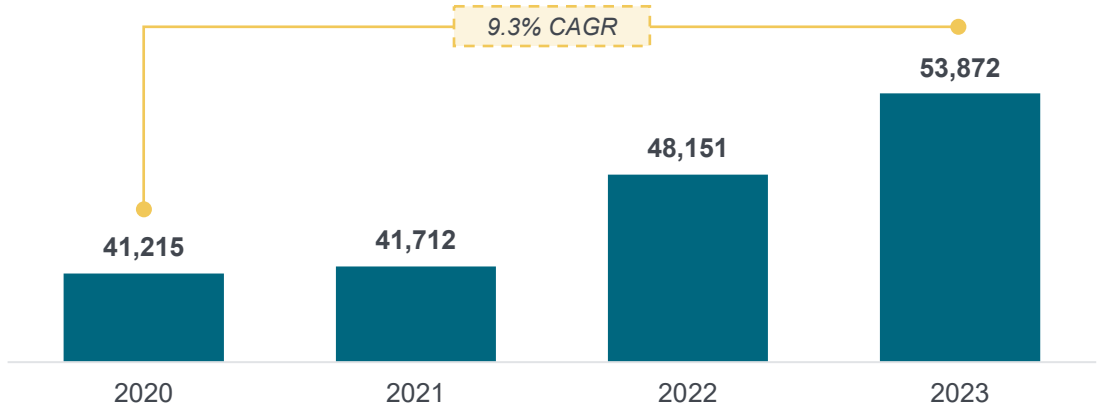


Source: Internal data received from UConn

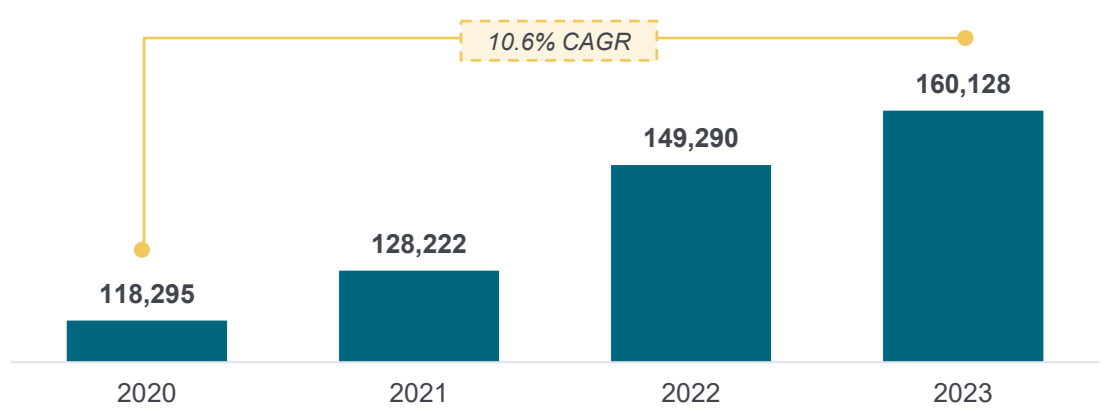
JDH Clinical Utilization Analysis (cont'd)

UCONN HEALTH

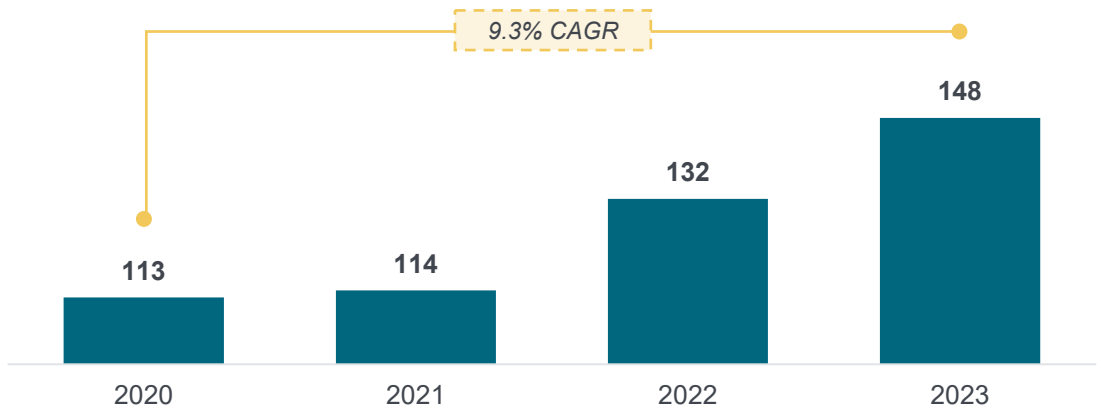
Patient Days



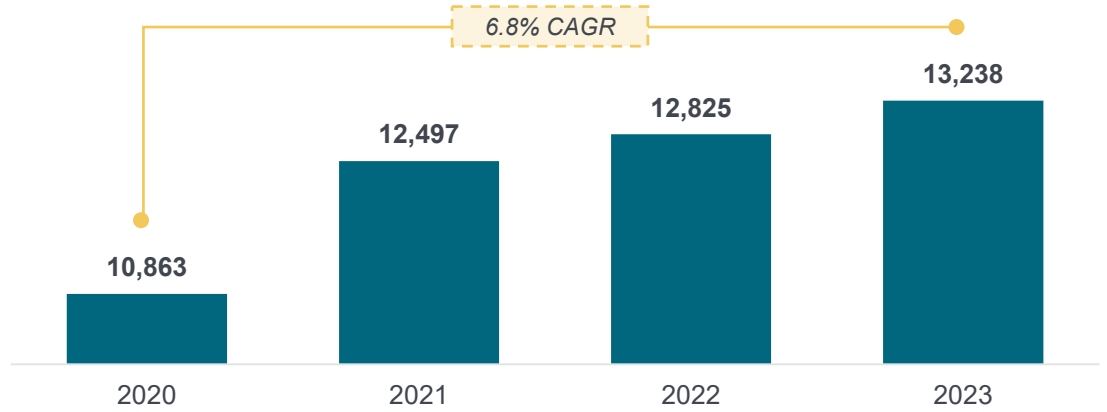
Adjusted Patient Days



Average Daily Census



Total Surgical Cases



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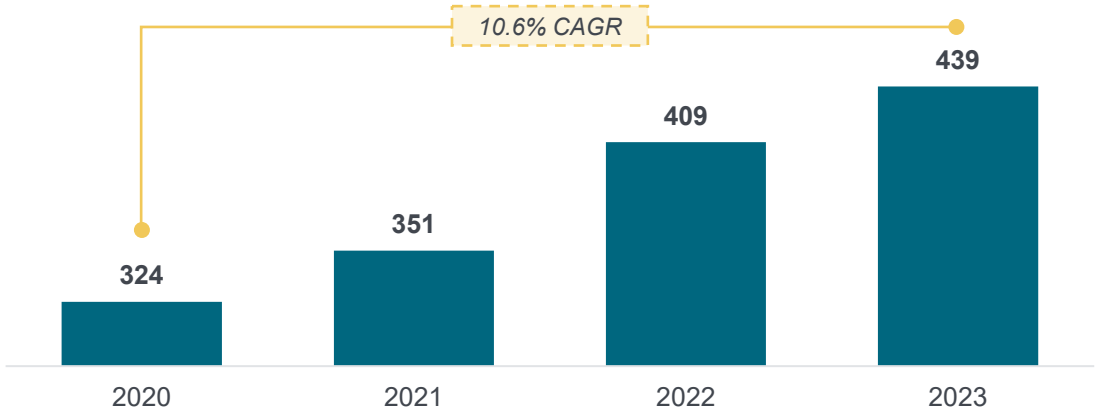
Source: Internal data received from UConn

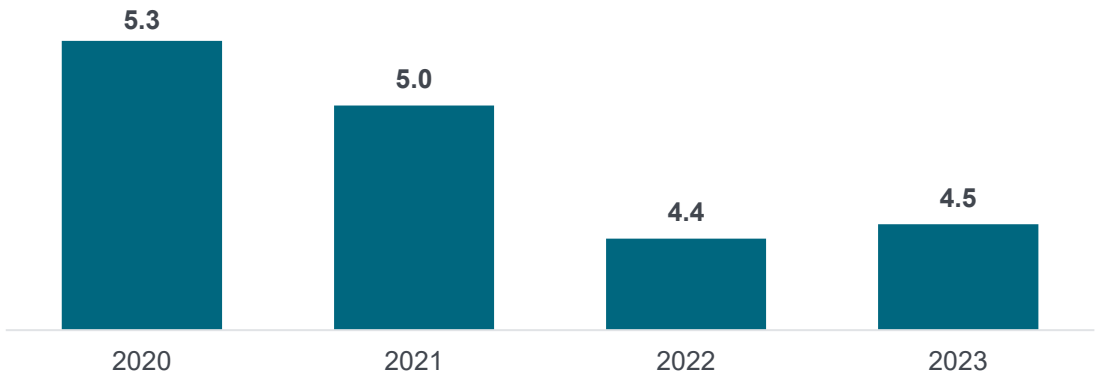
JDH Clinical Utilization Analysis (cont'd)

JDH adjusted occupied bed and revenue increase simultaneously while FTEs fall over the 2020 to 2023 period

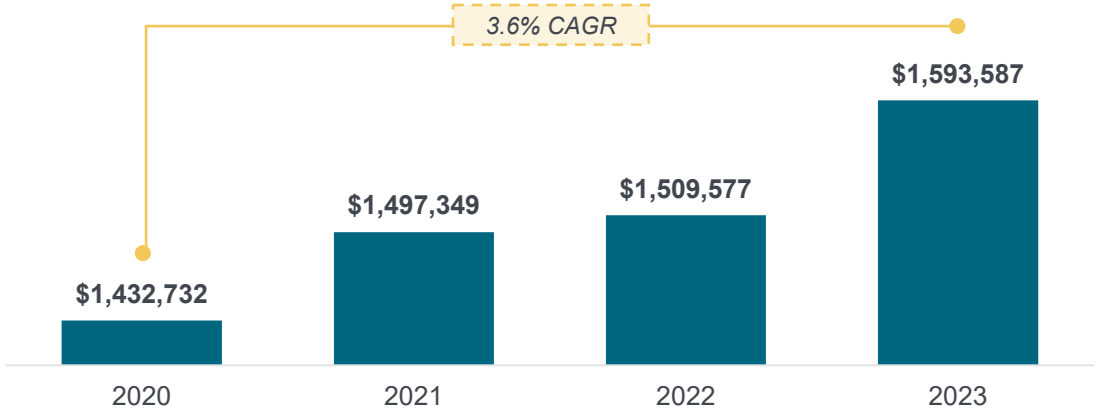
Adjusted Occupied Bed[1]



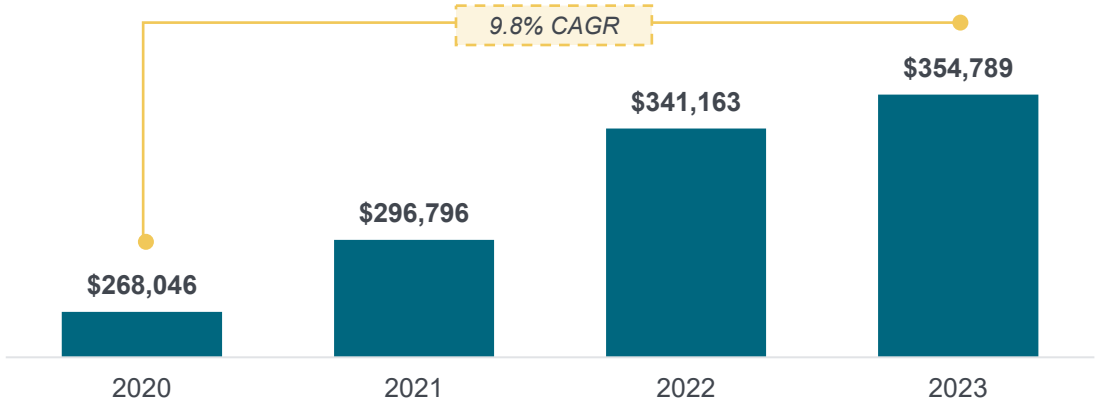
FTEs per Adjusted Occupied Bed



Revenue per Adjusted Occupied Bed



Revenue per FTE



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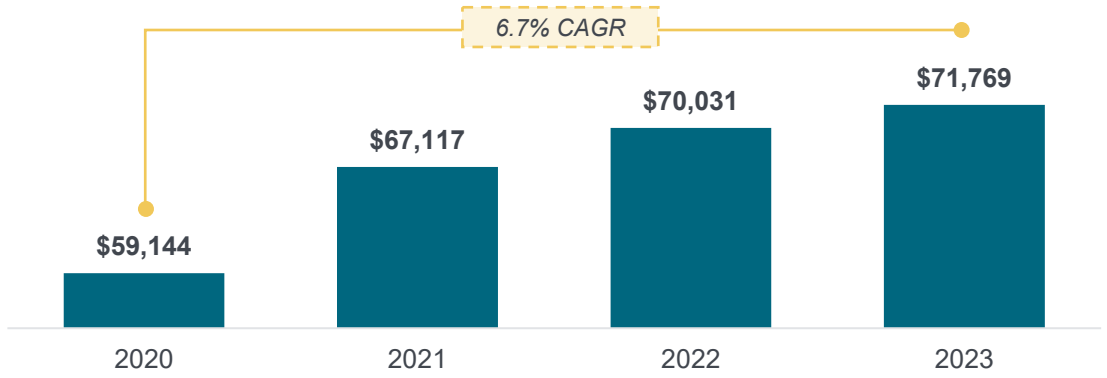
Source: Internal data received from UConn

1. Adjusted occupied bed is the sum of inpatient occupied beds and equivalent outpatient occupied beds attributed to outpatient services

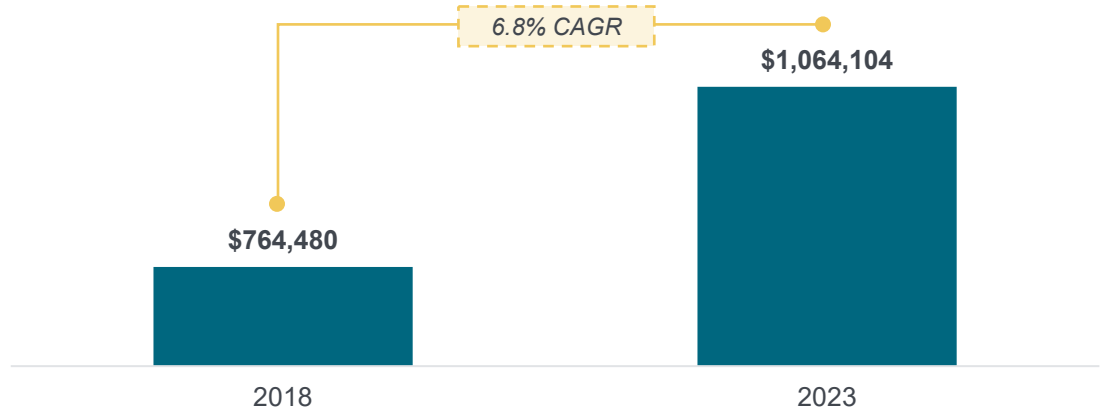
JDH Clinical Utilization Analysis (cont'd)

JDH volumes growing as evidenced by increased bed utilization rate and deliveries; Average cost per discharge increasing with inflation

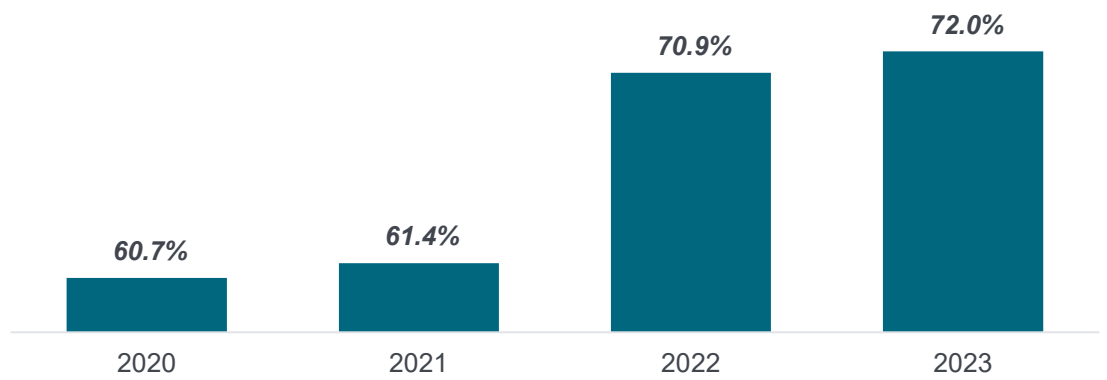
Average Cost per Discharge[1]



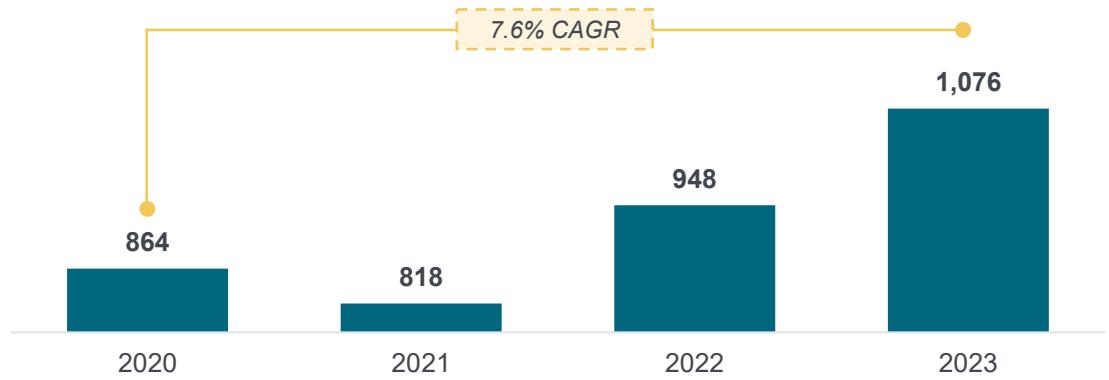
Pre- vs. Post-Covid Revenue Per Physician



Bed Utilization Rate



Deliveries



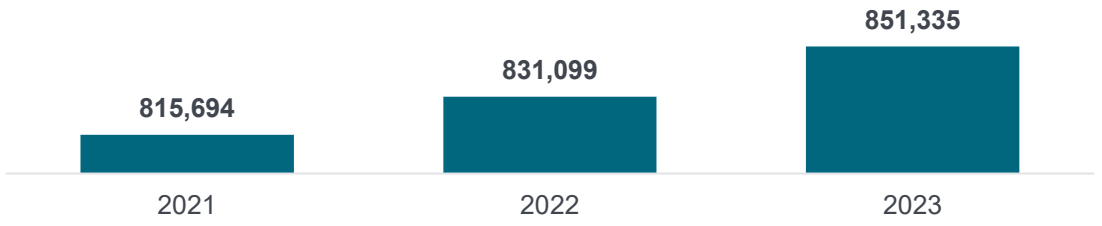
Source: Internal data received from UConn

1. Cost refers to JDH operating expenses

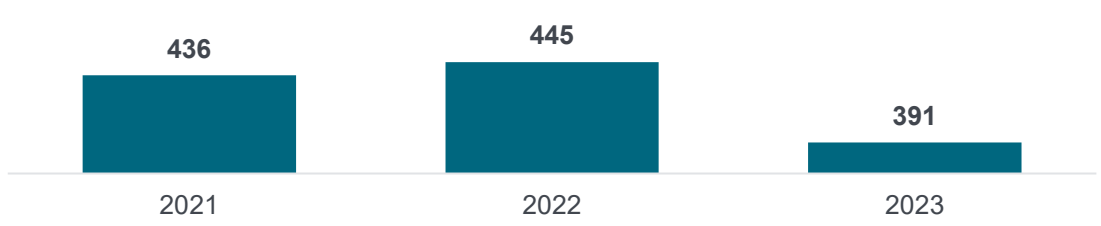
UMG Clinical Utilization Analysis

UCONN HEALTH

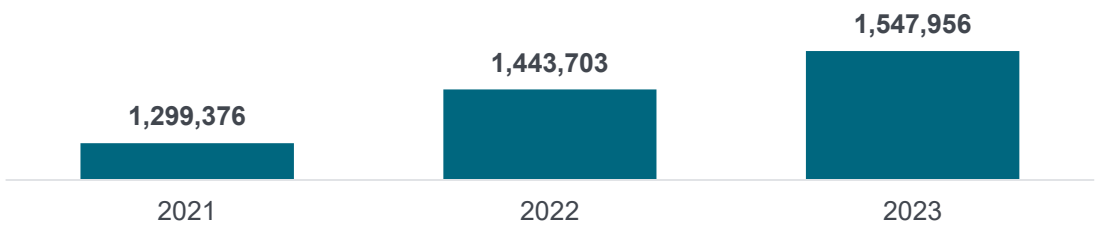
Unique Visits



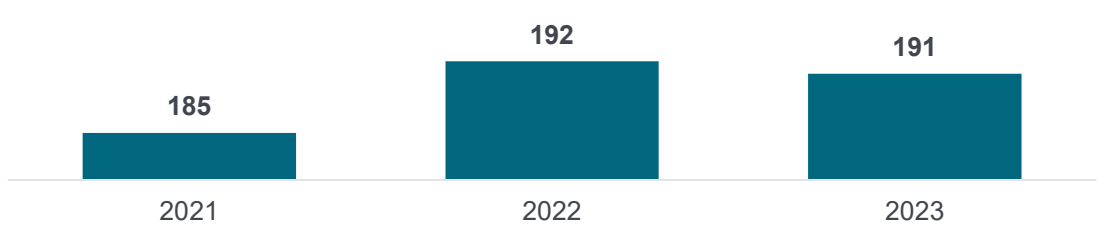
FTEs – Support Staff



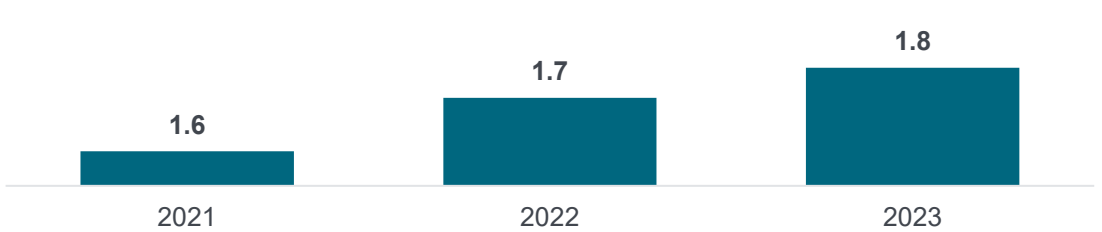
Physician RVUs



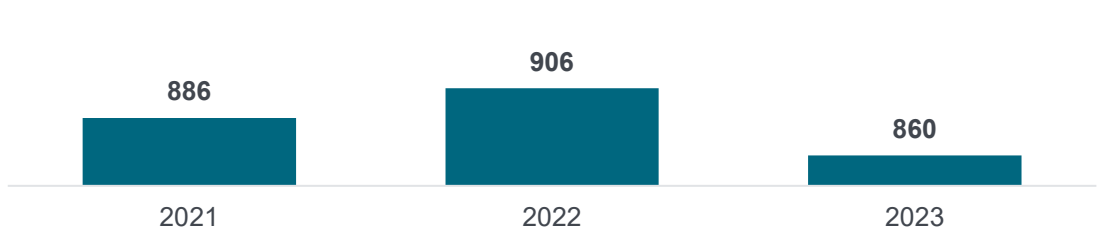
FTEs – Providers



Physician RVUs per Visit



Total FTEs



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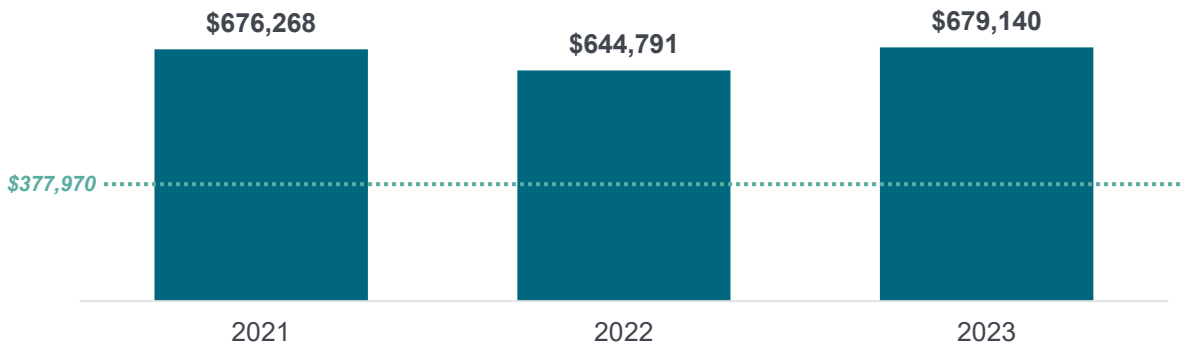
Source: Internal data received from UConn

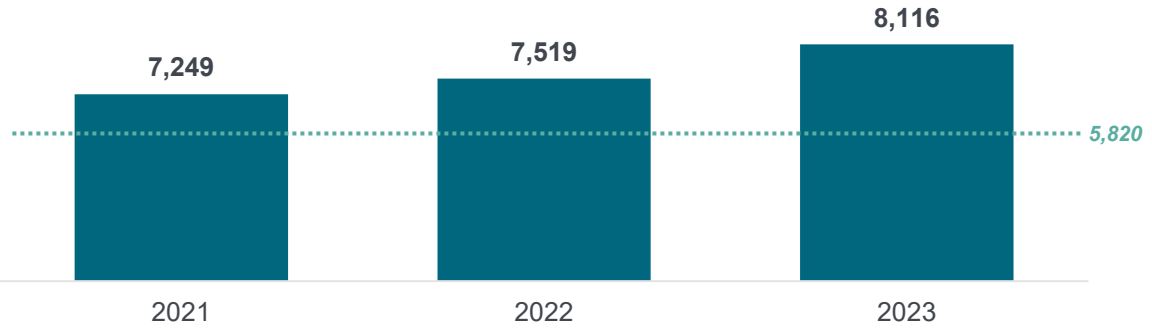
UMG Clinical Utilization Analysis (cont'd)

UMG revenue, expense, RVU and FTE metrics compared to the Kaufman Hall 2023 Benchmark based on data from over 200,000 employed physicians and APPs

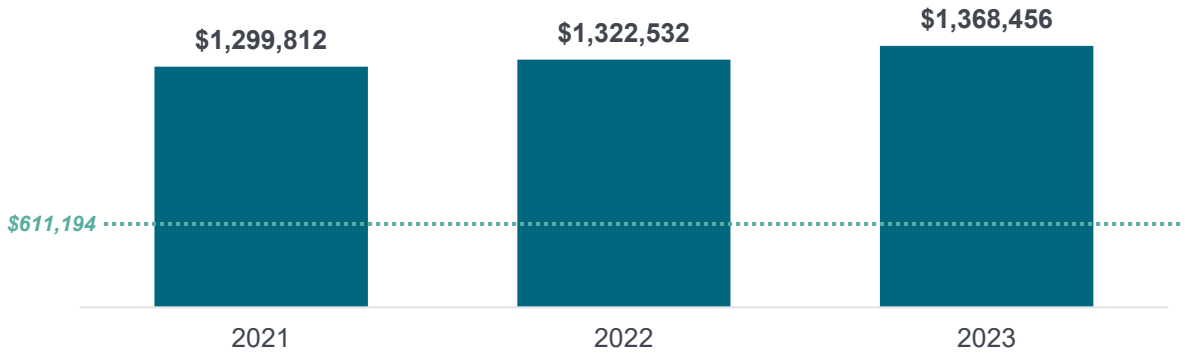
Net Patient Revenue per Provider FTE



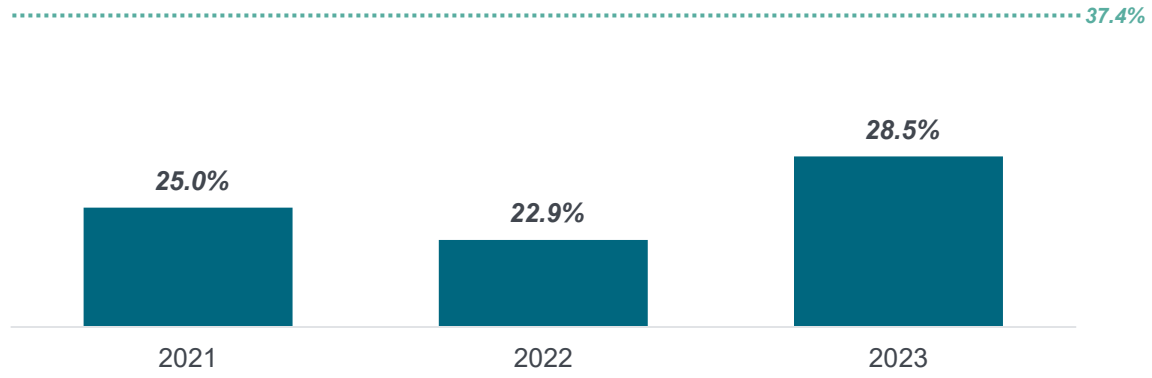
Physician RVU per Physician FTE



Total Expense per Provider FTE



APP Percent of Total Physician FTEs



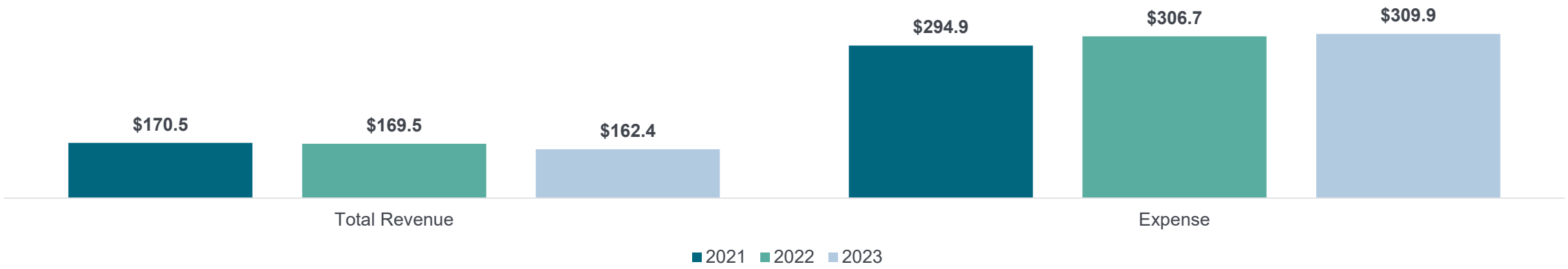
Kaufman Hall 2023 Benchmark

Source: Internal data received from UConn, Kaufman Hall 2023 Physician Flash Report

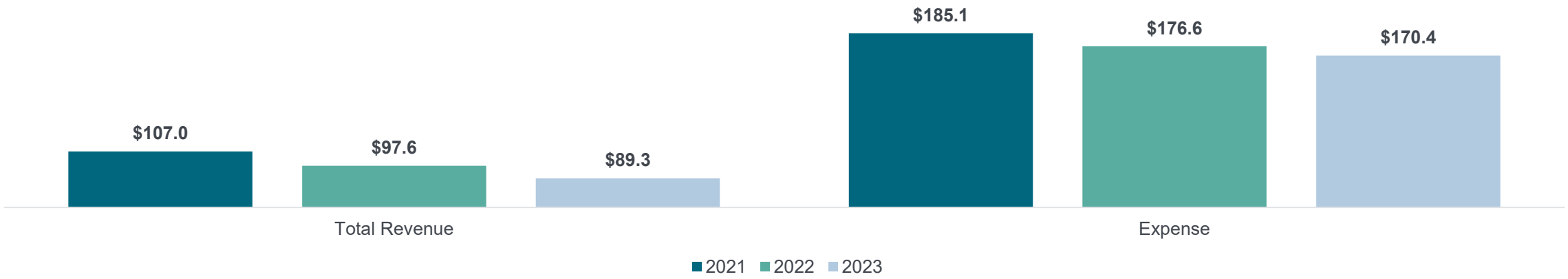
UMG Clinical Utilization Analysis (cont'd)

UMG expenses and RVU per unique visit are greater than 2x the associated revenue in 2023

Per Unique Visit



Per RVU



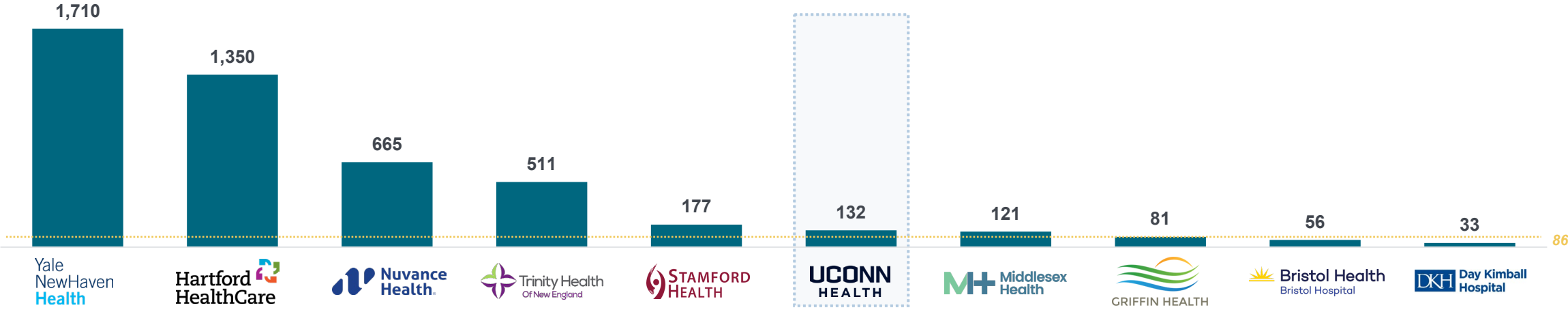
Source: Internal data received from UConn

Clinical Utilization Comparison Analysis

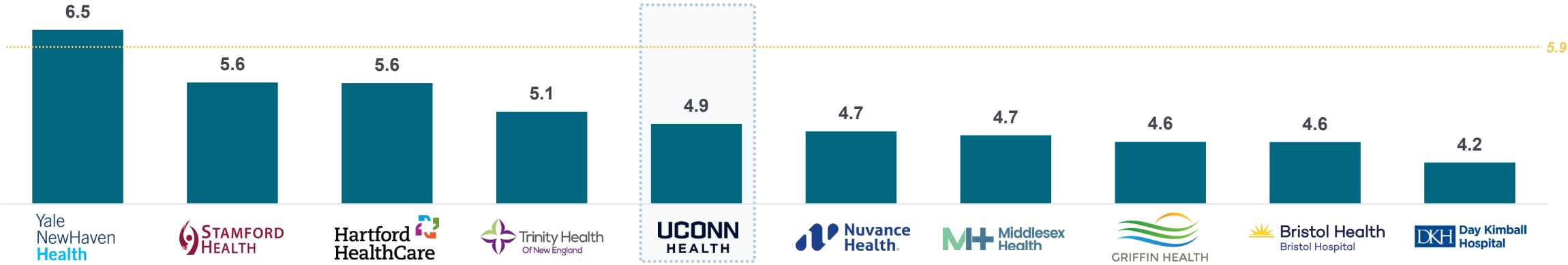
UCONN HEALTH

UConn Health's clinical metric trends compared to other CT hospitals and national benchmarks

Average Daily Census



Average Length of Stay (Days)



CMI [1]									
1.62 [2]	1.49	1.64 [2]	1.55 [2]	1.59	1.43 [2]	1.40	1.30	1.42	1.27

National Benchmark

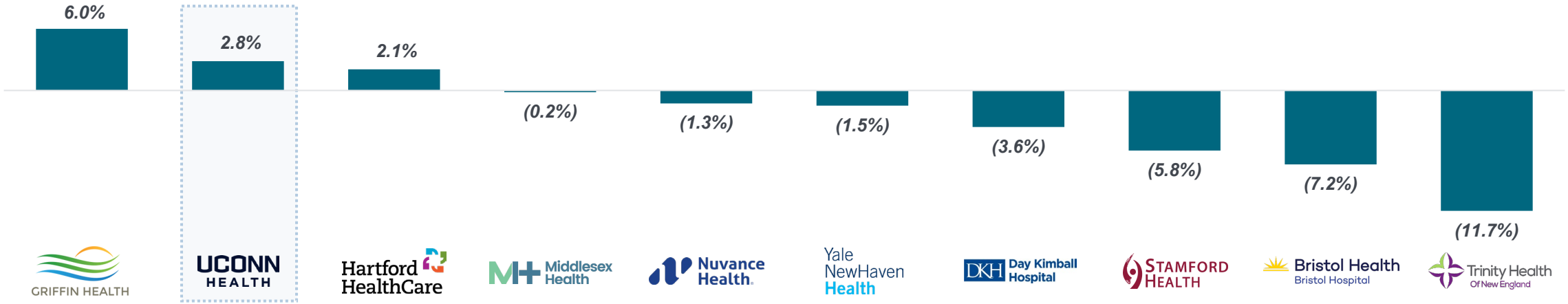
CAIN BROTHERS
A division of KeyBanc Capital Markets

Note: As of FY2022
Source: Internal data received from UConn, Definitive Healthcare
1. State of CT Office of Health Strategy FY2022 Annual Report
2. Average of CT affiliate hospitals

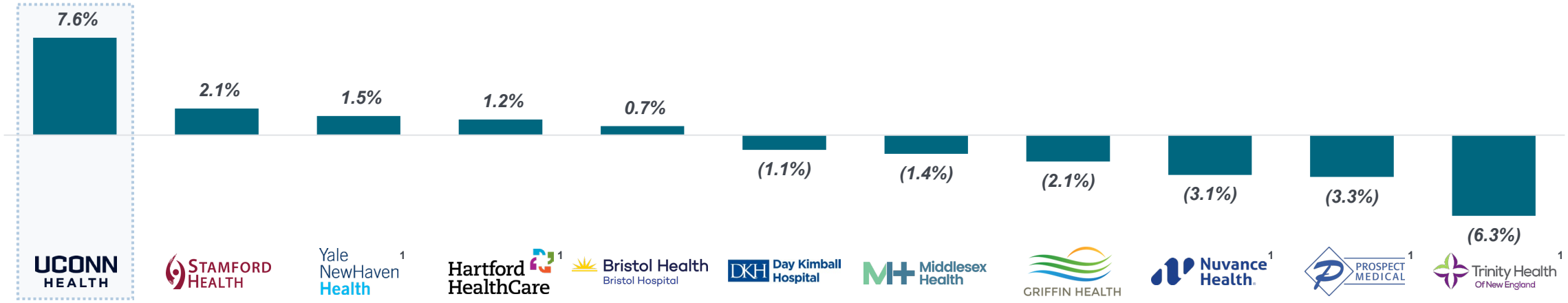
Clinical Utilization Comparison Analysis (cont'd)

Increasing ED admits and higher discharge rates indicate UConn Health is increasing market share at the expense of other health systems within the state of CT

Number of Discharges, CAGR from 2020 – 2022



Emergency Department Admits, CAGR from 2019 – 2022



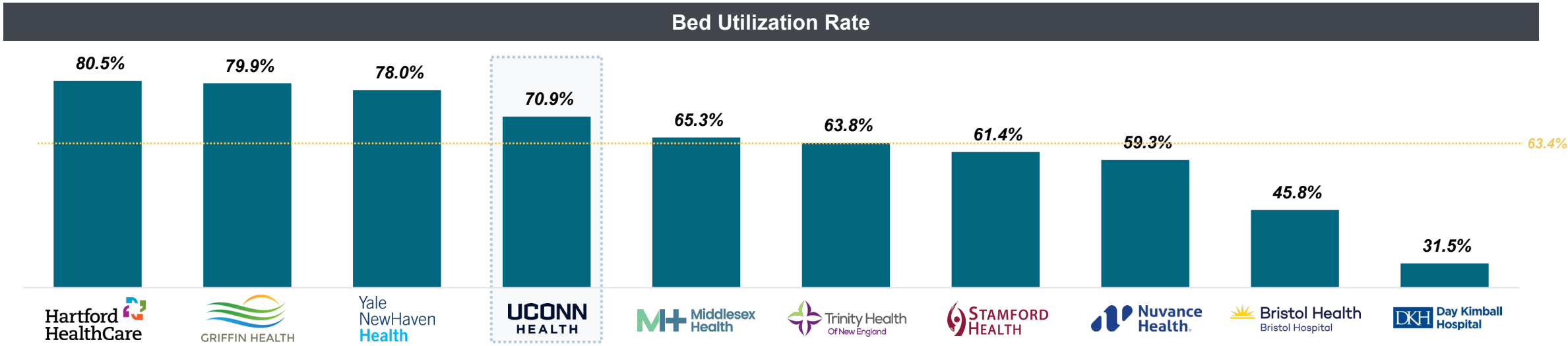
Source: Internal data received from UConn, Definitive Healthcare, State of CT Office of Health Strategy FY2022 Annual Report

1. Average of CT affiliate hospitals

Clinical Utilization Comparison Analysis (cont'd)

UCONN HEALTH

UConn Health's bed utilization rate compared to other hospitals in the state and the national benchmark



National Benchmark

Note: As of FY2022
Source: Internal data received from UConn, Definitive Healthcare

V. Examples of Select Public University AMC Org Structures and Transactions

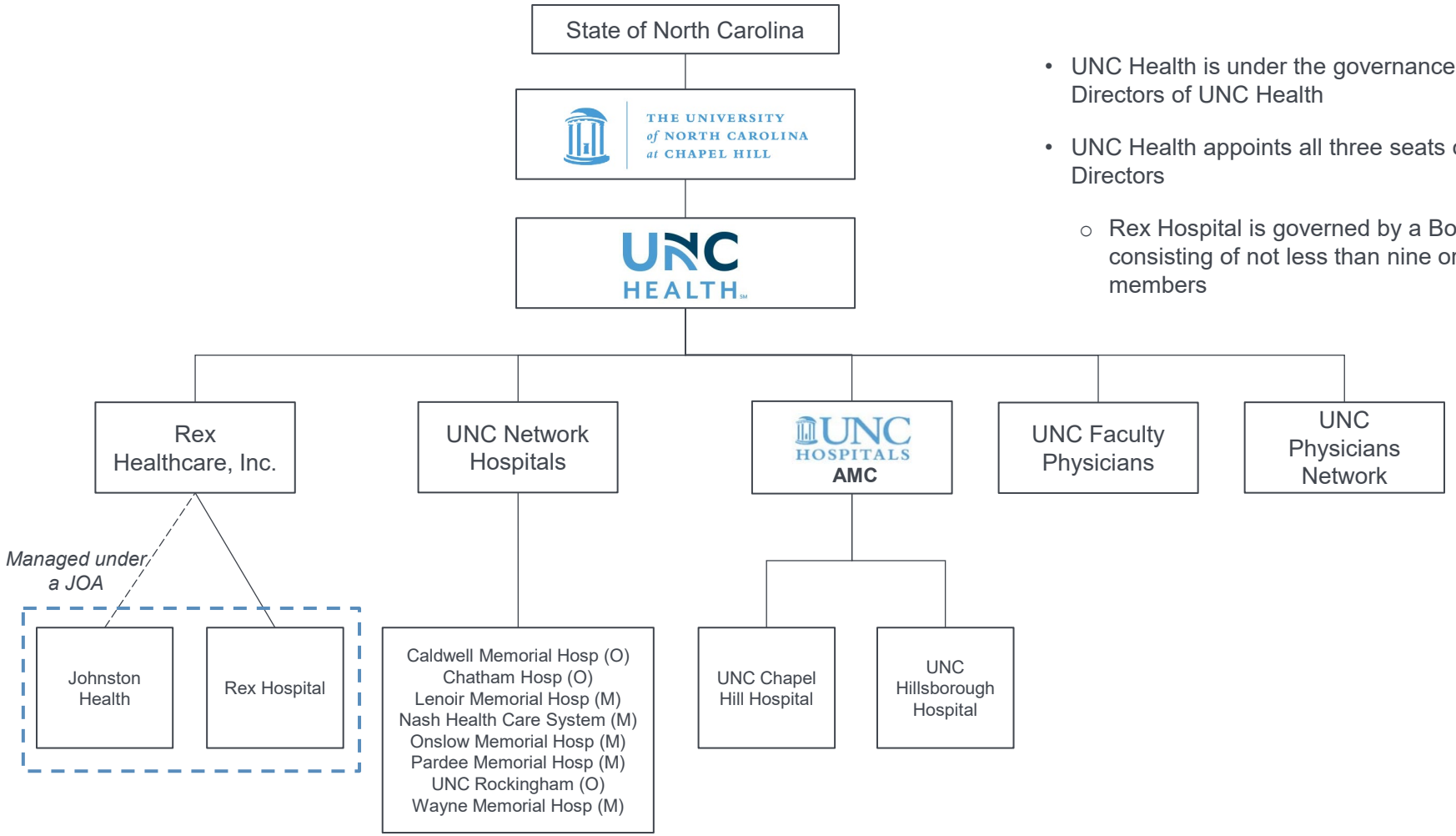
This section is comprised of two parts. The first part provides an organizational summary of how select health systems affiliated with public university medical schools are structured in other states across the country. The second part provides a summary of select M&A transactions involving mergers or acquisitions, joint operating agreements, public-private partnerships, and academic affiliation agreements involving public universities and their owned or affiliated health systems

Part One: Examples of Select Public University AMC Organizational Structures

There is no single "perfect model" or structure for an academic health enterprise. Many entities around the country have a structure similar to UConn Health, and many others have a model that is quite different than UConn.

University of North Carolina ("UNC")

UNC Hospitals is an operating unit of the UNC Healthcare system, controlled by the University of North Carolina Chapel Hill

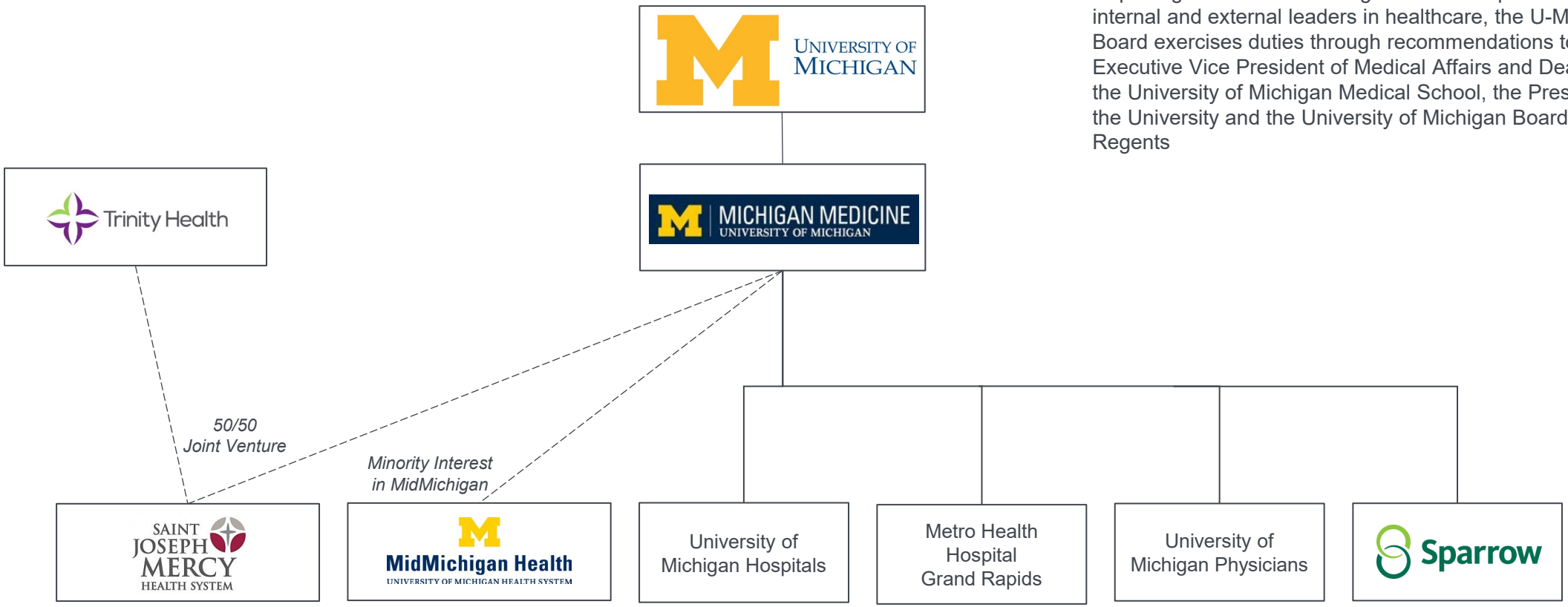


- UNC Health is under the governance of the Board of Directors of UNC Health
- UNC Health appoints all three seats on REX's Board of Directors
  - Rex Hospital is governed by a Board of Directors consisting of not less than nine or more than fifteen members

Source: OS from CreditScope
(O) = owned, (M) = managed

University of Michigan

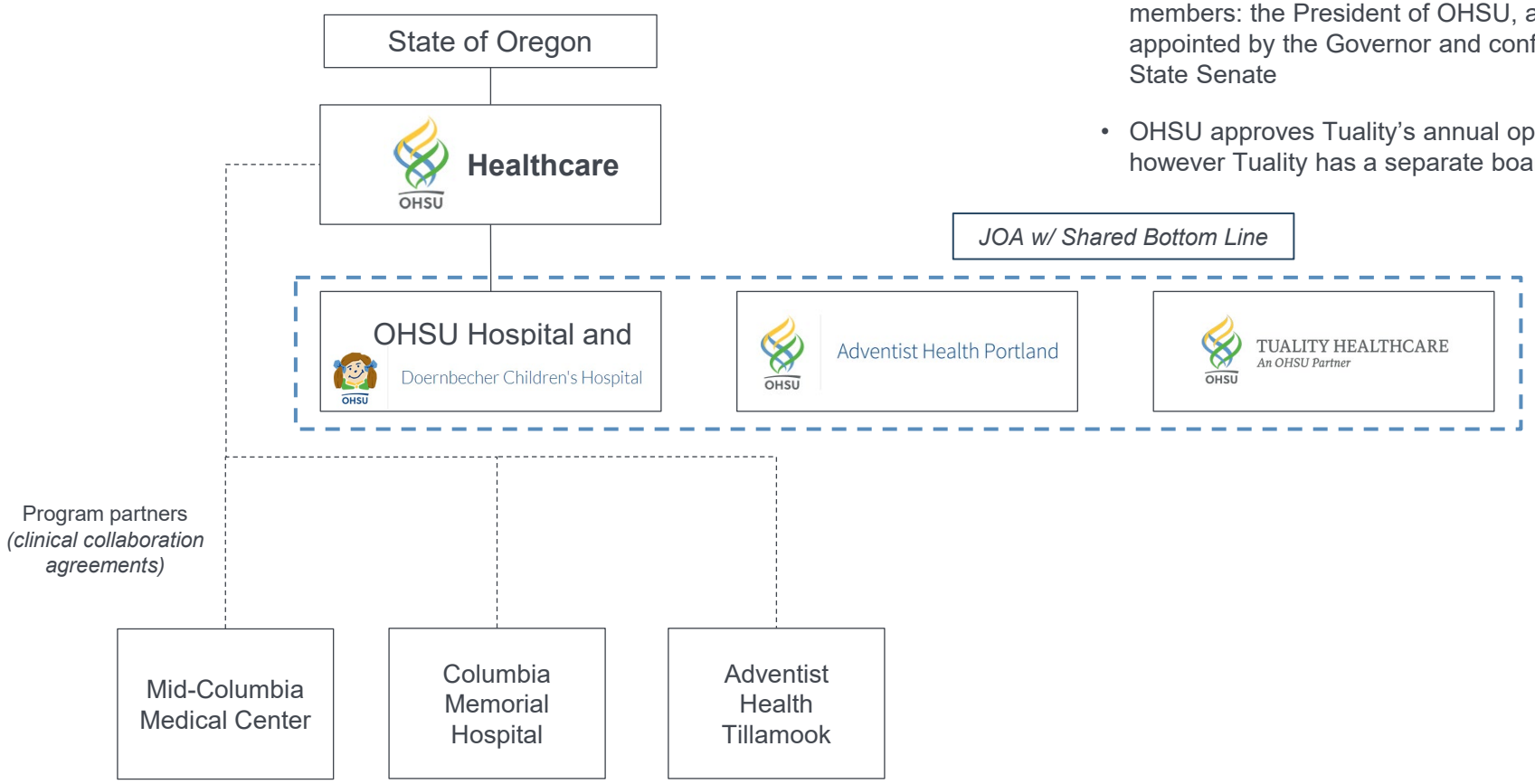
Michigan Medicine is an operating unit of the University of Michigan



- Reporting to the Board of Regents and comprised of both internal and external leaders in healthcare, the U-M Health Board exercises duties through recommendations to the Executive Vice President of Medical Affairs and Dean of the University of Michigan Medical School, the President of the University and the University of Michigan Board of Regents

Oregon Health & Science University ("OHSU")

OHSU operates a unified health system through agreements between OHSU Hospital, Adventist Health Portland, and Tuality Healthcare, along with partnerships with community hospitals



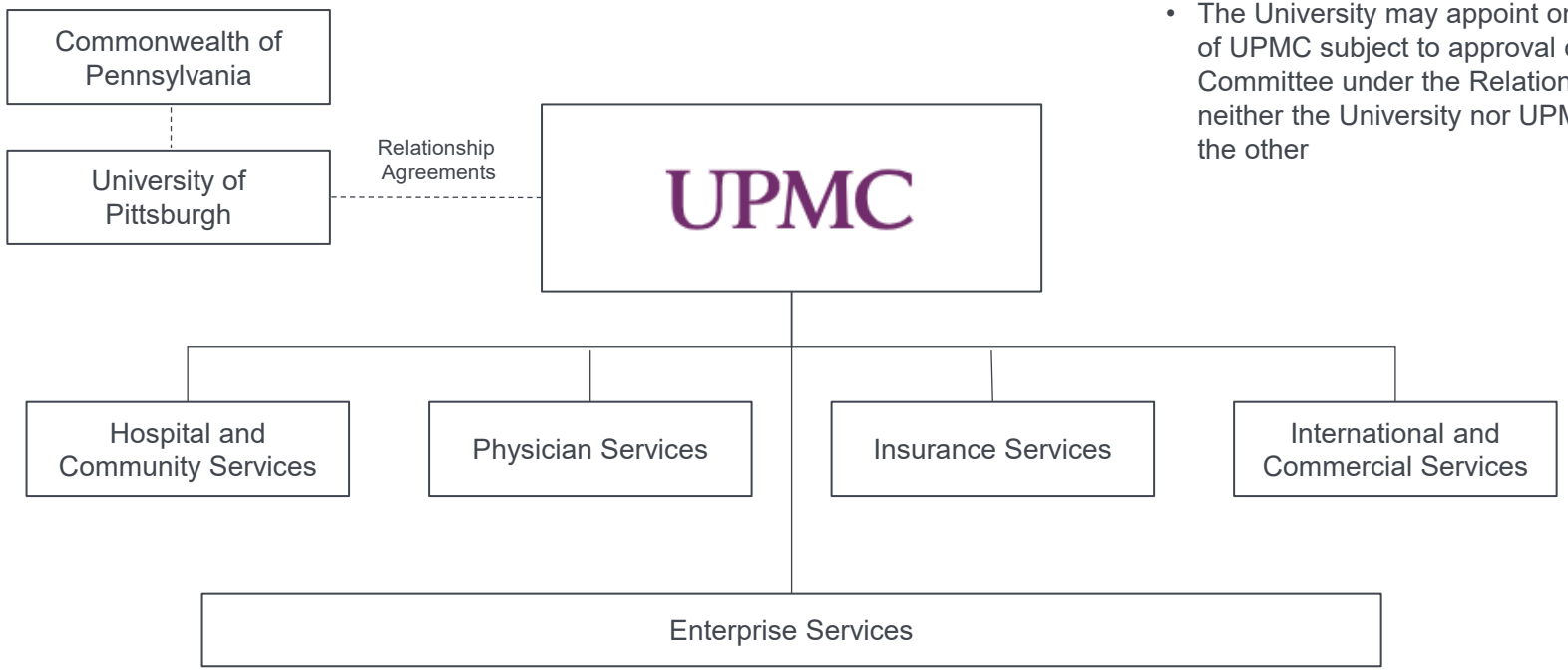
- OHSU is governed by the OHSU Board, which has nine members: the President of OHSU, and eight members appointed by the Governor and confirmed by the Oregon State Senate
- OHSU approves Tuality's annual operating budget, however Tuality has a separate board of directors

Source: OS from CreditScope

University of Pittsburgh Medical Center ('UPMC")

UPMC is an independent, non-profit corporation that is the parent organization for a number of hospitals and other healthcare related entities. It is separate, but affiliated with the University

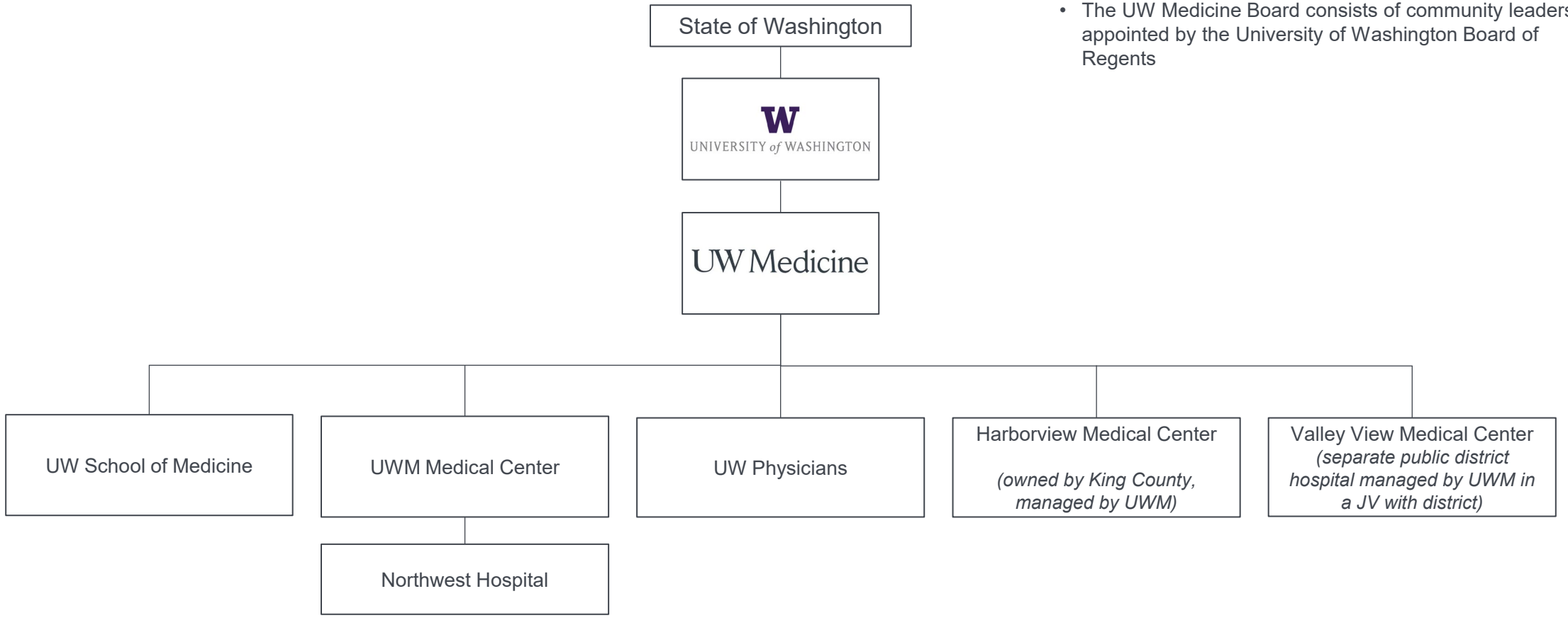
- The Commonwealth appoints 12 members of the 36 voting members of the University's Board of Trustees
- The University may appoint one-third of the board members of UPMC subject to approval of the UPMC Nominating Committee under the Relationship Agreements; however, neither the University nor UPMC are under the control of the other



Source: OS from CreditScope

University of Washington ("UW")

The UW Medicine Clinical Enterprise UW Division is comprised of UW Medicine clinical entities which are divisions, departments and component units of the University of Washington



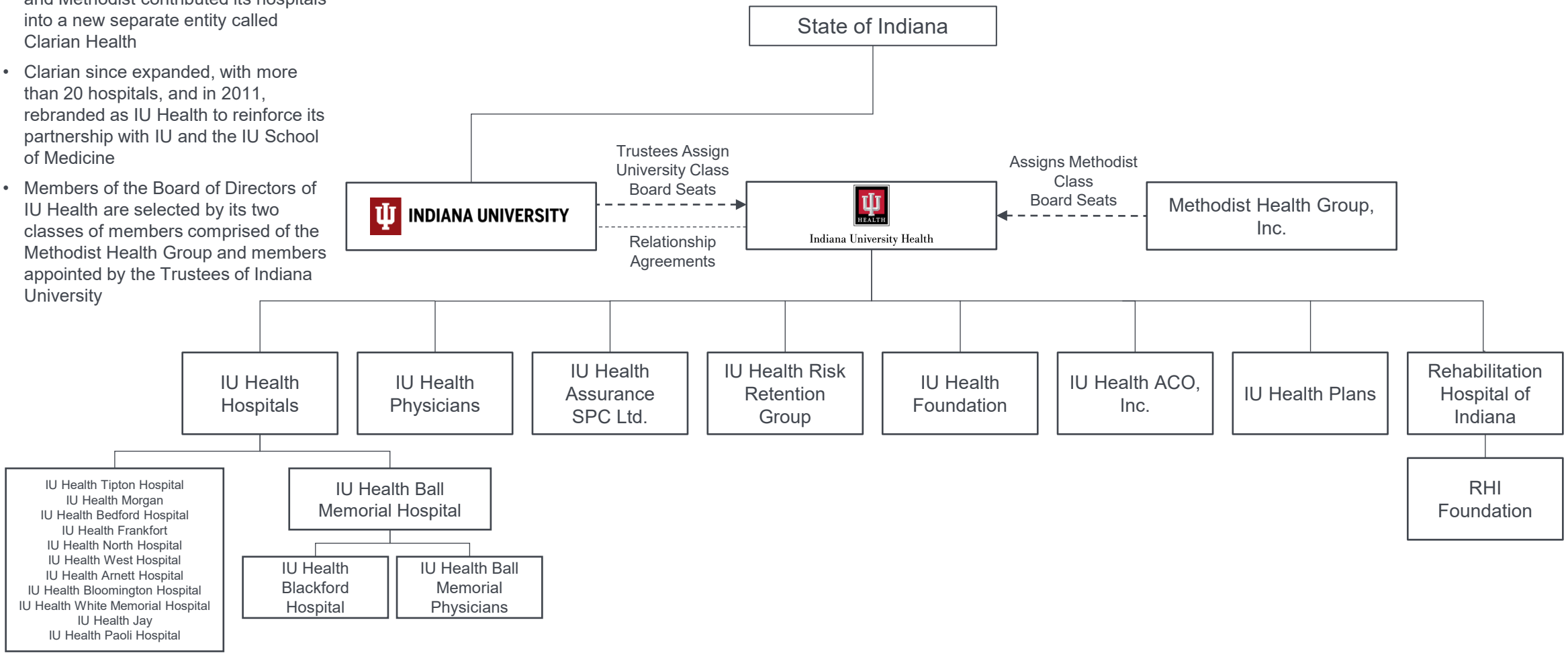
- The UW Medicine Board consists of community leaders appointed by the University of Washington Board of Regents

Source: UWM Website

Indiana University ("IU")

IU Health (formerly Clarian Health Partners) is a separate 501(c)3 corporation, with academic linkages to the University

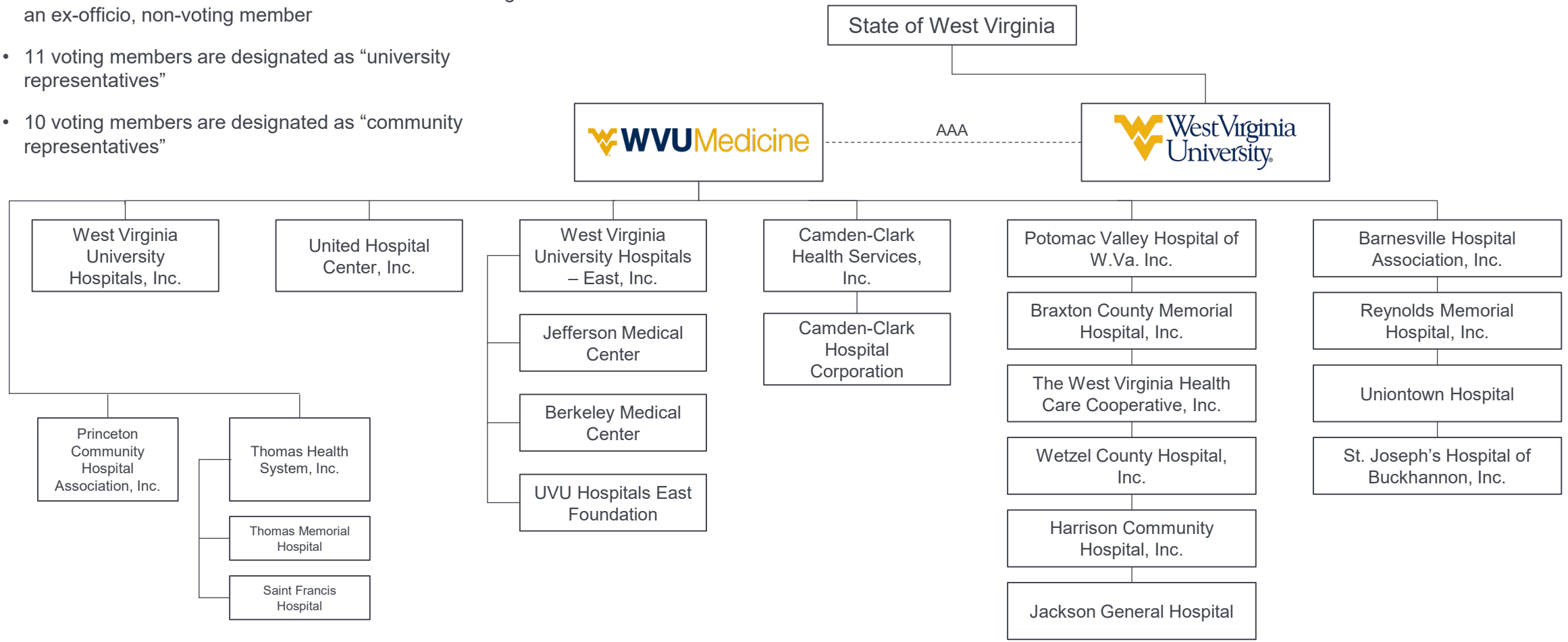
- In 1997, IU contributed its hospitals and Methodist contributed its hospitals into a new separate entity called Clarian Health
- Clarian since expanded, with more than 20 hospitals, and in 2011, rebranded as IU Health to reinforce its partnership with IU and the IU School of Medicine
- Members of the Board of Directors of IU Health are selected by its two classes of members comprised of the Methodist Health Group and members appointed by the Trustees of Indiana University



West Virginia University Health System ("WVUHS")

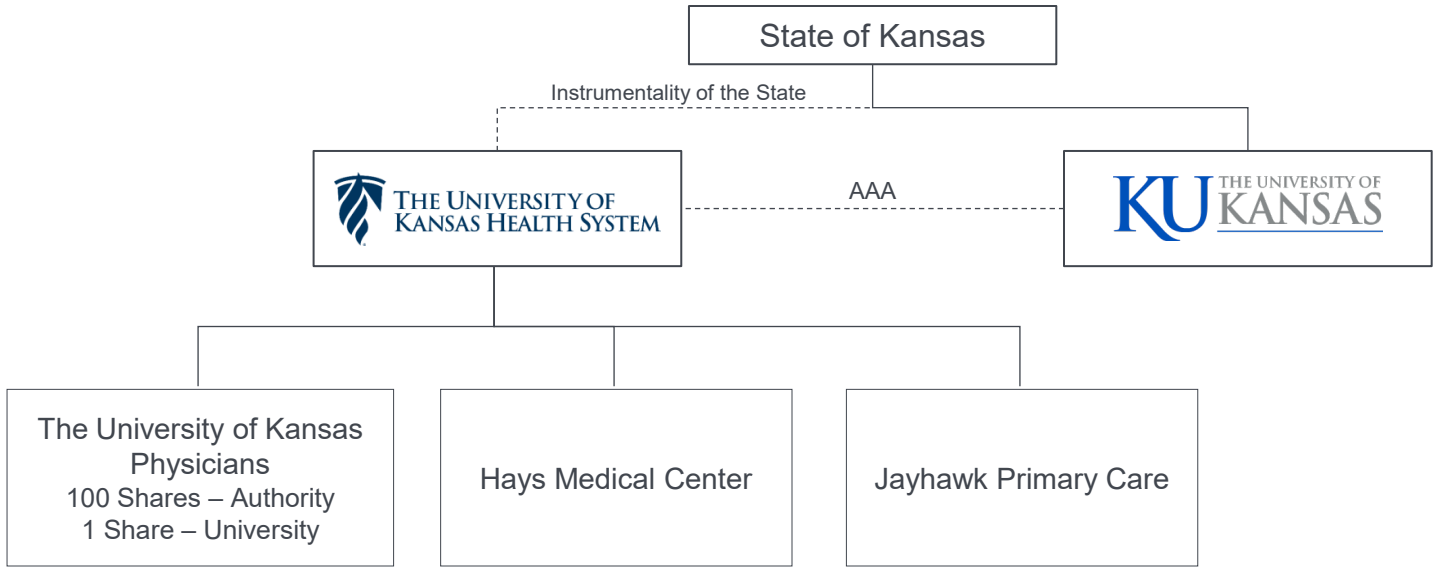
WVUHS is a separate, independent entity from the University and the State, but with certain governance ties to the University & State and specific academic affiliation agreements (AAA) with the University

- WVUHS is governed by a voting board of 21 members with WVUHS's President and Chief Executive Officer serving as an ex-officio, non-voting member
- 11 voting members are designated as "university representatives"
- 10 voting members are designated as "community representatives"



University of Kansas Health System ("KUHS")

KUHS is a separate, independent entity from the University and the State, but with certain governance ties to the University & State and specific academic affiliation agreements (AAA) with the University



- The Authority is governed by a 19-member Board of Directors
- 13 members are representatives of the general public (including at least 1 member from each of Kansas' 4 congressional districts, 1 who is president of UKP, and 1 who is a UKP physician) appointed by the Governor
- 6 ex officio members consisting of:
  - Chancellor of the University of Kansas
  - Executive Vice Chancellor of the University of Kansas Medical Center
  - Executive Dean of the University of Kansas School of Medicine
  - Chief of Staff of the KU Hospital
  - President of the Authority
  - Dean of the University of Kansas School of Nursing

Part Two: Examples of Select Public University and AMC Transactions

If UConn Health elects to pursue a partnership transaction to solve the dual conundrum of lack of scale and profitability in the Patient Care Enterprise, there are numerous other public university AMC examples that they can follow.

Strategic Partnership Models

UCONN HEALTH

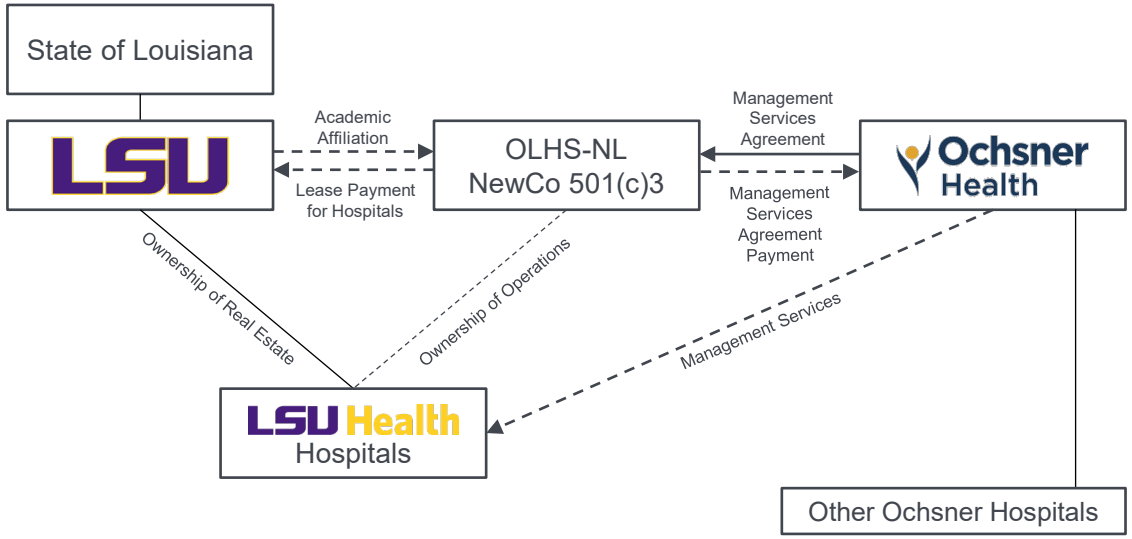
Joint Public-Private Partnership Case Study

Overview

- In August 2018, the newly formed Ochsner LSU Health System of North Louisiana ("OLHS-NL") took over operations of the hospitals owned by LSU
- LSU, the State public University, along with the State, OLHS-NL, and Ochsner Health entered into a public-private partnership
    - OLHS-NL owns the operations of the hospitals
    - OLHS-NL entered into an academic affiliation agreement with LSU
    - Ochsner Health manages the hospitals
    - The LSU faculty physicians have Physician Services Agreements with OLHS-NL to provide physician services
    - The State of Louisiana entered into a lease agreement with OLHS-NL to lease the state-owned hospital facilities to the health system in exchange for rent payments
- All agreements between the various parties have the same term – 10-year with 5-year successive renewals

Pre-Transaction Structure

Post-Transaction Structure



Strategic Partnership Models (cont'd)

UCONN HEALTH

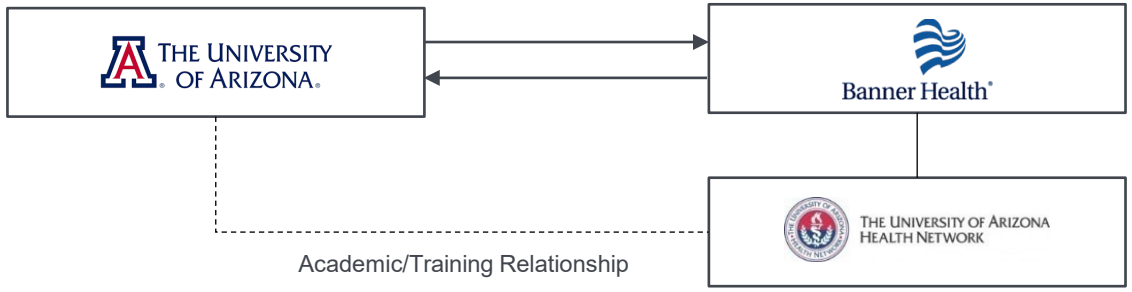
Membership Substitution

Overview

- Banner Health ("Banner") acquired The University of Arizona Health Network ("UAHN") from The University of Arizona in a change of control transaction where Banner became the sole member of UAHN
- Banner gains an academic partner that will provide a pipeline of physicians and other clinicians to their operations
- Banner establishes a presence in the Tucson market
- Banner gains a substantial health system, health plan, and physician practice operations
- UAHN secures a strong financial partner with access to a much broader, diverse population
- Both parties benefit from the branding of the partnership
- An Academic Affiliation Agreement was also negotiated with the University of Arizona, providing medical education programs at Banner facilities

Pre-Transaction Structure

Post-Transaction Structure



Strategic Partnership Models (cont'd)

UCONN HEALTH

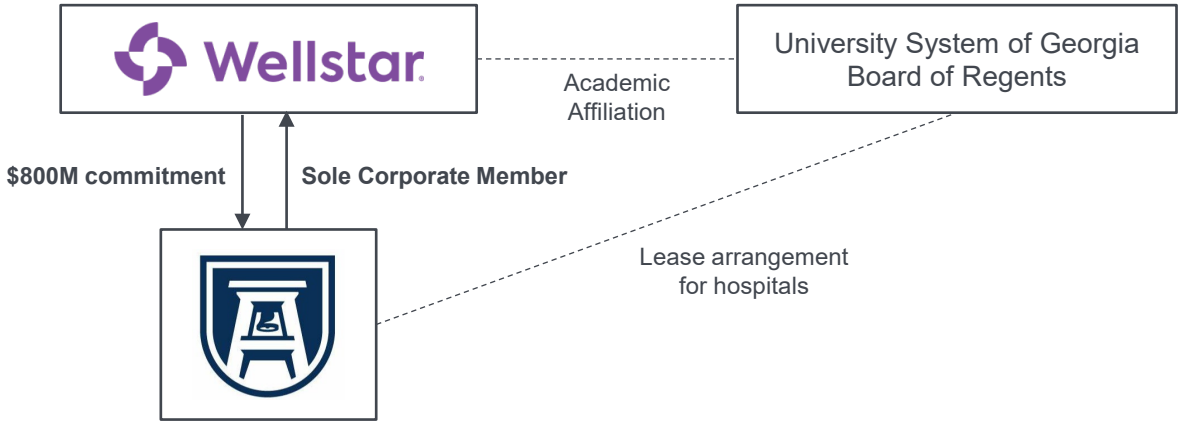
Membership Substitution

Overview

- Wellstar became the sole corporate member of AU Health System
- All of the AU Health System facilities are leased from the Board of Regents of the University System of Georgia under 40-year lease terms
- The affiliation agreement between Wellstar and the Medical College of Georgia provides that ~600 faculty physicians will provide clinical services at WMCG health system facilities in exchange for compensation to the Board of Regents
- $800 million capital commitment from Wellstar to the WMCG system over 10 years

Pre-Transaction Structure

Post-Transaction Structure



Strategic Partnership Models (cont'd)

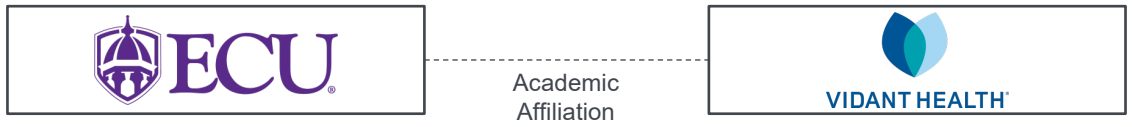
UCONN HEALTH

Joint Operating Agreement Case Study

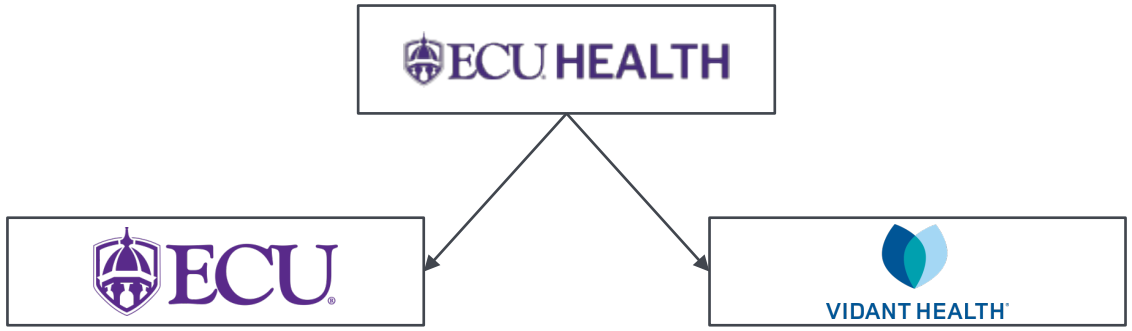
Overview

- East Carolina University's Brody School of Medicine ("ECU SOM") and Vidant Health signed a joint operating agreement to create ECU Health
- ECU SOM and Vidant Health will retain their separate legal entities but will function under a new, shared brand
- No changes to the employment status or benefits of current employees
- Improving the value of and the access to quality care by providing patients with a more streamlined health care experience
- More efficiently using clinical staff across the combined operations, regardless of which organization employs them
- Helping to facilitate new strategies and interventions for the most prevalent health needs of eastern North Carolina
- Creating operational efficiencies and reducing costs
- Establishing a shared leadership and governance structure for ECU Health

Pre-Transaction Structure



Post-Transaction Structure



Strategic Partnership Models (cont'd)

UCONN HEALTH

Academic Affiliation Case Study

Overview

- In 2016, Robert Wood Johnson Health System, the academic health system for NJ's Rutgers University, merged with Barnabas Health to form RWJBarnabas Health
- RWJBarnabas Health ("RWJBH") and Rutgers entered into an affiliation agreement in 2018
- Through the agreement, RWJBH and Rutgers aligned in their mutual support of the educational, research, and clinical missions of an academic health system
- The parties consolidated the System's educational and research activities under Rutgers' leadership, in coordination with RWJBH, and consolidated clinical services under the leadership of RWJBH, in coordination with Rutgers
- RWJBH works with RWJMS and New Jersey Medical School to train and educate more than 1,600 medical residents, interns and fellows
- The affiliation includes Rutgers Cancer Institute of New Jersey and Rutgers University Behavioral Health Care
- The enhanced academic affiliation will provide for more than $1 billion from RWJBarnabas to Rutgers over the next 20 years in support of the academic and research missions

Pre-Transaction Structure

Post-Transaction Structure

Strategic Partnership Models (cont'd)

UCONN HEALTH

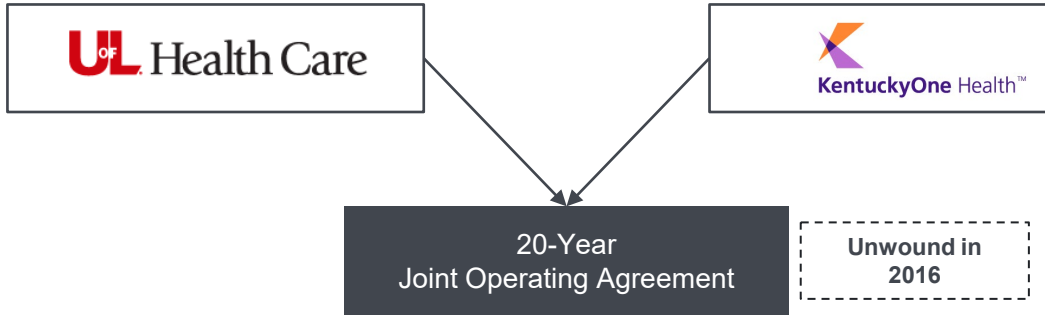
Joint Operating Agreement to Full Acquisition

Overview

- 2012: Initial 20-Year Joint Operating Agreement between The University of Louisville ("UofL") and KentuckyOne Health ("KOH")
  - KOH assumed management of the University hospital
- 2016: Joint Operating Agreement unwound
- 2019: UofL acquired KentuckyOne's Louisville-area assets
  - Included five KOH hospitals and four KOH outpatient facility locations
- Strengthens the UofL School of Medicine and Health Sciences Center campus by offering more training opportunities for students and more research capacity for faculty

Pre-Transaction Structure

Post-Transaction Structure 1 (2012)



Post-Transaction Structure 2 (2019)

Strategic Partnership Models (cont'd)

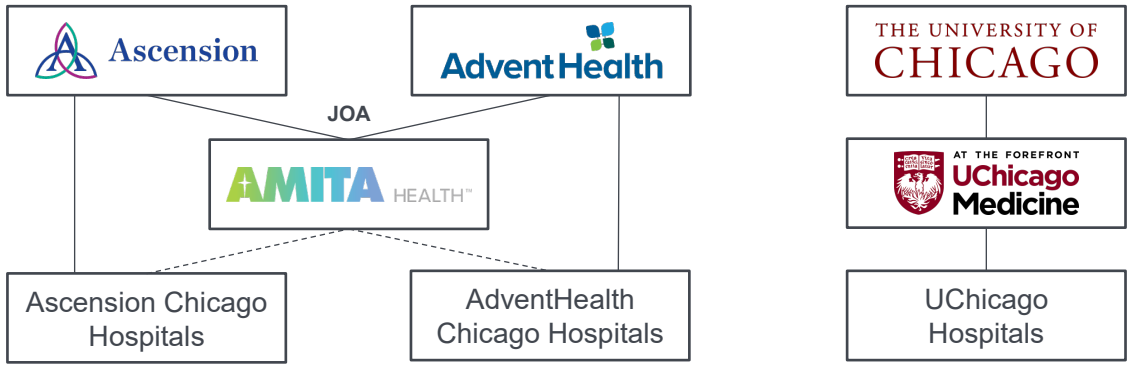
UCONN HEALTH

Joint Venture Case Study

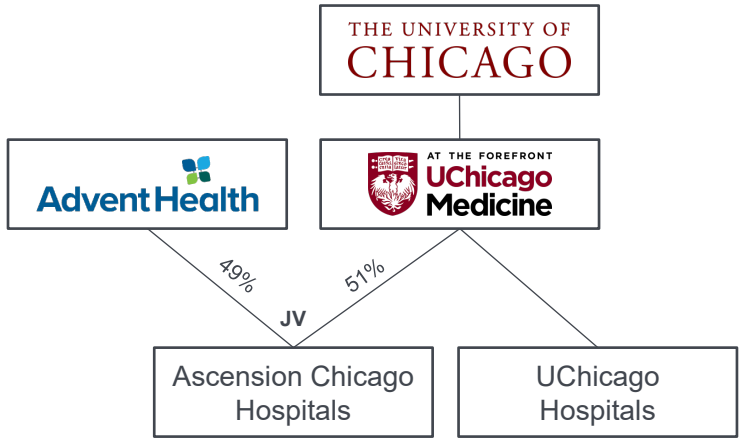
Overview

- In early 2022, Advent Health and Ascension Health dissolved their Joint Operating Agreement in Chicago, called AMITA Health
- Advent Health assumed operations of its four hospitals that were part of AMITA
- At the end of 2022, Advent Health entered into a joint venture with the University of Chicago Medicine
    - UChicago Medicine took a 51% membership interest in the four hospitals in a joint venture arrangement with Advent Health, which retained a 49% membership interest
- The transaction brings the academic mission of UChicago Medicine to the communities that these 4 hospitals serve

Pre-Transaction Structure



Post-Transaction Structure



Strategic Partnership Models (cont'd)

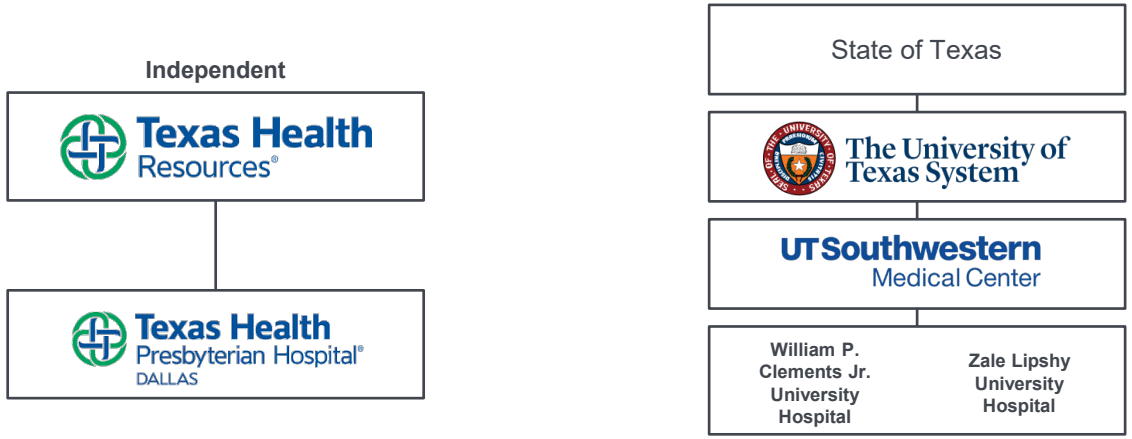
UCONN HEALTH

Joint Operating Agreement Case Study

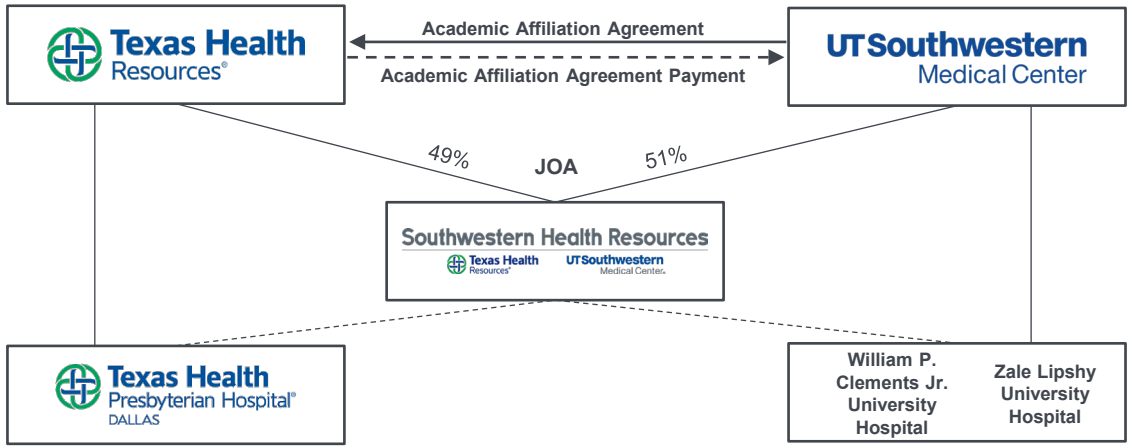
Overview

- Southwestern Health Resources ("SWHR") is an integrated regional health network, including the UT Southwestern Medical Center ("UTSW") and Texas Health Resources ("THR") systems, formed on December 15, 2015 to serve North Texas
- SWHR offers physician-driven care combining UTSW's network of faculty and community-based physicians with THR's employed physicians and independent physicians affiliated with both organizations and an integrated 27-hospital network
- Three Dallas hospitals (UTSW's Williams P. Clements Jr. and Zale Lipshy University Hospitals and THR's Texas Health Presbyterian Dallas) were contributed to form the Joint Operating Company ("JOA")
- THR and UTSW entered into Academic Affiliation Agreement in which THR committed to fund max of $28.5 million annually, not to exceed $140 million over five years, in support of medical education and research
- The SWHR Network has 49-51% joint ownership from THR and UTSW, respectively

Pre-Transaction Structure



Post-Transaction Structure



VI. Examples of Potential Options for UConn Health

This section provides an overview of potential options for UConn Health's Patient Care Enterprise, including transactions that would involve both external organizations or restructurings from within

It is Cain Brothers' view that there are a variety of options that UConn Health could pursue to solve its scale and profitability issues and advance the academic mission of the university and the medical school's ranking.

Structural Options Involving an External Partner to Consider

UCONN HEALTH

Further analysis is needed to evaluate the feasibility of the various structural options

1. **UConn could divest of its Patient Care Enterprise and merge it with another health system**
   - This would be a change of control transaction
   - UConn Health's Patient Care Enterprise would combine its operations, assets, and liabilities with the partnering organization
   - This would enable UConn to secure a strong financial partner for the University, negotiate academic support payments, and shift SEBAC employees to private sector union and benefit structure
   - Could rebrand acquiring system under the UConn name in exchange for brand licensing agreement and payments
     - *Examples include:*
       - *Banner Health acquired University of Arizona Health*
       - *Indiana University Hospital merged with Methodist Hospital to form a new 501(c)3, later re-branding to IU Health*
       - *Wellstar acquired Augusta State University Health System*

2. **UConn Health could combine its Patient Care Enterprise with another health system via a Joint Operating Agreement (JOA) or Public Private Partnership (PPP)**
   - Form a NewCo via a contractual arrangement whereby UConn Health's Patient Care Enterprise and the partner would combine operations into a shared income statement
   - UConn would retain ownership of its assets (leasing them to the JOA) and could potentially shift SEBAC employees to the private sector benefit structure
   - The Partner would operate the combined NewCo patient care enterprise
   - This would enable UConn to secure a strong financial partner for the University, negotiate academic support payments, and potentially brand the NewCo under the UConn name in exchange for brand licensing agreement and payments
     - *Examples include:*
       - *East Carolina University's Brody School of Medicine and Vidant Health formed a JOA to create ECU Health*
       - *LSU entered into a PPP for its State-owned hospitals by forming a new 501(c)3 to own the operations of the hospitals and entering into a management arrangement for Ochsner Health to manage the operations of the combined enterprise*

Structural Options Involving an External Partner to Consider (cont'd)

Further analysis is needed to evaluate the feasibility of the various structural options

3. **UConn Health could form a service line partnership and/or lease space in JDH to a partner to generate a financial return**
   - A partner acquires a service line(s) from UConn Health and rents space in JDH to operate that service line in exchange for an upfront payment or stream of payments over a specified term
   - This does not solve UConn's subscale situation nor materially fix its economic issues
   - This is fraught with operational challenges, there is a risk that a partner would "cherry pick" profitable service lines, and JDH does not have significant excess capacity to lease out

4. **UConn Health and partners could create a Management Services Organization (MSO) to increase back-office scale and purchasing power**
   - UConn Health partners with other regionally adjacent health systems or AMCs to create a unified back-office operation
   - This requires substantial time and negotiation amongst the various parties involved
   - Ultimately, this too does not solve UConn's subscale situation nor materially fix its economic issues

There are Also Structural Options that do not Involve an External Partner

Further analysis is needed to evaluate the feasibility of the various structural options

5. **UConn could spin the Patient Care Enterprise out of the University and create an independent non-profit 501(c)3 organization**
   - UConn Health spins out into its own 501(c)3 and remains independent
   - This would enable UConn Health to build off its historical growth and branding
   - This structure could permit growth through acquisitions and/or affiliations with other independent hospital in the State
   - There would need to be a limited phased-out support payment(s) from the State
   - The opening balance sheet of this new company would be strained with limited cash to support operations
   - UConn could retain ownership of its assets (leasing them to the new 501(c)3) and could potentially shift SEBAC employees to a private sector union and benefit structure

6. **Create a separate Patient Care Enterprise SEBAC bargaining unit**
   - Carve the SEBAC agreement into smaller agreements so UCHC can negotiate wage increases like the rest of the economics it already fully controls (e.g., work rules)
   - Potential to enhance UConn Heath's affiliations with other health systems through clinical and strategic partnerships under the new, separately negotiated SEBAC arrangements
   - Without meaningful inorganic growth, this does not ultimately solve UConn Health's subscale situation

Any solution that is pursued, whether with an external partner or not, should look to solve both the subscale situation and the financial issues. And a solution may involve a combination of elements from these different options.

Acquisition of Patient Care Enterprise

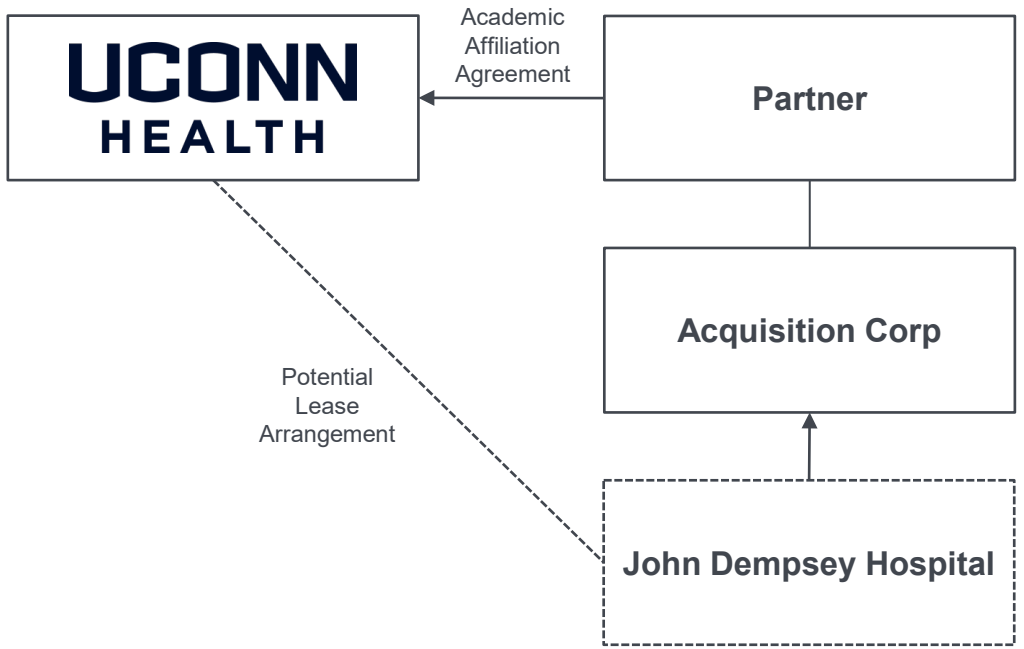
UCONN HEALTH

Summary of a potential acquisition of the Patient Care Enterprise from the perspective of UConn Health

Overview

- Partner acquires clinical operations of John Dempsey Hospital ("JDH") and enters into Academic Affiliation Agreement with UConn Health and UConn Medical Group ("UMG")
- UConn Health faculty operate under "two paycheck model," with payment from Partner for clinical productivity, and payment from University of Connecticut for research and teaching activity
- Partner enters into lease arrangement with State of CT / UConn for use of hospital and outpatient facilities
- Employees no longer under State employment and become employees of the Partner, under Partner's wage and benefit structures
- Potential for declining State support to continue for a transition period of time
- Likely necessary for employees to remain unionized in some form, though not under the current state employee union
- Could structure an "Acquisition Corp" as the acquirer, in order to shield Partner's legacy assets / obligated group
- Economic consideration for UConn to enter such a transaction could potentially include a combination of an up-front payment, ongoing academic support payments or a reallocation of a portion of the State supprort toward the academic mission

Transaction Structure



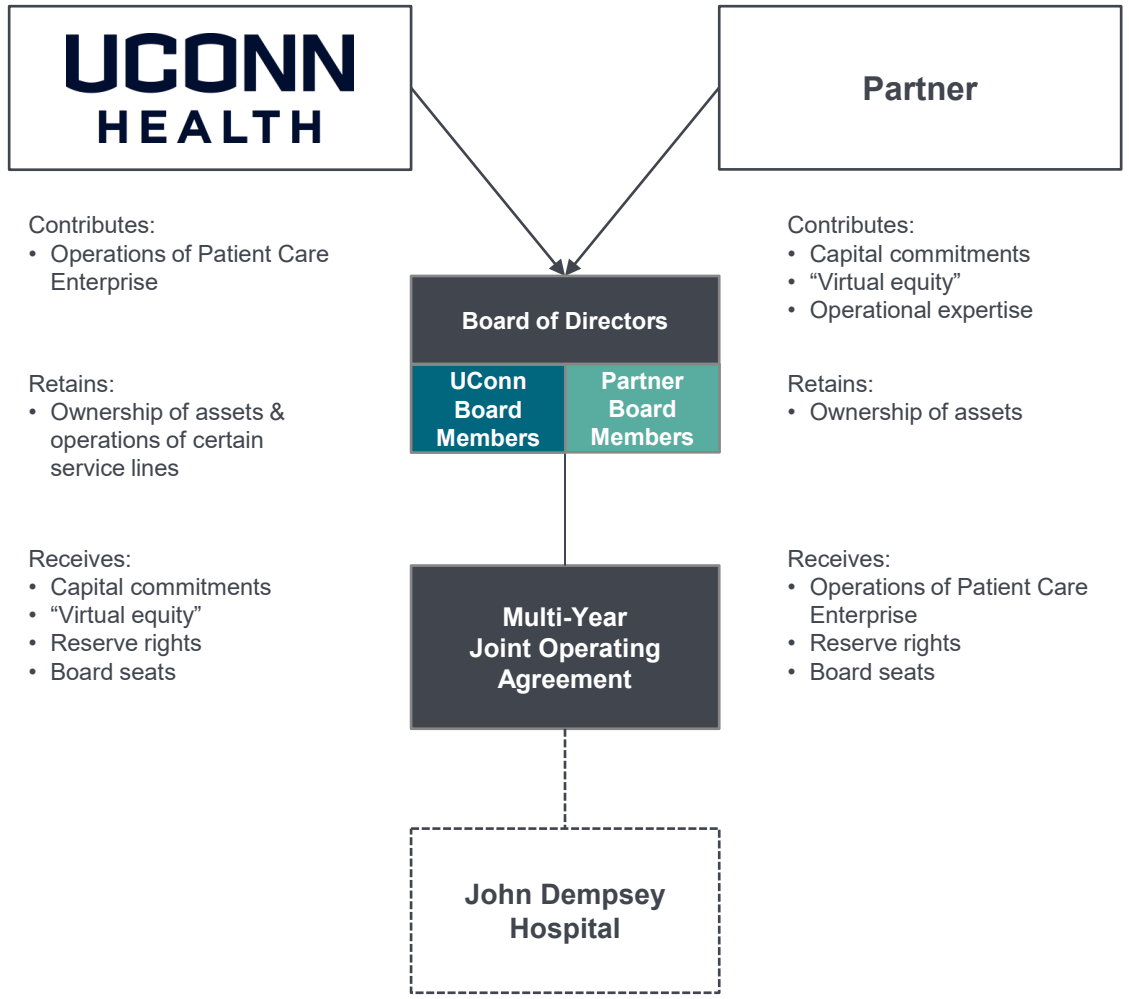
Formation of Joint Operating Agreement

Summary of a joint operating agreement arrangement and its application to UConn Health

Overview

- Partner enters into long-term joint operating agreement (JOA) to manage the Patient Care Enterprise
- Partner could potentially manage UConn Health-contributed clinical operations as part of its system, with possibility of "virtual equity" proportional interest in aggregate income allocated to UConn Health
- JOA overseen by board consisting of members from Partner and UConn Health
- UConn retains assets and leases them to JOA
- Finite contractual JOA term, subject to automatic renewals and termination provisions
- Structure of Employees:
    - Employees could be leased at market compensation levels and benefits via MSA. State could subsidize any benefits above those levels to keep employees whole with current levels, and decrease subsidy over time
    - Leave structure in place based on location. Over time, as SEBAC covered employees leave, replace with non-SEBAC employees to sunset the state employee base in the combined entity

Transaction Structure

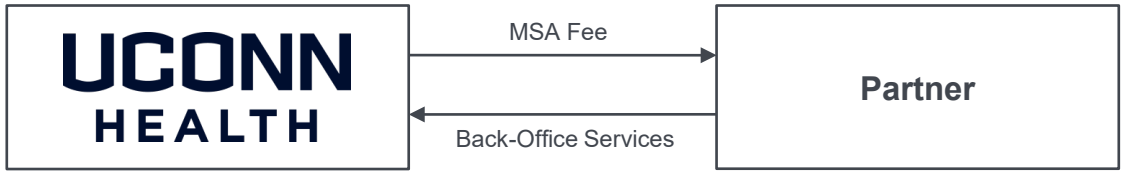


Outsourced Back-Office Services

Overview

- UConn Health outsources certain back-office functions to an MSO provider in exchange for an MSA fee
  - Billing / Revenue Cycle
  - Supply Chain
  - IT
  - Case Management
  - Marketing
- Key considerations related to the Clinical Enterprise employees / union
  - Certain functional Clinical Enterprise employees could be transferred to the MSO Provider

Transaction Structure



Contributes:
- Management fee
- Existing Clinical Enterprise operations

Retains:
- Existing governance structure
- Ownership of assets
- Reserve rights

Receives:
- Operating and clinical expertise
- Financial benefit of synergies
- Potential network integration

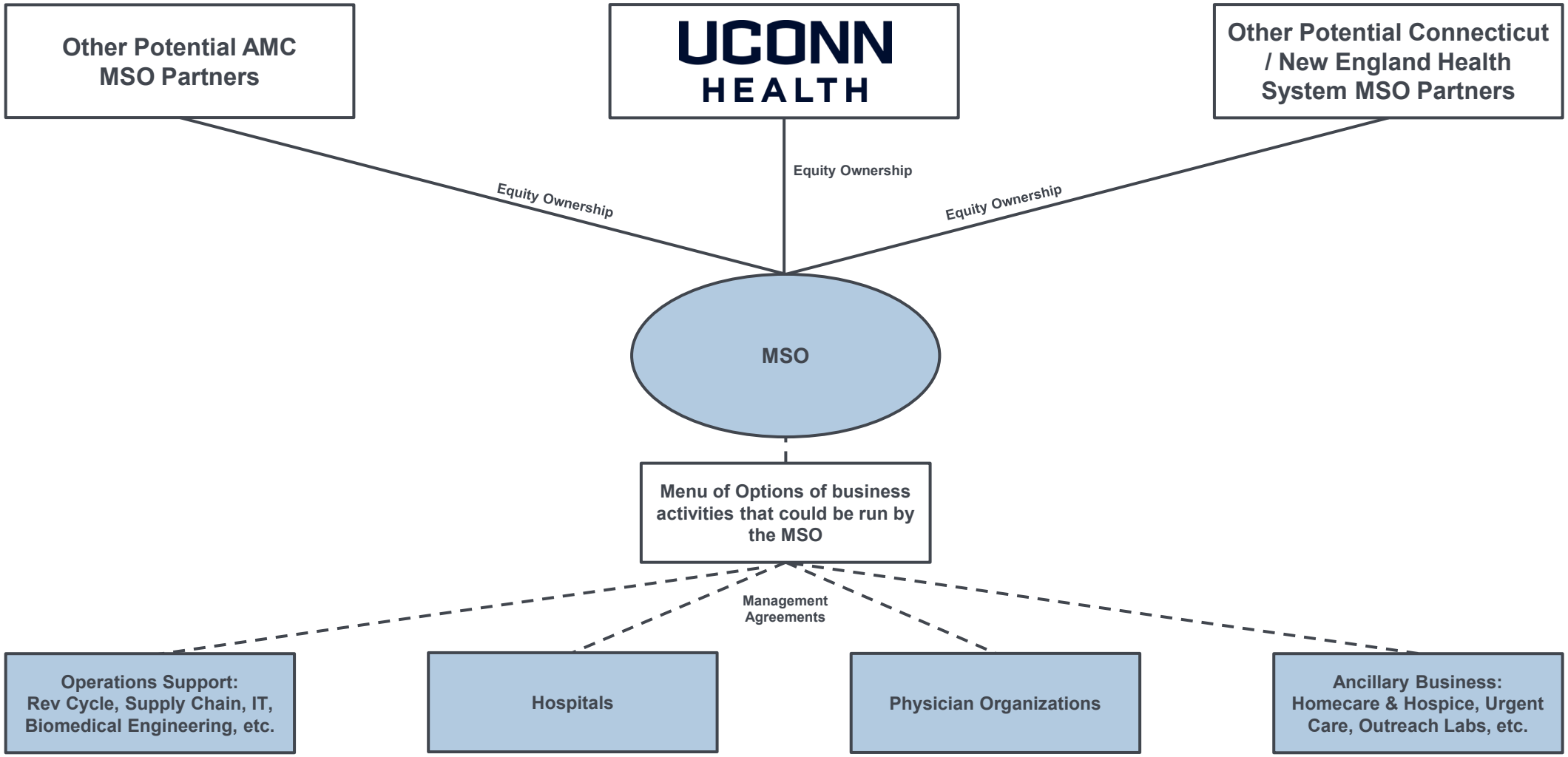
Contributes:
- Operating and management expertise
- Clinical expertise
- Operational support
- Quality oversight

Retains:
- Existing organization

Receives:
- Day-to-day operating rights
- Management fee

Illustrative MSO Partnership Model

Partner with other regionally adjacent health systems to create a unified operation

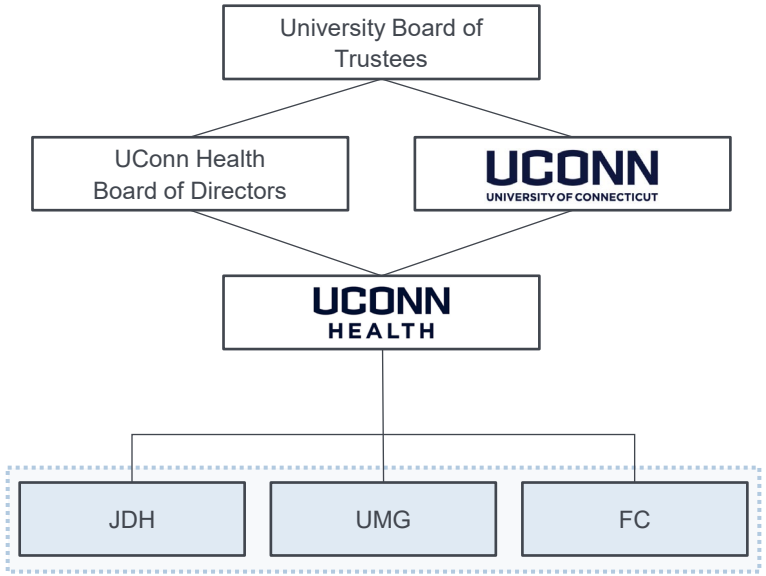


Status Quo – UConn Health Remains as a Standalone Hospital System

But Status Quo could take a few forms

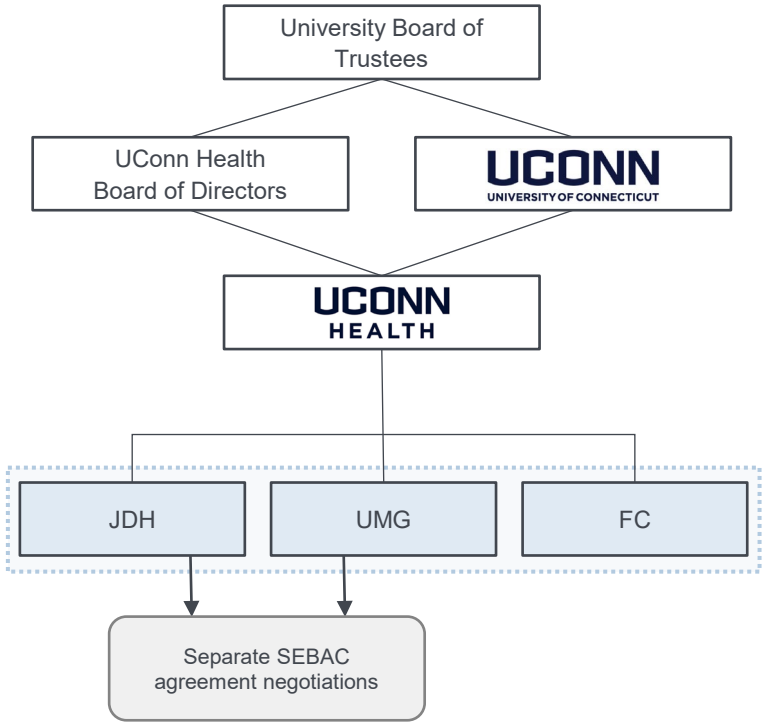
Status Quo (Unchanged)

- UConn Health remains unchanged and does not make any adjustments to current operations
- Keeps the possibility open to increase referrals and specialty surgery cases with independent hospitals



Status Quo with Negotiated SEBAC

- Carve the SEBAC agreement into smaller agreements so UConn Health can negotiate wage increases like the rest of the economics it already fully controls (e.g., work rules)
- Potential to enhance affiliations with other health systems through clinical and strategic partnerships under the new, separately negotiated SEBAC arrangements



Spin Out 501(c)3

- UConn Health spins out into its own 501(c)3 and remains independent
- UConn Health can continue to build off its historical growth and ensure long-term success, but with limited state support. Though the opening balance sheet would be strained.