



University of Connecticut

February 2008 Update

Indicators of Success



- UConn among the top 24 in the nation and rated the top public university in New England for the past 9 years (*U.S. News & World Report*)
- UConn ranked in the top 30 best value public colleges for in-state costs (*Kiplinger's Personal Finance*)



- 94% of recent graduates are either employed or are in graduate / professional schools
- 68% of those working full-time are doing so in Connecticut

Indicators of Success



- UCONN 2000 construction program has created more than 9.5M square feet of new & renovated space
 - Athletic teams have won 8 NCAA Division I national championships, 33 Big East tournaments & 41 Big East regular season titles since 1995
- UConn Health Center's John Dempsey Hospital named Solucient Top 100 Hospital in 2007
- UConn Health Center's School of Dental Medicine is consistently #1 or #2 in the country in the National Dental Board

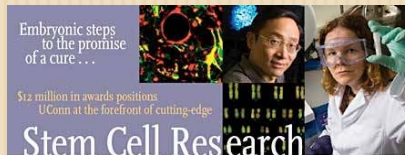


UConn's Contribution to Connecticut



UConn adds \$3.1 billion annually to Connecticut's gross state product

- Faculty Research, Training & Service:
 - Contributes to Connecticut's economic growth
 - Enhances health, technological advancement & quality of life across the state, the nation & beyond
 - External funding increased 78% from FY97 to FY07
 - Innovative Technologies:
 - Faculty awarded more than 175 patents in the past ten years & incubated 16 new businesses
- Fuel Cells:
 - CT Global Fuel Cell Center-supported by federal government & major state and other firms
 - Involves 40 faculty in vital cutting-edge research
- Stem Cells:
 - UConn faculty won 15 of 21 grants awarded by Connecticut's Stem Cell Research Advisory Committee in 2006 (\$12M)



Student Quality & Diversity



Health Center

- **Over the last 6 years (fall 2002-2007):**
 - School of Medicine applications increased by 71% (1,776 to 3,042)
 - School of Dental Medicine applications increased by 79% (870 to 1,557)
 - School of Medicine passing rates on National Exams have averaged 96% or above
 - School of Dental Medicine passing rates on National Exams have been at 100%
- **Total Minority Enrollment has increased from 19.8% in fall 1997 to 23.6% in fall 2007**
- **Approximately 35% of School of Medicine graduates practice in the state while 46% of School of Dental Medicine graduates practice in the state**



Student Quality & Diversity



Storrs & Regional Campuses

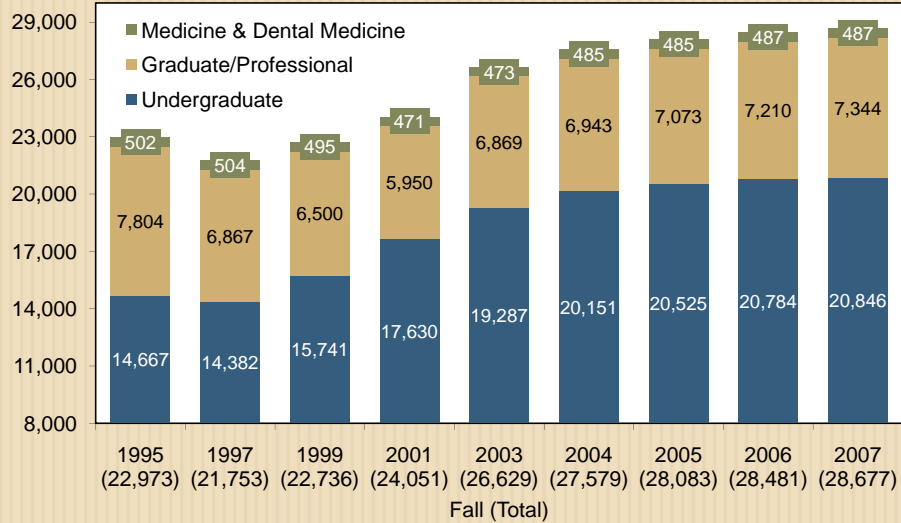
- **Fall 2007 compared to fall 1995 at Storrs:**
 - Applications increased 114% (9,874 to 21,105)
 - Freshman enrollment increased by 57% (2,021 to 3,179)
 - Freshman minority enrollment increased by 100% (308 to 617)
 - SAT scores increased by 79 points from fall 96-07 (1113 to 1192)
- **Valedictorians and salutatorians increased by 38 students (105 to 143) bringing the total since 1995 to 928 at all campuses**



Student Enrollment



Undergraduate enrollment increased 42% from 1995 to 2007



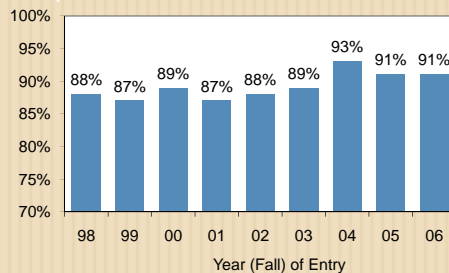
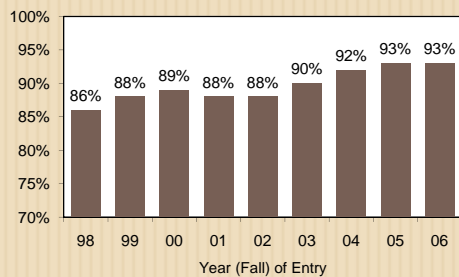
Retention Trends



All Freshmen

Storrs Campus

Minority Freshmen



□ Freshman retention rate (fall 04 entry) is substantially higher than the 80% average for 440 colleges & universities in the national Consortium for Student Retention Data Exchange (CSRDE)

□ The minority freshman retention rate (fall 04 entry) is also substantially higher than the national 79% average (CSRDE)

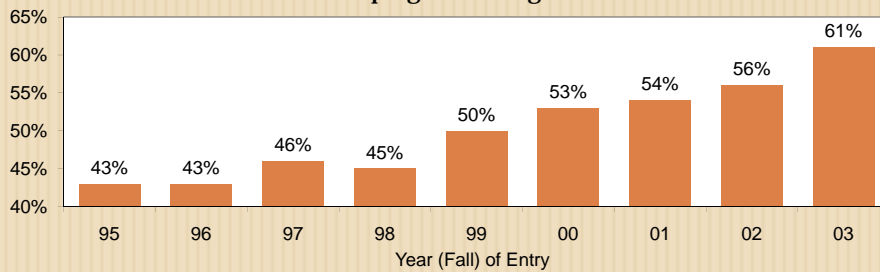
4-Year Graduation Trend



Storrs Campus

Among the 58 Public Research Peer Universities:

- UConn's 4-year graduation rate of 53% (fall 00) ranks 10th
- UConn's average time to graduate of 4.3 years (fall 00) ranks 5th
 - Only University of Virginia-Main Campus, University of North Carolina at Chapel Hill, University of Michigan-Ann Arbor & University of Illinois at Urbana-Champaign rank higher



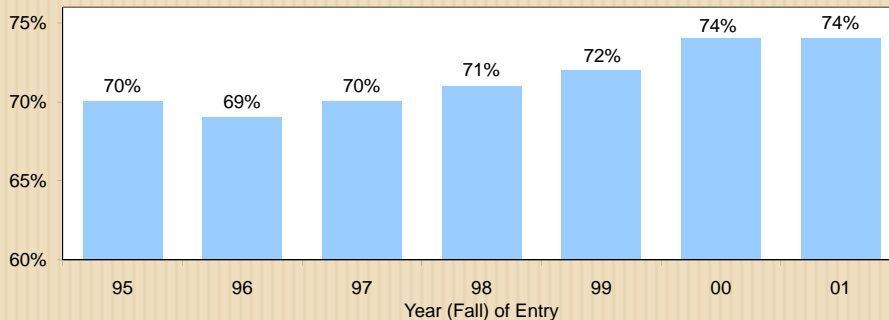
6-Year Graduation Trend



Storrs Campus

Among the 58 Public Research Peer Universities:

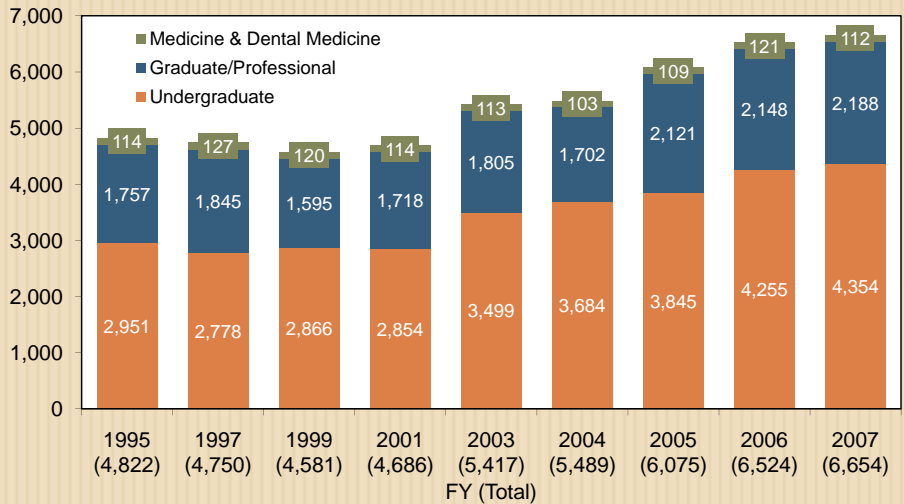
- UConn's 6-year graduation rate of 74% (fall 00) ranks 21st
- UConn's 6-year minority graduation rate of 69% (fall 00) ranks 20th



Degrees Awarded



Undergraduate degrees have increased 53% since 2001



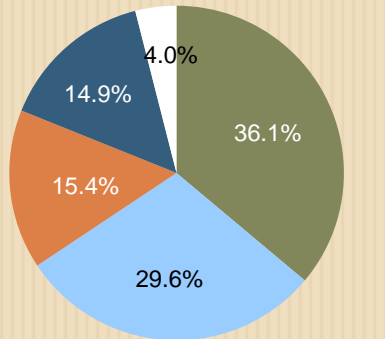
Approximately 103,800 alumni live in Connecticut

FY08 Key Revenue Drivers

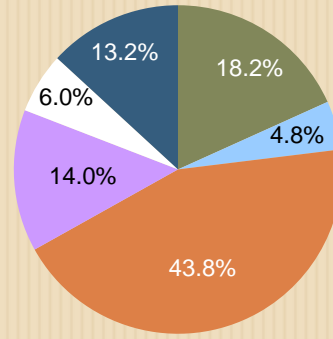


Storrs & Regionals

Health Center



- State Support: 36.1%
- Tuition & Fees: 29.6%
- Auxiliaries: 15.4%
- Gifts, Grants & Contracts: 14.9%
- All Other: 4.0%



- State Support: 18.2%
- Interns & Residents: 4.8%
- Patient Care: 43.8%
- CMHC: 14.0%
- All Other: 6.0%
- Gifts, Grants & Contracts: 13.2%

State Appropriation (\$M)



	<u>FY07 Allotment</u>	<u>FY08* Approp</u>	<u>FY09* Approp</u>
Storrs & Regionals	\$222.6	\$225.5	\$229.4
<ul style="list-style-type: none"> ▪ FY08 includes \$2M for Center for Entrepreneurship, \$1M for Faculty Hiring Plan, \$200K for Water Basin Planning, \$200K for MbeIN Program & \$200K for LISICOS. ▪ FY09 includes \$2M for Center for Entrepreneurship, \$2M for Eminent Faculty & \$1M for Faculty Hiring Plan. 			
Health Center	\$76.9	\$94.2	\$102.0
<ul style="list-style-type: none"> ▪ FY08 & FY09 include funds for the Academic Gap, \$100K for Area Health Education Collaboratives & \$200K for the Huntington's Disease Program. ▪ FY09 does not reflect \$3.6M for JDH fringe benefit costs, included in the appropriation for the State Comptroller's Office. 			

*FY08 & FY09 exclude the state's share of collective bargaining increases

Non-State Revenue Streams



□ Research funding

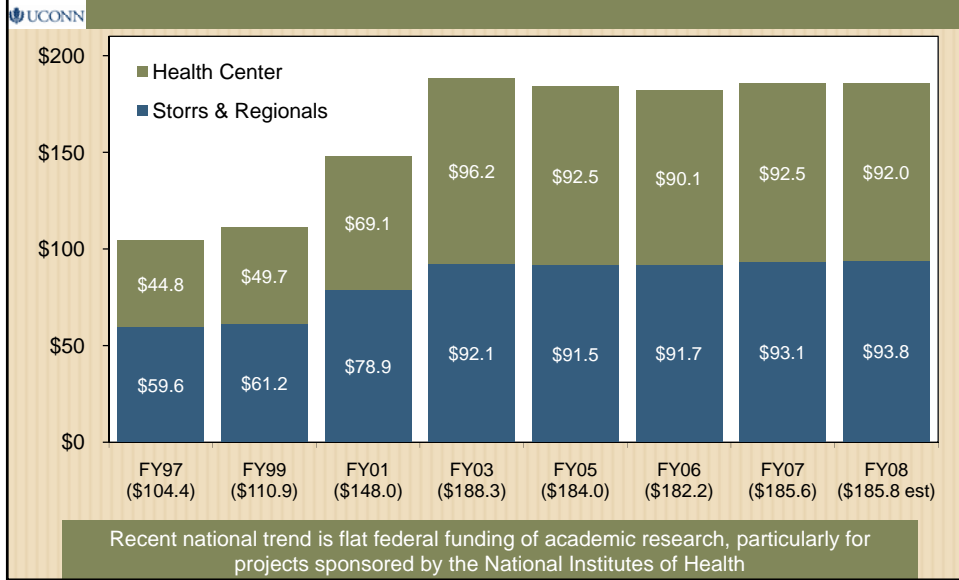
□ Private support

□ Clinical revenue @ Health Center

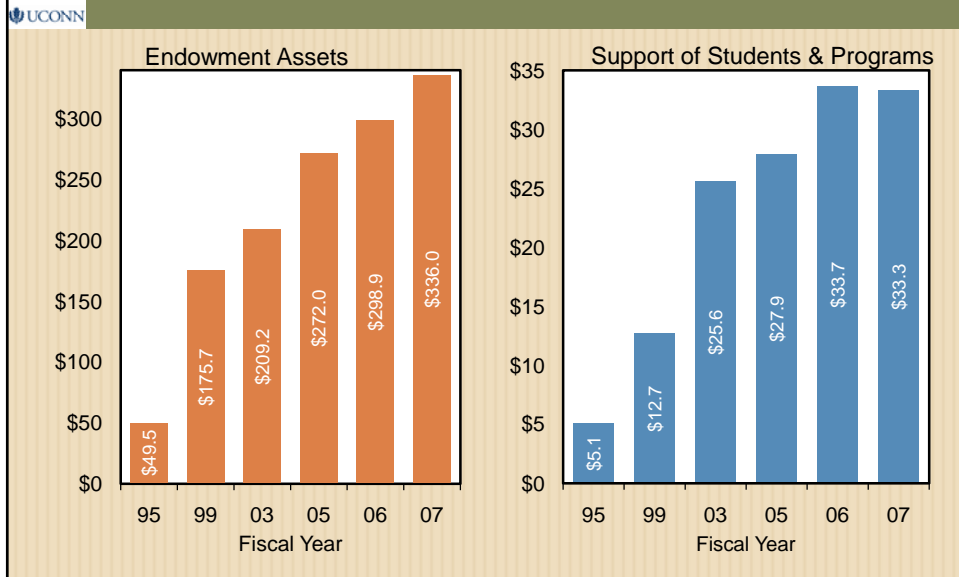
□ Tuition/fees/room/board @ Storrs & Regionals



Research, Training & Service External Awards (\$M)



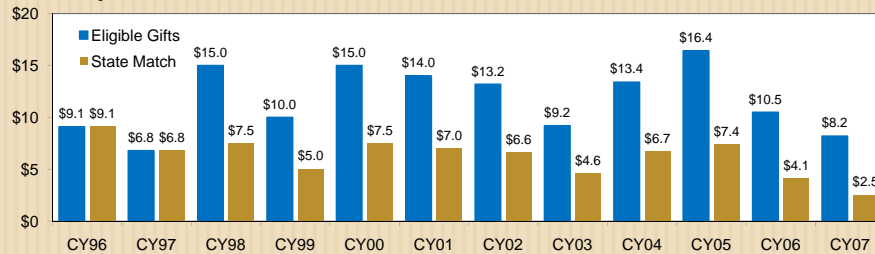
UConn Foundation (\$M)



Matching Grant Program (\$M)



- Program Summary:
 - 1996 – 1:1 state to private match
 - 1998 – 1:2 state to private match
 - 2005 – 1:4 state to private match, no state funds released until Rainy Day Fund is 10% of General Fund



- \$64M received from state through Program from 1996 to 2007
- \$11.5M due to University for 2005-2007

UConn's Affordability FY08 Tuition & Mandatory Fees



	<u>In & Out</u>		<u>In</u>	<u>Out of</u>
<u>Private Schools</u>	<u>Of State</u>	<u>Public Schools</u>	<u>State</u>	<u>State</u>
Boston College	\$36,079	Penn State	\$12,851	\$24,021
Boston Univ	\$35,418	Univ Vermont	\$12,044	\$27,928
Fairfield	\$33,905	Univ New Hampshire	\$11,070	\$24,030
Northeastern	\$32,149	Rutgers	\$10,706	\$19,874
Syracuse	\$31,686	Univ Massachusetts	\$9,921	\$20,499
Providence	\$29,405	Univ Connecticut	\$8,852	\$22,796
Quinnipiac	\$28,720	Univ Maine	\$8,330	\$20,540
Univ Hartford	\$26,996	Univ Delaware	\$8,305	\$19,555
		Univ Rhode Island	\$8,184	\$23,038
		Univ Maryland	\$7,969	\$22,208

UConn's Affordability FY08 Tuition, Fees, Room & Board*

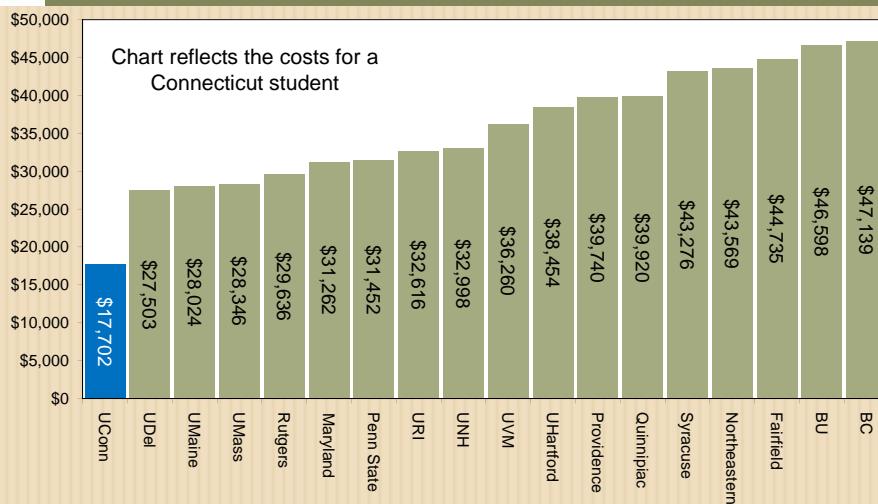


	<u>In & Out</u>		<u>In</u>	<u>Out of</u>
<u>Private Schools</u>	<u>Of State</u>	<u>Public Schools</u>	<u>State</u>	<u>State</u>
Boston College	\$47,139	Penn State	\$20,584	\$31,452
Boston Univ	\$46,598	Rutgers	\$20,468	\$29,636
Fairfield	\$44,735	Univ Vermont	\$20,376	\$36,260
Northeastern	\$43,569	Univ New Hampshire	\$20,038	\$32,998
Syracuse	\$43,276	Univ Massachusetts	\$17,768	\$28,346
Quinnipiac	\$39,920	Univ Rhode Island	\$17,762	\$32,616
Providence	\$39,740	Univ Connecticut**	\$17,702	\$31,646
Univ Hartford	\$38,454	Univ Maryland	\$17,023	\$31,262
		Univ Delaware	\$16,253	\$27,503
		Univ Maine	\$15,814	\$28,024

* Board rates reflect the most expensive meal plan available.

** 30% of UConn degree-seeking undergrads do not pay room & 38% do not pay board

UConn's Affordability FY 2008 Tuition, Fees, Room & Board*



*Board rates reflect the most expensive meal plan available.

Total Financial Aid (\$M)




Storrs & Regional Campuses

	<u>FY06</u>	<u>FY07</u>	<u>FY08</u> Budget	<u>% Change</u> (FY06-FY08)
Need-Based Grants	\$43.7	\$50.7	\$53.9	23.3%
University Scholarships	21.9	24.9	25.5	16.4%
Non-University Scholarships	5.6	5.1	5.3	(5.3%)
Loans (federal & private)	111.5	118.2	126.1	13.1%
Tuition Waivers	<u>34.6</u>	<u>37.8</u>	<u>39.7</u>	14.7%
Subtotal	\$217.2	\$236.7	\$250.5	15.3%
Work Study/Student Labor	<u>13.9</u>	<u>13.9</u>	<u>14.6</u>	5.0%
Total Financial Aid	\$231.1	\$250.6	\$265.1	14.7%

Financial Aid Summary



Storrs & Regional Campuses

- All tuition, fees, room & board increases have been accompanied by an off-setting increase in financial aid to ensure that any qualified student can attend the University regardless of financial means
- 
- For FY08, total aid will increase 6%
 - Need-based grants will increase 6.3%
 - Eliminated the un-met need gap for the neediest in-state students
 - 77% of students (undergraduate and graduate) received aid in FY07

Budget (\$M)

UConn

	<u>FY07</u> (unaudited)	<u>FY08 Budget</u>
<u>Storrs & Regionals</u>		
Revenues	\$862.3	\$901.0
Expenditures	<u>853.0</u>	<u>903.3</u>
Net Gain/Loss	\$9.3	(\$2.3)
<u>Health Center</u>		
Revenues	\$673.2	\$712.9
Expenditures	<u>677.4</u>	<u>712.9</u>
Net Gain/Loss	(\$4.2)	\$0.0

Budget Priorities

UConn

- **Programmatic imperatives**
 - Record enrollment, retention & graduation rates
 - Increased expectations of students
 - Enriched educational experiences
 - Response to changing workforce demands
 - Economic development potential for Connecticut
 - Signature Program investment



- **FY08 spending plan highlights**
 - Storrs & Regionals: increase faculty (\$3.0M); enhance campus security (\$0.7M)
 - Health Center: achieve financial stability; strengthen signature programs (\$3.8M)

Provost's Priorities for FY08



Storrs & Regional Campuses

- Academic leadership in schools/colleges

- Internationalization & Diversity



- Focused research enhancements

- New faculty hiring – FY08 & FY09



Academic Leadership



Storrs & Regional Campuses



- Senior academic leadership at the Storrs & Regional Campuses is provided by the 11 Deans



- 4 new Deans recruited to start in fall 2007 or spring 2008: Law, Business, Nursing & Engineering
- At least 3 searches underway for new Deans to take over in fall 2008—CLAS, Social Work & Graduate School



- Successful completion of these searches is the highest priority in Academic Affairs



Internationalization & Diversity



Storrs & Regional Campuses

- Aim to increase the international dimension of teaching & research programs & enhance range of diversity programming
- Achieve diversity goals spelled out in various college plans for faculty & students
- Increase percentage of students who benefit from an international experience from 12% to 30%
- Forge substantial partnerships across a broad array of research & teaching programs with a limited number of prestigious international universities
- Increase recruitment efforts for undergrad international students & provision of appropriate support such as Global House



Research Enhancement



Storrs & Regional Campuses

- Increase emphasis on focused research areas identified in Academic Plan
- Development of Eminent Faculty Program in alternative fuels funded by state and private partnership
- Development of entrepreneurial support activities through Schools of Business and Law
- Partnering with state agencies in nanotechnology research
- Collaboration with foreign institutions on research projects involving the environment & health & human behavior
- Pursuing workforce development for the state building upon research strengths in engineering, nursing, business, social work, etc.
- Further strategic investment in cultural & artistic programming



Faculty Hiring



Storrs & Regional Campuses

- Net new faculty = 51 in FY06 & 13 in FY07
- Net new faculty = 30 in FY08 (fall 2007)
 - Workforce Development
 - Engineering, Biological Sciences, Pharmacy, Nursing & Allied Health Sciences
 - School of Business
 - Neag School of Education
 - Critical Research
 - Center for Regenerative Biology, Fuel Cell Center, Functional Foods, Intellectual Property, Operations & Information Management & Physical Sciences
 - Educational Needs
 - Undergraduate Education, Humanities & Social Sciences
- Approximately \$3M (excluding fringe) in funding from the state, programmatic reallocations & operational efficiencies



New Initiatives Update



Center for Entrepreneurship

Eminent Faculty

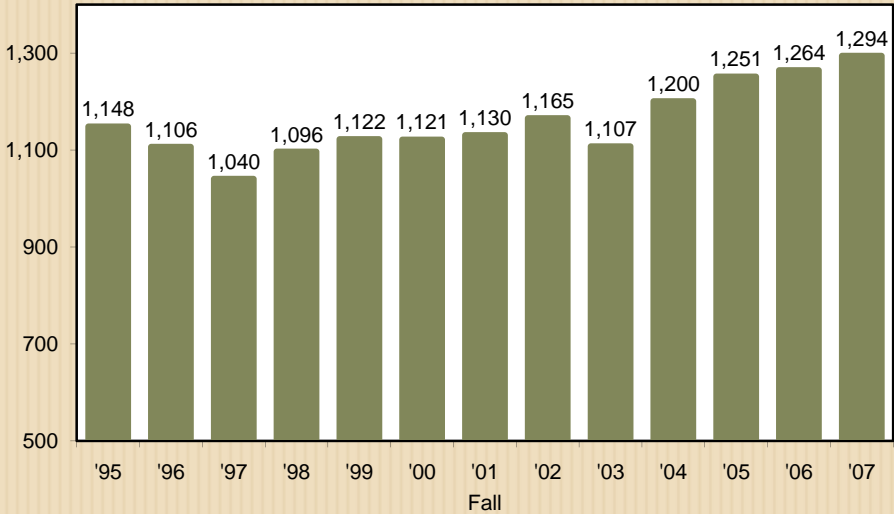
- | | |
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| <ul style="list-style-type: none"> □ \$2M funding from state □ School of Business & School of Law: 6 faculty hired for FY08 □ The program: <ul style="list-style-type: none"> ■ Supports inventors in commercialization & generation of business opportunities ■ Assists technology based programs in finding real-time solutions to business problems ■ Already opened an intellectual property law clinic | <ul style="list-style-type: none"> □ \$2M funding from state in FY07, no funding in FY08, \$2M funding in FY09 □ Initial match from industry has been secured □ Eminent faculty hire anticipated by fall 2008 □ Major areas of focus: <ul style="list-style-type: none"> ■ Alternative energy ■ Fuel Cells |
|--|---|



Faculty Growth



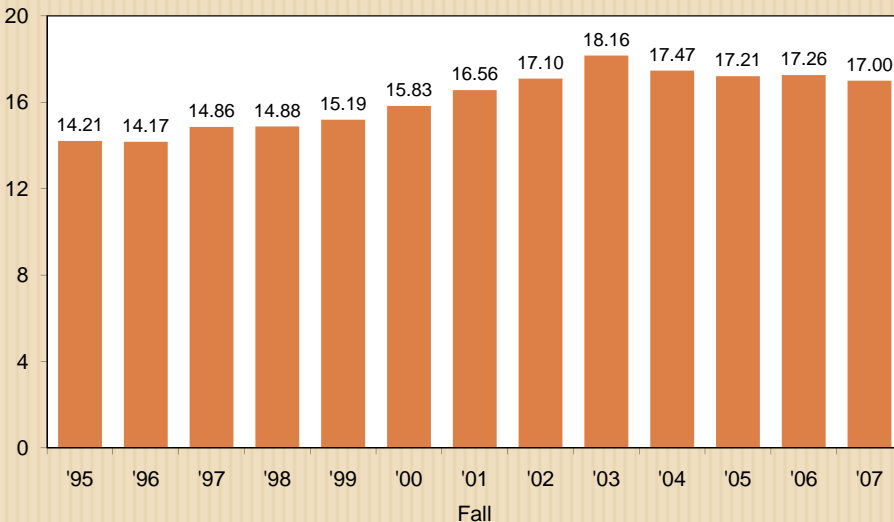
Storrs & Regional Campuses



Student Faculty Ratio



Storrs & Regional Campuses





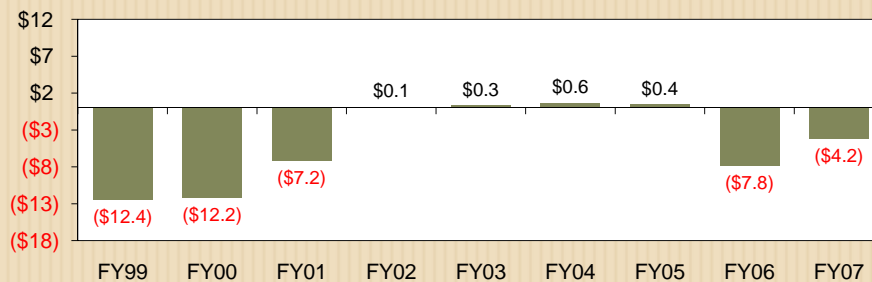
University of Connecticut Health Center

February 2008 Update



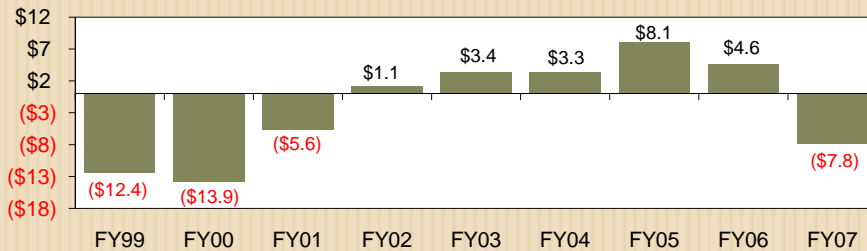
- Beginning in FY02, the Health Center experienced 4 straight years of improved financial performance & balanced budgets
- In FY07, the Health Center experienced a \$4.2M deficit

UConn Health Center
Total Excess / Deficiency (\$M)



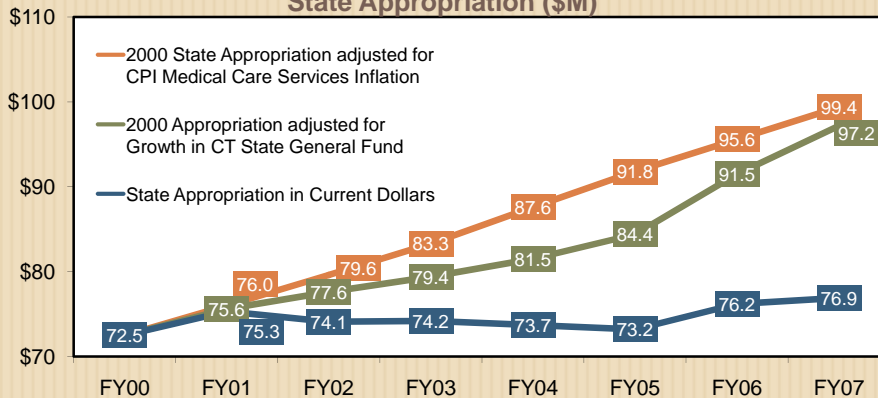
- The financial turnaround of John Dempsey Hospital (JDH) was a key factor in balancing the Health Center’s overall budget
- In FY06, while still generating a margin, the hospital was no longer able to fill the “academic gap”
- By FY07, JDH was in deficit as forecast

John Dempsey Hospital
Total Excess / Deficiency (\$M)



- From FY00 to FY07, the state appropriation (the mainstay of the academic enterprise) saw an average annual rate of increase of only 0.8%

State Appropriation (\$M)





Cost Improvements (\$M)

- The combination of inflation, flat state appropriations & reliance on hospital income in a volatile health care market put finances at risk
- Over the years, UCHC has sought to mitigate this structural financial problem through increased clinical revenue generation & ongoing cost improvement efforts (both revenue enhancement & expense reduction, including workforce cuts)

<u>FY00</u>	<u>FY01</u>	<u>FY02</u>	<u>FY03</u>	<u>FY04</u>	<u>FY05</u>	<u>FY06</u>	<u>FY07</u>	<u>Total</u>
\$12.9	\$7.7							\$20.6
	5.8	1.2						7.0
		5.5						5.5
		7.1	3.0					10.1
			9.4	2.7				12.1
				2.7				2.7
					5.2			5.2
						1.8		1.8
							13.0	13.0
\$12.9	\$13.5	\$13.8	\$12.4	\$5.4	\$5.2	\$1.8	\$13.0	\$78.0
Incremental impact of prior year improvements								



FY07 Plan

- Goal was to stabilize the operating budget through yet another series of cost reductions & revenue enhancements
 - Elimination of 74 filled & vacant positions
 - Implemented a \$9M improvement plan
 - Additional vacant position elimination
 - Purchasing standardization cost savings
 - Hospital value analysis & revenue cycle project savings
 - Other expense reductions (travel, consulting, miscellaneous)
 - Aggressive funding plan for 19 new & replacement physician hires in UMG
 - 15% tuition increase
 - Deferral of academic & managerial merit increases

FY07 Wins



- Record JDH volume (inpatient and outpatient)

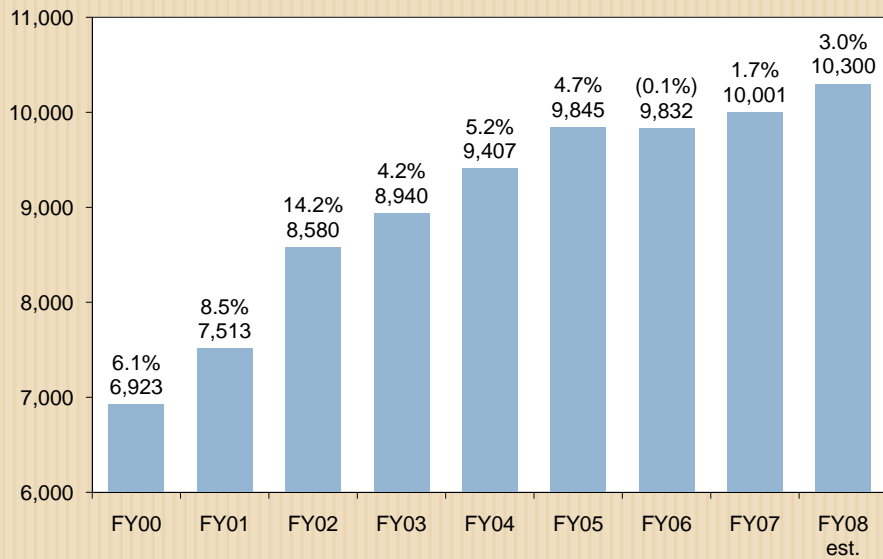
- Excellent expense control



- The \$9M cost improvement plan ultimately achieved \$13M



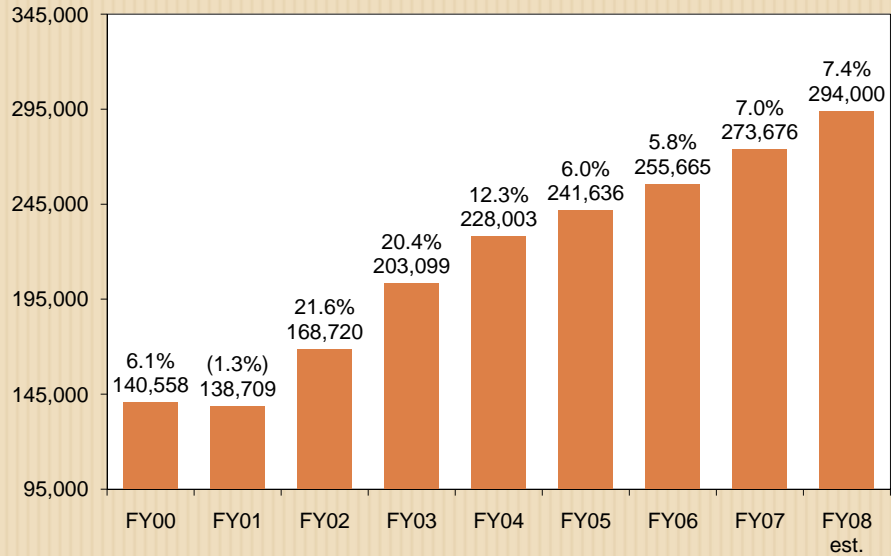
JDH Admissions





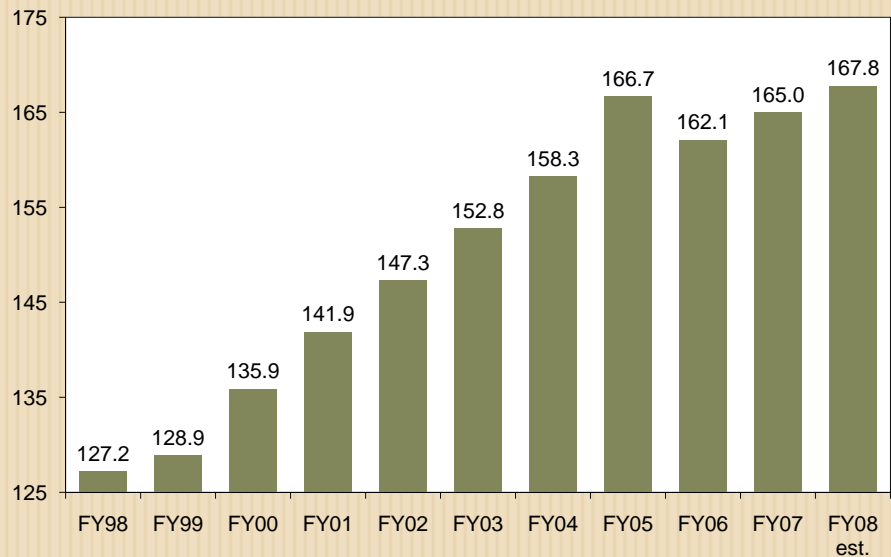
UConn Health Center

JDH Outpatient Visits



UConn Health Center

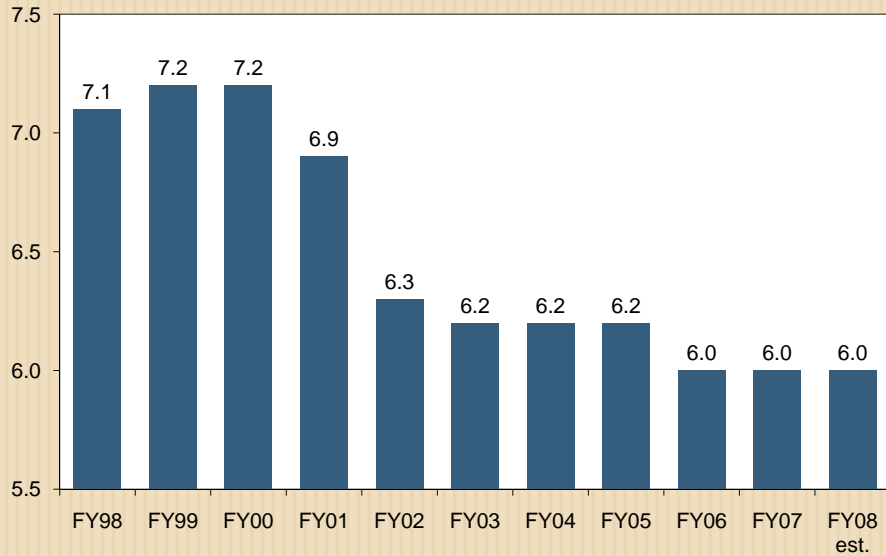
JDH Average Daily Census





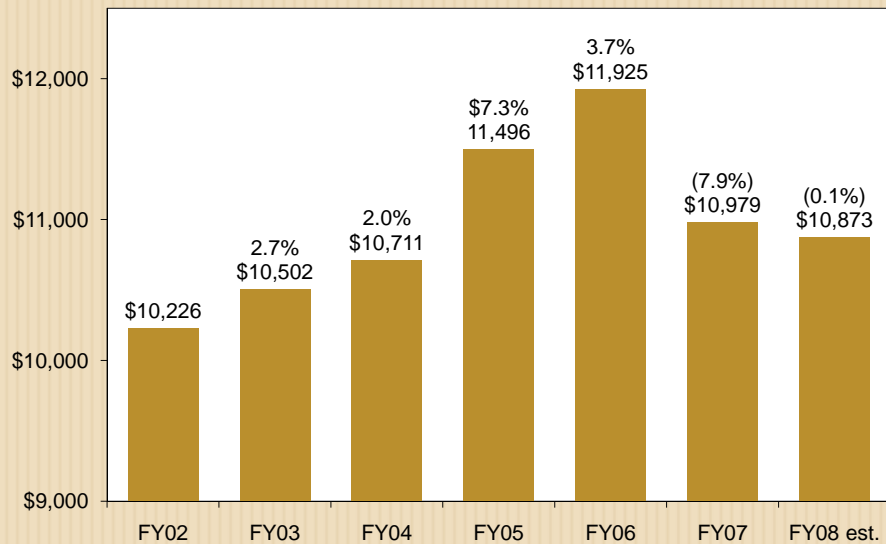
UConn Health Center

JDH Length of Stay



UConn Health Center

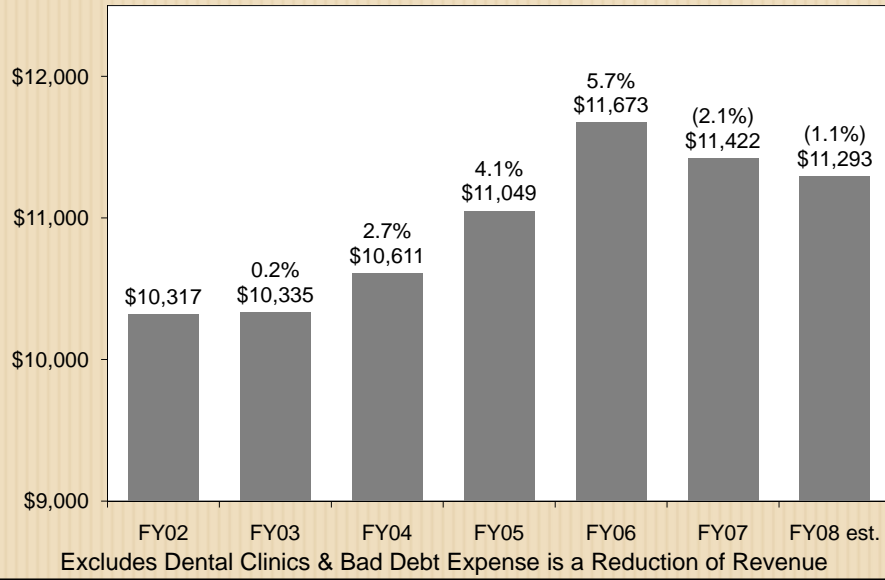
JDH Revenue per Adjusted Discharge



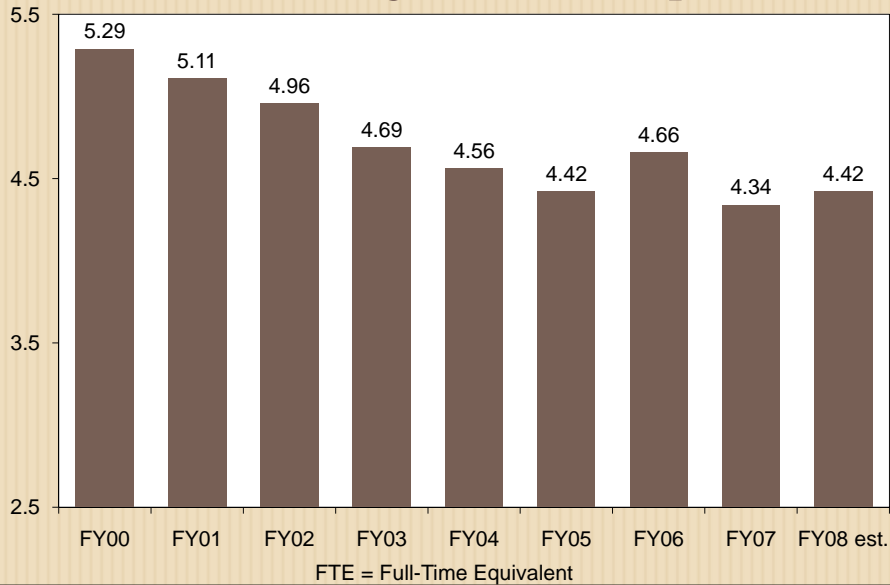
Excludes Dental Clinics & Bad Debt Expense is a Reduction of Revenue



JDH Expense per Adjusted Discharge

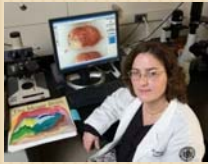


JDH FTE's per Adjusted Occupied Bed



FY07 Losses

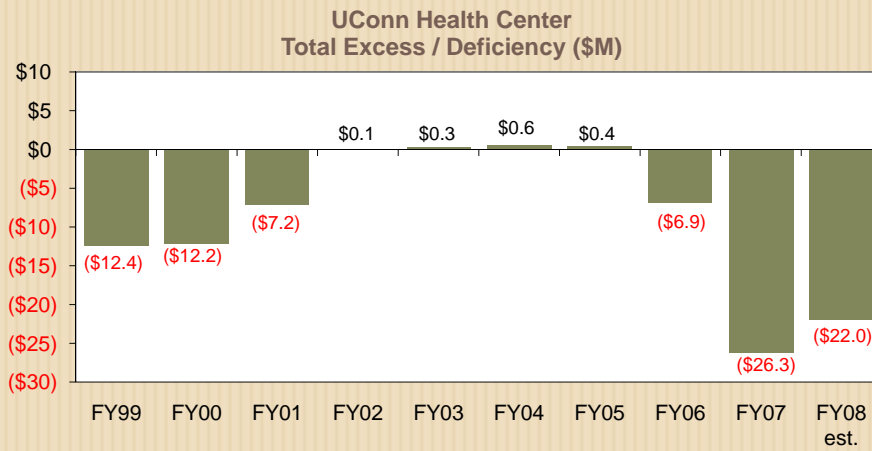
- JDH record volume & successful expense control was not enough to overcome reduced revenue due to unfavorable shifts in payor mix & service mix



- The budget was pushed further out of balance by energy costs, lower F&A on federal research grants, depreciation, the Farmington Surgery Center deficit prior to conversion to hospital-based status, & interest expense (the state charges for borrowing to pay bills when the academic program is in a negative cash position)



- For FY07, the state enacted a \$22.1M deficiency appropriation to help address a \$26.3M deficit
- Current estimates forecast a deficit of \$22.0M for FY08

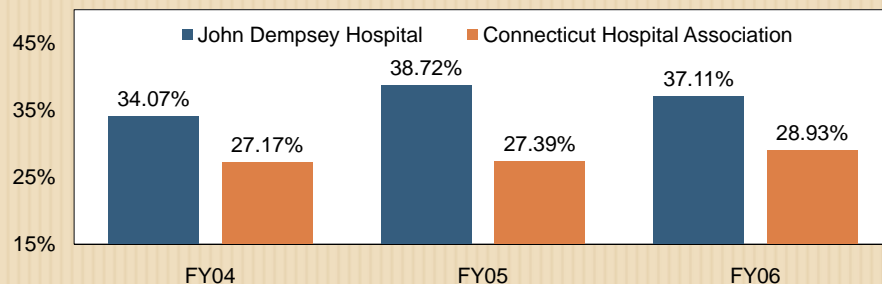


Going Forward

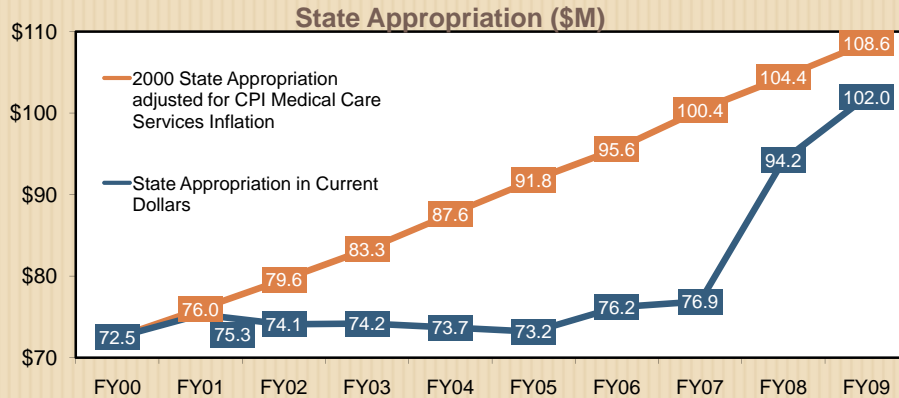
- Structural deficit has reached a level that it can no longer be off-set by cost improvement efforts
 - Years of aggressive cost cutting have left few new opportunities
 - Further cost cutting will negatively impact revenue
- JDH net positive revenues are no longer sufficient to keep pace
 - Despite increasing volumes & successful expense management, factors such as reimbursement levels, case mix & payor mix are beyond our control
 - JDH financial health is also affected by its small size, bed distribution (only half are medical/surgical), poorly reimbursed services provided as part of mission, & cost factors resulting from its status as a state entity...JDH has succeeded against the odds

Fringe Benefit Cost JDH v. CHA Member Hospitals

- As a state entity, JDH has fringe rates significantly higher than other hospitals
- JDH has absorbed the cost of fringe benefits for its employees without state fringe benefit support
- The dollar value of that differential was estimated at \$9.7M in FY07 and \$11M for FY08 (The current fringe rate for JDH is 41%)



- The FY08 state appropriation has provided a sound “current services” adjustment & addressed the “academic gap”



FY08 State Budget

- The Deficiency appropriation for FY07 recognizes that previous levels of state support have been inadequate to support academic program needs = the “academic gap”, & that JDH is challenged financially
- The 22% increase in the FY08 state appropriation resets the foundation upon which adequate levels of future state support should be built
 - \$13.5M “academic gap” appropriation
 - \$2.2M current services increase
- The \$1.4M estimated increase in Medicaid reimbursement did not materialize for UCHC due to the new distribution formula



FY08 State Budget

- **Aspects of the structural deficit which were not fully addressed in the 2007 legislative session**
 - JDH fringe benefit differential cost estimated impact is \$11M in FY08
 - No FY08 appropriation
 - FY09 appropriation (to the State Comptroller's statewide fringe benefit account) is \$\$3.6M
 - Medicaid reimbursement still falls far short of actual cost (a very high proportion of JDH bed days are Medicaid; JDH is a key provider of Medicaid dental services; new distribution formula, etc.)
 - JDH capital proposal (study legislation requires interim report March 31, 2008; final report June 30, 2008)



FY08 Budget Realities

- **Priorities for the budget were achievement of a stable & balanced budget despite:**
 - Continuing structural challenges for JDH finances
 - Increasing fixed costs, market competition & health care inflation
- **Factors beyond our control (limited hospital capacity, case mix, payor mix, reimbursement levels) have upset that balance**
- **Another round of cost improvements is underway with the assistance of PriceWaterhouseCoopers**
- **Every effort will be made to reduce the projected shortfall, but major cuts would affect patient care and reduce revenue**

FY08 Budget Priorities

- **Balance**
- **Signature Programs**
 - \$17M invested since FY01
 - \$3.8M in incremental investments in FY08
 - **Musculoskeletal Institute**
 - Dental Implant Center to start April 2008
 - 4 faculty recruitments (Spine, Joint, Foot & Ankle, & Neurosurgeon)
 - **Cancer**
 - Tomotherapy Center
 - 2 faculty recruitments
 - **Cardiology**
 - Electrophysiology Lab Operations
 - 2 faculty recruitments (Cardiologist & EP Lab)
 - **Connecticut & Public Health**
 - Masters of Public Health Accreditation
 - Expansion of the Center for Public Health



FY08 Budget Priorities

- **Research**
 - Clinical & Translational Science Institute
 - Stem Cell Core
 - New Program Viral Vector Core
 - Expansion of the Molecular Core Freezer Program
 - Biophysical Core
- **Clinical Enhancements**
 - **UMG**
 - Faculty recruitment & Hiring Plan
 - **JDH**
 - Internal focus: operations – access, throughput, safety & service

