

Roswell Park Comprehensive Cancer Center

Section 203 Budget Filing

Fiscal Year 2024 - 2025
PROPOSED



January 31, 2024

Roswell Park Comprehensive Cancer Center

The institute was founded in 1898 and became a State Institute in 1911. In 1971, it was one of the first three institutions certified as a comprehensive cancer center by the National Cancer Institute. As such, it is committed to combat cancer through basic research, clinical research and treatment, and professional and public education. Presently, there are 57 such centers designated in the United States. The institute is a 157 licensed bed facility and an ambulatory care center containing 15 multidisciplinary care centers with a staff of over 3,700 members, including clinical staff physicians, residents, fellows, and research staff. The primary physical plant covers several city blocks in downtown Buffalo.

The operation of the Institute transferred from the New York Department of Health to the RPCI Corporation on January 1, 1999. In order to meet the demands of the changing health care marketplace and to promote the strengths and capabilities of the Institute, Chapter 5 of the Laws of 1997 added a new Title 4 to Article 10-c of the Public Authorities Law authorizing the RPCI Corporation. This legislative authorization was intended to change the Institute's governance structure to afford it market and managerial flexibility. Among the special powers granted by the legislation to the Corporation were the powers to contract with the State to operate, manage, superintend and control the Institute, and to establish , collect, and adjust fees, rental and other charges in connection with the operation of the Institute.

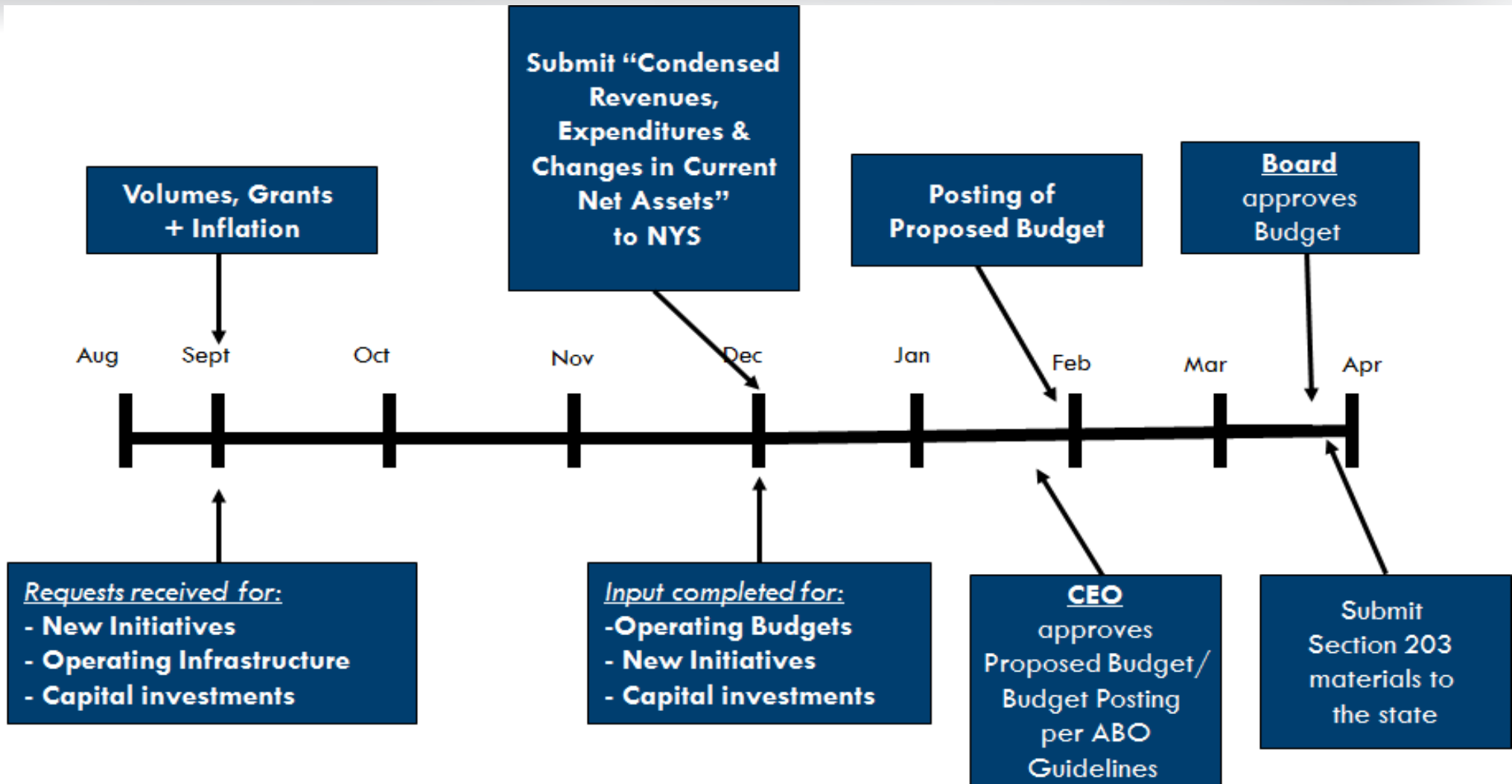
Pursuant to subdivision 2 of Section 403 of the Public Health Law, added by such chapter, the Department of Health, acting on behalf of the State, entered into an Operating Agreement with RPCI Corporation pursuant to which operating responsibility for the Institute was transferred to RPCI Corporation effective January 1, 1999, and giving RPCI Corporation substantial independence operating the Institute, including the power to establish operating budgets, to establish and implement strategic business plans, to create subsidiary and affiliated entities, to enter into affiliations and alliances with other health care providers and to establish, collect and adjust fees, rentals and other charges in connection with the operation of the Institute. Revenues generated by the Corporation as a result of operating the Institute are considered to be revenues of the State for the purpose of its bond payment, and are required to be deposited into the Roswell Park Cancer Institute Debt Service Account of the Health Income Fund for payment of debt service on the Bonds. The Department of Health retains responsibility for paying debt service on the Bonds. After allowing for accumulation of a debt service reserve for the Institute, the remaining revenues are transferred to Roswell Park Cancer Institute Income Account of the Health Income Fund. After allowing for a balance for refunds these revenues are, in turn, transferred to RPCI Corporation.

RPCI Corporation's responsibility is to ensure the fiscal and programmatic integrity of the facility. To achieve this objective, the Corporation has updated the strategic plan for the Institute which includes major programmatic and scientific, as well as, fiscal goals. Some of the key goals include the recruitment of top tier clinical and scientific talent; developing a methodology to monitor the effectiveness of programs and faculty; enhancing financial viability through revenue and expense controls; building a strong and profitable biotechnology transfer program in collaboration with peer facilities; emphasis on clinical and translational research; as well as developing and implementing new clinical trials and establishing a cancer disease management and clinical outcomes program.

The Institute is a formally designated unit of the Graduate School of the University of New York at Buffalo and has numerous affiliation agreements with other educational institutions and hospitals. Training provided by the Institute under these arrangements includes medical, nursing and medical research.

Roswell Park Budget Process Timeline

203.6(b)



- Revenue assumptions:
 - Base volumes
 - Admits 1.0%
 - Days 0.1%
 - Outpatient Visits 5.2%
 - Rate assumptions
 - Payer rates as negotiated
 - Governmental payer rates per regulations

- Sources of revenues:
 - Includes private and governmental contracts, grants and donations, and funding from New York State

- Staffing:
 - At current levels, adjusted for productivity standards, new initiatives, strategic research initiatives and infrastructure

- Future collective bargaining costs:
 - Bargaining unit increases for FY25 include Step and COLA per negotiated contracts

- Inflation:
 - Salaries – Steps and COLA factored in as previously noted
 - Fringe Benefits – increased consistent with salaries
 - Pharmaceuticals (inflation, utilization, new therapies) = 13%
 - Medical supplies, office supplies, purchased services = 3.5%; Blood supplies = 4.0%

- Programmatic Goals:
 - Continued expansion of local community presence
 - Implementation of Roswell Park's strategic plan, including
 - Expand adoptive cellular therapy as new treatments options become available for patients
 - Expand access to Roswell Park through WNY and statewide collaborative opportunities
 - Structure an innovative cancer program to deliver transformational science, including Immunotherapy and personalized medicine
 - Implementation of strategic research initiatives
 - Expand capabilities for commercializing Roswell Park innovations
 - Significant capital investment to upgrade existing IT systems, expand capacity and maintain currency for clinical technology

- Labor/Workforce Instability
 - Recruitment and retention
 - Rising employment costs

- Durable/Sustained Inflation

- Ongoing Pandemic costs/impacts

- Drug Reimbursement

- Continued Uncertainty of Federal Budget
 - NCI Funding
 - Medicare & Medicaid reimbursement
 - DSH funding

- Managed Care
 - Increasing role of national insurance companies for commercial and Medicare Advantage plans
 - Increasing use of limited and tiered networks and ACO's
 - Benefit designs continue to require higher cost share (copays/coinsurance/deductible) for patients for certain services

Budgeted Revenues, Expenditures and Changes in Current Net Assets (in 000's)

203.6(e)/203.6(g)

	Last Year (Actual) FY23	Current Year (Estimated) FY24	Proposed Budget FY25	Proposed FY26	Proposed FY27	Proposed FY28
REVENUE & FUNDING SOURCES						
<i>Operating Revenues</i>						
Charges for Services	\$ 975,930	\$ 1,065,442	\$ 1,144,936	\$ 1,262,694	\$ 1,339,834	\$ 1,420,618
Other Operating revenues	32,941	28,661	29,908	32,235	34,585	35,703
<i>Non-operating Revenues</i>						
Investment earnings	11,478	11,838	19,290	18,607	17,158	15,226
State subsidies/grants	112,767	106,767	110,767	106,767	106,767	106,767
Federal subsidies/grants	5,273	1,138	—	—	—	—
Total Revenues and Funding Sources	\$ 1,138,389	\$ 1,213,846	\$ 1,304,901	\$ 1,420,303	\$ 1,498,344	\$ 1,578,314
EXPENDITURES						
<i>Operating expenditures</i>						
Salaries and Wages	\$ 379,420	\$ 421,347	\$ 460,086	\$ 487,297	\$ 512,849	\$ 536,917
Other Employee Benefits	103,399	118,162	134,705	141,856	151,545	161,097
Professional Services and Contracts	146,740	155,966	160,730	176,101	181,448	181,144
Supplies and Materials	417,429	470,124	532,268	581,808	622,805	666,379
Other operating expenditures	10,601	8,203	9,709	10,584	11,113	11,133
<i>Non-operating expenditures</i>						
Payment of principal on bonds and financing arrangements	19,797	16,085	14,202	13,204	1,432	1,504
Interest and other fiscal charges on debt	1,947	2,986	2,615	1,762	1,690	1,281
Capital asset outlay	59,053	79,222	85,315	75,843	72,799	54,492
Miscellaneous	—	—	—	—	—	—
Total Expenditures	\$ 1,138,387	\$ 1,272,094	\$ 1,399,629	\$ 1,488,456	\$ 1,555,680	\$ 1,613,947
Capital Contributions	9,343	10,656	13,319	23,029	2,000	—
"Excess (deficiency) of revenues and capital contributions over expenditures"	\$ 9,345	\$ (47,592)	\$ (81,409)	\$ (45,124)	\$ (55,336)	\$ (35,633)

Cash Flow Projections

(in millions)

203.5(h)

	Projected FY24	Budgeted FY25	Budgeted FY26	Budgeted FY27	Budgeted FY28
Excess/(Deficiency) of revenues and capital contributions over expenditures	\$ (47.6)	\$ (81.4)	\$ (45.1)	\$ (55.3)	\$ (35.6)
Other Changes in Unrestricted Cash	9.3	(44.3)	9.6	(14.4)	(7.5)
Cash Impact from Operations	\$ (38.3)	\$ (125.7)	\$ (35.5)	\$ (69.8)	\$ (43.2)

Projected Operating Revenues -- Net Patient Service Revenue (Charges for Services) (in 000's)

203.5(d)

	FY24 Projected	FY25 Budget	FY26 Budget	FY27 Budget	FY28 Budget
Volume Statistics					
Admits	5,505	5,559	5,637	5,746	5,846
Days	45,013	45,064	45,980	46,951	47,891
Visits	303,117	318,768	327,833	333,016	337,192
Direct Patient Service Revenue					
RPCI IP Revenue	\$ 267,780	\$ 289,008	\$ 308,196	\$ 328,569	\$ 349,400
RPCI OP Revenue	638,260	704,948	789,979	841,590	896,688
Other	71,211	80,714	82,789	85,123	87,247
RPCI Total	\$ 977,251	\$ 1,074,670	\$ 1,180,964	\$ 1,255,282	\$ 1,333,335
CPP IP Revenue	\$ 26,092	\$ 26,650	\$ 27,719	\$ 28,945	\$ 30,204
CPP OP Revenue	64,963	69,092	72,375	75,036	77,565
CPP Total	\$ 91,056	\$ 95,742	\$ 100,094	\$ 103,981	\$ 107,769
Total Direct Patient Service Revenue	\$ 1,068,307	\$ 1,170,412	\$ 1,281,058	\$ 1,359,263	\$ 1,441,104
Other RPCI Patient Service Revenue	\$ 10,943	\$ (1,410)	\$ (3,038)	\$ (3,162)	\$ (3,289)
Other CPP Patient Service Revenue	700	700	700	700	700
Total Other Patient Service Revenue	\$ 11,643	\$ (710)	\$ (2,338)	\$ (2,462)	\$ (2,589)
Total Net Patient Service Revenue	\$ 1,079,950	\$ 1,169,702	\$ 1,278,720	\$ 1,356,801	\$ 1,438,515
RPCI Provision for Bad Debts	\$ 16,428	\$ 26,130	\$ 17,465	\$ 18,491	\$ 19,516
CPP Provision for Bad Debts	1,093	1,197	1,251	1,300	1,347
Total Provision for Bad Debts	\$ 17,521	\$ 27,327	\$ 18,716	\$ 19,791	\$ 20,863
Total Net Patient Service Revenue Net of Provision for Bad Debt	\$ 1,062,429	\$ 1,142,375	\$ 1,260,004	\$ 1,337,010	\$ 1,417,652
Grants and Contracts	3,014	2,562	2,690	2,824	2,965
Total Charges for Services	\$ 1,065,442	\$ 1,144,936	\$ 1,262,694	\$ 1,339,834	\$ 1,420,618

Projected Operating Revenues — Other Operating Revenue (in 000's)

203.5(d)

<u>(in thousands)</u>	FY24	FY25	FY26	FY27	FY28
	Projected	Budget	Budget	Budget	Budget
Cafeteria	\$ 1,695	\$ 1,763	\$ 1,780	\$ 1,798	\$ 1,816
Parking	3,050	3,050	3,081	3,111	3,142
Rebates (VHA)	2,510	2,510	2,535	2,560	2,586
Other Operating Revenues (PC's/JV's)	7,138	11,302	11,359	11,415	11,471
Network Affiliations, Agreements & Partnerships	6,856	4,721	5,033	5,095	5,158
LSB - UB Reimbursement	1,500	1,500	1,515	1,530	1,545
New Programs funded through Alliance	2,800	2,363	3,529	3,822	4,572
WNY Partnership/Rest of NY Initiatives	700	1,500	2,020	2,040	2,061
State Funding (ESD)	—	—	—	1,986	2,085
All Other	2,411	1,199	1,382	1,226	1,266
Projected Operating Revenues	\$ 28,661	\$ 29,908	\$ 32,235	\$ 34,585	\$ 35,703

Salary & Fringe and Non Personnel Service Operating Expense (in 000's)

203.5(e)/203.5(f)

	FY24 Projected	FY25 Budget	FY26 Budget	FY27 Budget	FY28 Budget
Salaries					
Salaries and Wage Costs	\$ 421,347	\$ 460,086	\$ 487,297	\$ 512,849	\$ 536,917
TOTAL Personnel Service Expense	\$ 421,347	\$ 460,086	\$ 487,297	\$ 512,849	\$ 536,917
Fringe					
NYS Pension Expense & TIAA CREF	\$ 29,900	\$ 36,776	\$ 37,510	\$ 40,487	\$ 43,091
Health Insurance: Active	35,078	39,389	42,147	45,097	48,254
Health Insurance: OPEB Payments	15,207	16,424	17,738	19,157	20,689
Other Fringe	37,977	42,116	44,461	46,804	49,064
TOTAL Fringe Expense	\$ 118,162	\$ 134,705	\$ 141,856	\$ 151,545	\$ 161,097
Non Personnel Service Operating Expense					
Professional Services & Contracts	\$ 155,966	\$ 160,730	\$ 176,101	\$ 181,448	\$ 181,144
Pharmaceuticals	\$ 375,801	\$ 422,968	\$ 456,038	\$ 490,952	\$ 528,538
Medical, Blood, Other Supplies	94,323	109,300	125,770	131,853	137,841
Supplies & Materials	\$ 470,124	\$ 532,268	\$ 581,808	\$ 622,805	\$ 666,379
Other Operating Expenditures	\$ 8,203	\$ 9,709	\$ 10,584	\$ 11,113	\$ 11,133
TOTAL Non Personnel Service Expense	\$ 634,293	\$ 702,707	\$ 768,493	\$ 815,366	\$ 858,656

Note: The fringe expense includes the cash payments for NYS Pension & OPEB, but does not include the accrued cost.

Reconciliation FY24 Budget to FY24 Projected (in millions)

203.6(f)

	<u>(in millions)</u>
1 Excess (Deficiency) Revenues over Expenses (FY24 Budget)	\$ (25.2)
2 Clinical Margin (volume driven)	(42.6)
3 PEF Signing Bonus	(5.0)
4 OPEB Cash Payment	(2.7)
5 Favorable Utility Rates	2.5
6 Third Party Revenue (Medicare ICR Settlement/HCRA)	10.0
7 Timing of Capital & Strategic Investments	6.1
8 Timing of Spend (Research, New Recruitment, Other)	9.3
9 Excess (Deficiency) Revenues over Expenses (FY24 Projected)	\$ (47.6)

FY 2025 Budgeted # of FTE's and # of Employees

203.6(h)

<u>Functional Classification</u>	Total # Employees	Total # Full Time	Total # FTE's
Clinical / Clinical Research / Academic	2,651	2,328	2,452
Scientific / Academic	237	209	220
Administrative and Other	840	738	777
Total All Functional Areas	3,729	3,275	3,449

Sources of Funding:

The Source of funding for the projected workforce is:
Patient Service Revenues - Government and Private Payers
Grants and Contracts
Donations
New York State Funding

As part of the Institute's long range strategic plan, investments are being made in clinical operations. These investments are critical to meeting the projected demand for oncology services and expanding access to Roswell Park's services.

Revenue Enhancements and Cost Reduction Initiatives:

	(\$ in Millions)
Clinical Growth	\$5.6M
Margin Optimization Initiatives	\$14.2M

The Institute is projecting non-recurring capital contribution revenues of approximately \$10.7M in FY24, \$13.3M in FY25, \$23.0M in FY26, \$2.0M in FY27 and \$0.0M in FY28. These contributions are expected to assist in funding the continued growth at Roswell Park.

Capital Projects and Strategic Investments can span multiple years. These projects are approved prior to initiation, and due to the magnitude of certain projects there can be an approved balance to carry forward to the next fiscal year. Carry over balances are determined and approved by executive leadership as part of the planning process for the next fiscal year.

Borrowed Debt Outstanding (in millions)

203.5(g)/203.6(l)

PBC revenues are pledged to repayment of the following DASNY indebtedness issued through New York State Department of Health

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Borrowed Debt Outstanding

- 1 DASNY Debt issuance 7/13/2011
 - 2 DASNY Debt issuance 10/21/2016
 - 3 Capital lease obligations
- Debt outstanding at March 31st year end**

in Millions			
Proposed Budget FY25	Projection FY26	Projection FY27	Projection FY28
\$ 29.0	\$ 15.8	\$ 14.3	\$ 12.7

Scheduled Debt Service Payment

For the Year ending March 31

2024
2025
2026
2027
2028
2029-2033
Thereafter

in 000's			
Bonds		Capital Leases	
Principal	Interest	Principal	Interest
\$ 16,085	\$2,225	\$45	\$ 149
14,202	1,490	53	147
13,204	817	61	145
1,432	451	69	143
1,504	378	78	141
4,833	1,037	542	654
3,749	238	3,548	1,010
\$55,007	\$6,637	\$4,397	\$ 2,389

*All debt is issued. There is currently no proposed debt.

PBC revenues are pledged to repayment of the following DASNY indebtedness issued through New York State Department of Health:

1

On July 13, 2011, DASNY issued debt in the amount of \$48,180,000 (RPCI allocated 74.85%). Under the terms of issuance interest ranges from 2.0% to 5.0% per annum with interest and principal payments due through 2037. The bond proceeds were used solely to defease a portion of the outstanding 1998 bond series.

2

On October 21, 2016, DASNY issued debt in the amount of \$144,810,000 (RPCI allocated 80.76%). Under the terms of issuance interest ranges from 3.0% to 5.0% per annum with interest and principal payments due through 2037. The bond proceeds were used solely to defease a portion of the outstanding 2003, 2004-1, 2004-2 and 2005 bond series.

3

On June 1, 2012, RPCIC entered into a capital lease obligation to rent 226 parking spaces for a 35 year period. Under terms of the agreement, the cost of capital is estimated at 3.4% per annum with interest and principal payments due through 2047.

Debt Service/Pledged Revenue and Debt Limited Levels (in 000's)

203.5(g)/203.6(l)

Debt Service as a percentage of Pledged Revenues*	Debt Service FY25	Pledged Revenues	Debt Service Percent of Pledged Revenues
1 DASNY Debt issuance 7/13/11	\$ 1,213	\$ 1,013,613	0.1%
2 DASNY Debt issuance 10/21/16	\$ 13,980	\$ 1,013,613	1.4%
Total	<u>\$ 15,193</u>		<u>1.5%</u>

*Pledged revenues are defined in accordance with RPCI bond documents

Capital Summary

(in 000's)

203.6(m)

	FY25 Budget
Facilities and Infrastructure	\$ 45,347
Clinical, Scientific & Administrative Equipment	22,559
Information Technology (including Rev Cycle and EMR)	17,409
Total Capital Expenditures	\$ 85,315

CERTIFICATION

By checking this box, I certify that the OSC Budget Request (Part 203) submission is complete and to the best of my knowledge and belief after reasonable inquiry, the information provided in this submission is accurate and correct. This information has been presented to and accepted by the authority's board.

Chief Financial Officer
Roswell Park Cancer Institute Corporation

Presented to The Roswell Park Board of Directors on March 20, 2024
Approved by the Board of Director's on March 20, 2024