

**ROSWELL PARK CANCER INSTITUTE CORPORATION
FINANCE COMMITTEE
OF THE
BOARD OF DIRECTORS**

A meeting of the Finance Committee of the Board of Directors of Roswell Park Cancer Institute Corporation was held on Wednesday, June 15, 2022 at 8:30 a.m. in the Scott Bieler Clinical Science Center, 9th Floor, Patrick P. Lee Board Room.

Present: R. Buford Sears, Committee Chairman
Candace S. Johnson, Ph.D., President & CEO
Elyse NeMoyer (*via Teams*)
Dennis Szeffel

Excused: Michael Joseph, Board Chairman
Kenneth Manning, Esq.
Steven J. Weiss, Esq.

Present by

Invitation: Ronald Andro, Chief Clinical Operations Officer
Laurel DiBrog, Senior Vice President
Meghan Dobson, Esq., Associate General Counsel
Betsy Doty-Lampson, Board Administrator
Amy Dunn Kirkpatrick, Esq., Assistant Vice President & Deputy General Counsel (*via Teams*)
Thomas Furlani, Chief Information Officer
Ryan Grady, Chief Financial Officer
Boris Kuvshinoff, Chief Medical Officer (*via Teams*)
MaryAnn Long, Senior Vice President (*via Teams*)
Todd Maier, Vice President, Finance and Payor Relations
Raghu Ram, MD, Vice President (*via Teams*)
Michael B. Sexton, Esq., Senior Vice President, Chief Legal Officer & Corporate Secretary
Jeff Walker, Executive Vice President

OPENING/MINUTES

Mr. Sears welcomed all attendees. Mr. Sears then turned to a review of the Minutes from the Committee meetings held on March 15, 2022 and June 1, 2022. With no commentary/questions offered, *a motion was made by Ms. NeMoyer to approve the Minutes from the March 15th and June 22nd, 2022 meetings, seconded by Mr. Szeffel, and unanimously carried.*

CONTRACTS/CAPITAL EXPENDITURE PROJECTS

The meeting was turned over to Mr. Andro to begin the review of the capital projects and contracts being submitted to the Committee for approval.

OR Laparoscopic Video Equipment

Mr. Andro reviewed a proposal to update, modernize and standardize the laparoscopic video equipment used in the operating rooms and cystoscopy suite. The current equipment is up to twenty-five (25) years old resulting in visualization issues. Given its age, the equipment is also constantly under repair. Perioperative management is seeking approval for a total expenditure of approximately \$2.3 million with Olympus America consisting of an approximately \$1.7 million capital expenditure for the new equipment (scopes and towers) and an approximately \$760,000 expenditure for service contracts covering the maintenance and repair of the new equipment. This expenditure will allow Roswell Park to standardize the laparoscopic video equipment used across all services.

There being no questions, a motion for approval of the OR Laparoscopic Video Equipment project was made by Mr. Szeffel, seconded by Ms. NeMoyer and unanimously approved.

Michigan Street Drop Off

Mr. Sexton then presented on a project to construct a patient and visitor drop-off area on the southbound lane of Michigan Avenue immediately adjacent to the Scott Bieler Clinical Science Center (CSC) east side entrance to allow for easier patient building access. A street curb line will be moved three (3) feet to the west to create a forty (40) to fifty (50) yard long drop-off lane. A vestibule will also be added to the CSC lobby to protect patients and visitors from cold weather and wind. A concrete heating system will also be installed under both the drop-off lane and adjacent sidewalk area.

The total project cost is anticipated to be approximately \$1.48 million with \$750,000 funded by the Alliance Foundation and the remainder to be funded through Roswell Park's capital budget. After a competitive bid process, the project was awarded to the lowest bidder, Montante Construction. An operating cost of \$267,000 will also be included in Facilities Management operating budget. Because the project involves Roswell Park's permanent occupancy of a portion of Michigan Avenue owned by the City of Buffalo ("City"), Roswell Park must reimburse the City approximately \$7,000 annually for the City's lost revenue associated with the lost metered parking spaces.

Project construction is targeted for July 2022, but Roswell Park is still obtaining all of the necessary permits, including the necessary right-of-way permits as the heating system will be installed above the City's water line. Roswell Park will be responsible for any repairs to its heating system should the City need to repair its water lines. The project's estimated completion date is November 2022, barring any delays due to supply chain issues.

There being no further discussion, a motion for approval of the Michigan Drop Off Project was made by Mr. Szeffel, seconded by Ms. NeMoyer, and unanimously approved.

SOLE AND SINGLE SOURCES - INFORMATIONAL ONLY

Mr. Sears then introduced three (3) sole/single source procurement exemptions that were included on the Director's Desk materials on an informational basis and will be reviewed by the Board - Hologic Service Contract Renewal (Single Source), Cirus Contract Renewal (Single Source) and Auris Monarch Disposals (Sole Source).

POST IMPLEMENTATION REVIEW (INFORMATIONAL)

Mr. Sears then advised the Committee that the Director Desk materials also included post implementation reviews of the Echocardiogram Services, Cerner Invision Extension, Head and Neck Renovation, Managed Security Services Provider and DIIO Renovation projects.

Mr. Sexton then provided a detailed post-implementation review of the Echocardiogram Services project. In 2020, Buffalo Ultrasound was the sole respondent to a bid issued for echocardiogram services. Roswell Park and Buffalo Ultrasound entered into a contract that was renegotiated in 2021 due to the additional outsourcing of the technical component of these services. In the renegotiated contract, Buffalo Ultrasound's removal of a prompt payment discount just prior to contract execution was missed by Mr. Sexton. Buffalo Ultrasound refused to correct this error. The services were then rebid as a result, and once again, Buffalo Ultrasound was the only bidder. Due to the removal of the prompt payment discount in the 2021 contract, Roswell Park incurred an additional \$118,000 in annual costs. Mr. Szeffel noted that at least the contract allowed Roswell Park to rebid these services. Mr. Sexton explained that Roswell Park's service contracts typically contain a termination right upon thirty (30) days' notice. Ms. NeMoyer also commented that it is unfortunate that Buffalo Ultrasound was once again the only respondent when the services were rebid.

There being no questions or discussion on the remaining post-implementation reviews, Mr. Sears turned the meeting over to Mr. Maier.

VENDOR REVIEW PROCESS OVERVIEW

Mr. Maier educated the Committee on Roswell Park's vendor approval process. An initial vendor review is triggered when \$100,000 or more is spent with a vendor. Annual reviews are performed for those vendors that management flags as high risk. Vendors with whom Roswell Park spends a high amount annually are also reviewed every two (2) years. Mr. Maier then explained in detail the vendor review requirements, which are tiered based upon annual vendor spend. Certain vendors are also exempt from review, such as those vendors under New York State ("NYS") Office of General Service contracts or vendors designated as a NYS agency. If there is an emergency purchase approved by an executive, a vendor review is completed after purchase. Roswell Park has spent over \$1.5 million annually with six (6) different vendors for a total combined annual spend of \$13.6 million. Roswell Park has also designated forty-one (41) vendors as high risk, with the majority deemed high risk based upon annual spend amount. Mr. Maier also identified the top fifteen vendors by spend amount, noting that Roswell Park has the highest total annual spend with McKesson with an approximately \$227 million annual spend.

Mr. Maier concluded his presentation by recommending that the annual spend thresholds that determine the level of vendor review be increased by \$500,000 in each category. He also recommended that vendors receive an increased level of vendor review if Roswell Park has invested greater than \$25 million in capital assets from that vendor. To help avoid supply chain issues in the future, Roswell Park will also require vendors to provide information on its manufacturing locations. Mr. Grady noted that Roswell Park recently dealt with two product shortages impacting patient imaging because both vendors concentrated all production at a single manufacturing plant that experienced production issues.

The Committee then discussed the vendor review process. Mr. Sears commented that the recommended changes will ensure that vendors will not slip through any cracks in the review process but will not necessarily increase the number of high risk vendors. Mr. Szefel and Mr. Sears also both commented that the policy seemed sufficiently rigorous. The discussion then concluded with Mr. Sears noting that Committee approval of this policy was not necessary, but it will nevertheless be reviewed by the Committee every two (2) years.

There being no further discussion, Mr. Szefel then made a motion to move the meeting to Executive Session for updates on Payor Relations and the Revenue Cycle Implementation, and for a Fiscal Year 2022 review. The motion was seconded by Ms. NeMoyer and unanimously carried.

HEALTH PLAN PARTNERSHIP UPDATE: PAYOR NEGOTIATIONS

Mr. Grady began his update on payor relations by noting that Catherine Cowan was recently hired to lead the payor relations team. He then moved to an update on the status of contract negotiations with Independent Health, noting that a response from IHA to Roswell Park's proposal was expected tomorrow. An initial kick-off meeting for contract negotiations was well attended by leaders of both parties. A negotiation completion date of August 2022 was targeted by Mr. Grady in an attempt to keep negotiations moving forward, but it not expected to be achieved.

REVENUE CYCLE IMPLEMENTATION UPDATE

Mr. Grady then updated the Committee on the Revenue Cycle Implementation Project ("Project"), noting that Roswell Park is three (3) months into a nine (9) month planning and design phase that is going well so far. He also described a recent reboot of a server that resulted in charges being held in the revenue billing cycle. This issue reminded management that given the integration involved with revenue cycle system, robust testing must and will occur.

Mr. Sears then suggested that the formation of a small team consisting of Committee members and Mr. Grady and Mr. Furlani. It is anticipated that this team will meet every four (4) to six (6) weeks to review the current status of the Project. It was agreed that Mr. Sears and Mr. Szeffel will represent the Committee on this team, and that Mr. Manning will also be consulted.

Mr. Grady then noted that contract negotiations with Deloitte and Athena for the implementation phase of the Project will kick off shortly. The implementation services were excluded from the current SOWs for the planning and design phase to provide Roswell Park with the flexibility to switch vendors for the implementation phase if necessary and the opportunity to implement any changes necessary due to lessons learned during the planning and design phase.

FISCAL YEAR 2022 REVIEW

Mr. Grady then reviewed unrestricted and total days cash on hand trends, noting that Roswell Park's total days cash on hand numbers held steady through the pandemic, but the national medians now account for more cash on hand. Mr. Grady pointed out that Buffalo is a low reimbursement market and does not have the resources to hold onto as much cash as other markets.

Roswell Park's total assets and net patient revenue trends were then reviewed by Mr. Grady, who noted that Roswell Park's FY 2000 to FY 22 net patient revenue compounded annual growth rate of 11% shows the value of a public benefit corporation model. 2022 EBIDA trends of national peer organizations were then reviewed with Roswell Park landing in the middle of the pack. Mr. Sears indicated that MSK holds all investments in its operating entity unlike Roswell Park which uses the Alliance Foundation to hold investments. Mr. Grady noted that he does try to remove donor relationships from the national peer reviews. In response to an inquiry from Mr. Szeffel, Mr. Grady indicated that Roswell Park would likely have an additional thirty-two (32) to thirty-three (33) total days cash on hand if the Alliance funds were included, but he will confirm.

Mr. Szeffel concluded the discussion by noting that the Audit Committee has approved the audited financial statements and commending Roswell Park for a clean audit report by its external auditors.

Mr. Szeffel then made a motion to return to Open Session which was seconded by Mr. Sears and unanimously carried.

4th QUARTER FINANCIALS

Mr. Grady presented on the 4th Quarter financial performance. He noted that the first six (6) months of this year started strongly, but the financial performance fell off during the last six (6) months, likely due to the lingering effects of the pandemic and some competition for patients. Inpatient and outpatient volumes were reviewed in detail. The inpatient census was down in January, up in February and March, and then down again in April and May. Mr. Grady noted that the inpatient census accounts for much of Roswell Park's margin. Hematology volumes were down due to patients being stolen by Buffalo General. Mr. Grady also noted that Roswell Park is 4% off plan across the board.

Mr. Grady then presented on the COVID-19 impact on Roswell Park employees. He highlighted that one (1) out of (5) five employees were out on COVID-19-related leave in January, leading to increased overtime and agency nursing costs. The number of employees on COVID-19-related leave also increased in April and May as local COVID-19 cases rose. By tracking inpatient and outpatient volumes against the COVID-19 positive case volumes in Erie and Niagara counties, Mr. Grady discovered an inverse relationship as patient volumes decreased as COVID-19 positive case volumes increased, but then increased as COVID-19 positive case volumes decreased.

Mr. Grady then reported a 4th Quarter EBIDA of 5.4%, resulting in the weakest quarter of the year despite the 4th Quarter traditionally being Roswell Park's strongest performing quarter. Mr. Grady cited elevated staffing costs, smaller drug margins and increased COVID-19 volumes as some causes for the current 4th Quarter financial performance.

Mr. Sears noted that while the 4th Quarter's EBIDA of 5.4% is below budget, Roswell Park is still in a better financial position than its peer institutions. Mr. Grady stated that while Roswell Park will defer unnecessary spend, the inpatient census has been somewhat higher in recent days. Patient referral sources are also being tracked with the assistance of Ms. DiBrog, who noted that conversion rates have been lower. It was also noted that the total number of patients seen in May totaled one thousand one hundred (1,100) patients, which represents an increase from past months. Ms. DiBrog also observed a trend of business not getting back to normal based upon a recent prostate screening event at the Key Bank Center in May. The current bed capacity of one hundred forty-two (142) and the anticipated addition of fifteen (15) additional beds in the near future was also discussed by the Committee.

There being no further discussion, *a motion for approval was then made by Mr. Szeffel, seconded by Mr. Sears, and unanimously approved.*

4th QUARTER INVESTMENT ACTIVITY

Mr. Maier gave the 4th Quarter investment report, reporting a loss of one hundred and six (106) basis points. Roswell Park followed the advice of its advisors by keeping the duration of its securities shorter. Mr. Maier noted that this was good advice as the booked loss of securities with longer durations is much worse than the booked losses of securities with shorter durations.

Mr. Maier also reviewed the fund investment performance for the malpractice trust and HRI investment funds, noting that the 4th Quarter results were not the best, but in line with benchmarks. He also noted that the Federal Reserve Board is contemplating the largest rate increase since 1994,

which will be good for Roswell Park if it invests in treasuries going forward. Mr. Maier explained that because the average duration of Roswell Park's securities is one year, Roswell Park will have the opportunity to take advantage of any rate increase by investing in securities with longer durations. In response to an inquiry by Mr. Sears, Mr. Maier noted that it is a guessing game as to when is the most advantageous time to take advantage of the interest rate increases.

The Committee then discussed this year's investment income loss of \$9 million, which is inclusive of unrealized income. Mr. Maier noted that the realized investment income yield is approximately \$1 million. Further discussion then ensued. *A motion was then made for approval of the investment report by Mr. Szeffel, seconded by Ms. NeMoyer and unanimously approved, with Mr. Sears abstaining.*

PERIODIC REVIEWS

Annual Review of Finance Charter

Mr. Sexton then advised that the Committee's Charter must be reviewed and approved on an annual basis by the Committee. He further advised that no changes had been made to the Charter since it was last approved by the Committee. Mr. Sears then inquired how many members must be on the Committee. Mr. Sexton advised that there must be at least three (3) independent Committee members, but there are currently seven (7) Committee members.

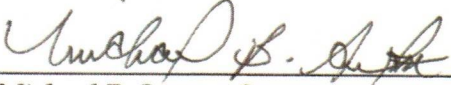
There being no further questions, *a motion was then made for approval of the Finance Charter by Mr. Szeffel, seconded by Ms. NeMoyer, and unanimously approved.*

NYS Annual Report

Mr. Sears then advised the Committee that the NYS Annual Report must also be approved by the Committee and then by the Board. He noted that Mr. Grady drafted a cover memo describing the report's contents with the majority of its contents consisting of payroll reporting and a lengthy procurement report.

A motion was then made for approval of the NYS Annual Report by Mr. Szeffel, seconded by Ms. NeMoyer, and unanimously approved.

There being no further business, *a motion to adjourn the meeting was made by Mr. Szeffel which was seconded by Ms. NeMoyer, and unanimously approved.*



Michael B. Sexton, Secretary