

**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, December 7, 2022 at 8:30 a.m. in the Scott Bieler Clinical Science Center, 9<sup>th</sup> Floor, Patrick P. Lee Board Room.

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

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

**Present by**

**Invitation:** Ronald Andro, Chief Clinical Operations Officer  
Ermelinda Bonaccio, Chair, Department of Diagnostic Radiology  
Laurel DiBrog, Senior Vice President  
Meghan Dobson, Esq., Associate General Counsel (*via Teams*)  
Betsy Doty-Lampson, Board Administrator  
Thomas Furlani, Ph.D., Chief Information Officer  
Ryan Grady, Chief Financial Officer  
James C. Kennedy, Vice President, Government & Community Relations  
Boris W. Kuvshinoff, M.D., Chief Medical Officer (*via Teams*)  
Todd Maier, Vice President, Finance and Payor Relations  
Thomas Schwaab, M.D., Ph.D., Chief of Strategy, Business Development & Outreach  
Michael B. Sexton, Esq., Senior Vice President, Chief Legal Officer & Corporate Secretary  
Jeff Walker, Executive Vice President (*via Teams*)

**I. Opening/Minutes**

Mr. Sears welcomed all attendees. He briefly reviewed the agenda, highlighting the importance of the revenue cycle project update. Mr. Sears then turned to a review of the Minutes from the Committee meeting held on August 31, 2022. With no commentary/questions offered, *a motion was made by Mr. Manning to approve the Minutes, seconded by Mr. Szeffel, and unanimously carried.*

**II. Contracts/Capital Expenditure Projects**

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

a. Microsoft Renewal

Mr. Furlani reviewed the Microsoft Renewal Project, which consists of a three-year renewal of Roswell Park's Microsoft license agreement. This renewal includes a cost-neutral upgrade to an E5 license. Procurement is via an OGS contract. Mr. Furlani anticipates that the \$10 million cost quoted by Dell can be negotiated down to \$9 million with the help of Gartner, a third party consultant. He then asked the Committee to approve an expenditure of up to \$9 million for this three-year renewal of Roswell Park's Microsoft license agreement. Mr. Sears noted that the Committee could consider approving an expenditure in excess of \$9 million to provide some cushion if negotiations were not as successful as planned. Mr. Manning, however, expressed confidence that Roswell Park will successfully negotiate a \$9 million license fee with Dell, the third party intermediary on this purchase. *There being no questions, a motion for approval of an expenditure of up to \$9 million for the Microsoft Renewal Project was made by Mr. Manning, seconded by Ms. NeMoyer and unanimously approved.*

b. Athena Revenue Cycle System Replacement

Mr. Grady and Mr. Furlani provided an update on the Athena Revenue Cycle System Replacement Project (the "Revenue Cycle Project"). Mr. Grady explained in detail why the Revenue Cycle Project's total estimated cost has increased from \$43 million to \$55.5 million. Mr. Furlani also added that at time of Athena's initial bid, Athena was unable to accurately estimate the number of interfaces needed between the Athena system and existing Roswell Park systems because Athena lacked a complex understanding of Roswell Park's IT ecosystem. Mr. Grady then summarized the learning opportunities that Roswell Park has taken away from this cost increase that can be applied to future projects. Mr. Grady concluded the presentation by noting that the Project's implementation phase starts on January 1<sup>st</sup>.

Mr. Manning commented that the Revenue Cycle project's advisory committee has been supportive of management's progress thus far. While the Project has and will continue to encounter problems, management has been fully transparent and self-correcting. Mr. Manning also expressed confidence that Roswell Park would continue on budget with the Revenue Cycle Project moving forward.

In response to Mr. Szeffel's request, Mr. Grady addressed the estimated \$15 million revenue loss due to inevitable issues with the new system timely processing payor bills after the go-live date. Mr. Grady explained that Roswell Park will increase its testing of the Athena system, but that revenue loss is inevitable. Mr. Sears commented that this \$15 million estimated revenue loss is a conservative estimate, and it would be very disappointing if Roswell Park actually sustained a \$15 million revenue loss. There being no further discussion, *a motion for approval for the Athena Revenue Cycle System Replacement Phases 3 and 4 expenditures totaling \$42.9 million was made by Mr. Manning, seconded by Mr. Szeffel, and unanimously approved.*

c. Parking Garage Renovation Project

Mr. Sexton presented on Phase III of the Parking Garage Renovation Project, noting that the Board approved a \$2.5 million to \$3.5 million expenditure in 2014 and an additional \$2.6 million expenditure in 2019 for this project. Approval is now sought for an additional \$2.4 million expenditure, resulting in a total project cost of \$7.9 million over the 10 to 12 year life of the project. Annual maintenance costs will also range between \$250,000 to \$350,000. It is hoped that the parking garage's life has been extended for twenty (20) years due to this project, but there is no guarantee given the parking structure's age. Mr. Sexton explained that New York State ("NYS") requires that an engineering study to be performed on the parking garage every three (3) years with DASNY

empowered to close the garage if any problems are identified. *A motion for approval of an expenditure of \$2.4 million for Phase III of the Parking Garage Renovation Project was then made by Mr. Szeffel, seconded by Mr. Manning, and unanimously approved.*

d. Valet Parking Services

Mr. Sexton then reviewed the new contract for valet parking and cashiering services at the main campus and the Park Club Lane location. ABM Industry Groups, Roswell Park's current vendor for these services, was the winning bidder from the RFP. This new contract will have a three-year term with the option to renew for two additional one-year terms for an estimated five-year cost of \$4.63 million. In the new contract, ABM Industry Groups' pricing to provide these services at the main campus increased 18% due to inflation and labor shortages. ABM Industry Group is restricted from increasing its pricing during the initial three-year term of the new contract, but it can increase prices by 3% during years four (4) and five (5). Mr. Sexton explained Roswell Park would expend 25% more than the total cost of the ABM Industry Groups contract to perform valet parking and cashiering services in-house. There being no questions or further discussion, *a motion for approval of the AMB Industry Groups contract award for an estimated \$4.64 million cost was made by Mr. Szeffel, seconded by Ms. NeMoyer and unanimously approved.*

e. Echocardiogram Services

Mr. Andro then presented on the Echocardiogram Services contract with Buffalo Ultrasound, explaining that echocardiograms are needed for chemotherapy and surgical patients. For an eighteen-year period, Buffalo Ultrasound has performed the technical components of the Echocardiogram service for Roswell Park. Buffalo Ultrasound bills Roswell Park a flat rate for each echocardiogram performed, and Roswell Park then bills the payors for these tests. Management is seeking approval to award Buffalo Ultrasound a five-year contract with a two-year renewal option for an estimated \$4.1 million spend, which accounts for estimated volume growth, to perform these tests. In response to Mr. Szeffel's inquiry

There being no further questions, *a motion for approval of the Buffalo Ultrasound contract award for an estimated \$4.1 million cost was made by Ms. NeMoyer, seconded by Mr. Szeffel, and unanimously approved.*

f. Theranostics

Dr. Bonaccio presented on the request for Finance Committee approval of a \$3.1 million construction project to build a Theranostic infusion center, and sole source approval of the required nuclear medicine products from Novartis. Dr. Bonaccio provided a general overview of theranostics and explained how theranostic therapies are currently performed at Roswell Park for neuroendocrine tumors. The FDA's recent approval of a theranostic therapy to treat prostate cancer will lead to significant volume increases at Roswell Park given that prostate cancer is the most common cancer diagnosis in men. Clinical volumes will further increase as theranostics is expanded to earlier disease progression. There is also an FDA-approved theranostic treatment for estrogen positive breast cancer, which Roswell Park will evaluate in the near future. Currently, theranostic therapies are performed in three (3) shielded rooms in the main hospital that are shared with the inpatient service, resulting in limited access to these rooms for theranostic therapy. As result, management is seeking approval for the construction of a dedicated theranostic infusion center within the Nuclear Medicine section located in the main hospital. Phase I will result in the construction of two (2) shielded infusion rooms and a nurse's station. Phase II includes the build out of two (2) additional shielded rooms to accommodate the expected volume growth.

Mr. Grady then presented on the total project cost, noting that the design and construction costs for this new center will total \$3.1 million, but will be fully funded by the Alliance Foundation. He also went through a detailed explanation of the business plan, noting that six hundred (600) prostate cancer patients are expected receive theranostic treatment each year. He did note, however, that reimbursement for theranostic costs by payors is a national issue, with Novartis and hospitals seeking payor reimbursement at an 8% to 9% margin rather than the current 2% margin.

There being no further commentary/questions, *a motion for approval of the Theranostic infusion center expenditure of \$3.1 million, and the contract award to Novartis, was made by Mr. Szeffel, seconded by Ms. NeMoyer, and unanimously approved.*

### III. Contract Expenditures and Single Sources

#### a. Radiation Oncology Upgrades (Single Source)

Mr. Andro then requested the Committee's approval of a single source procurement exemption and contract expenditure with Varian Medical Systems, not to exceed \$6.29 million. He explained that Roswell Park currently has four (4) linear accelerators. This purchase will replace the oldest linear accelerator, which is sixteen (16) years old and experiences significant downtime.

Mr. Grady then explained the procurement method, which is a single source procurement exemption. He noted that a RFI was issued to test the market, but the Radiation Medicine Department deferred to the adaptive radiation platform, which leads back to Varian due to operational efficiencies with using the same equipment type. Mr. Sexton added that the RFI process involved a comparison of each manufacturer's equipment, and nothing indicated that Roswell Park should move away from Varian. Mr. Manning inquired if Roswell Park would review the Varian equipment at the five (5) to ten (10) year mark given Roswell Park's dependency on Varian-manufactured equipment. Mr. Grady responded that Roswell Park will review the Varian equipment at the ten (10) year mark, but the two (2) existing Varian-manufactured linear accelerators are relatively new. Mr. Sexton noted that management is aware of Roswell Park's dependance on Varian-manufactured equipment, but utilizing one manufacturer, Varian, is reflective of Roswell Park's size. In response, Mr. Manning noted that as Roswell Park grows, he hopes that Roswell Park will be able to purchase two lines of equipment, so Roswell Park is not locked in with a single manufacturer. Mr. Manning further commented that he felt that it was important for the Committee to discuss Roswell Park's dependency on a single manufacturer.

With no further questions, *a motion for approval of the Varian Medical Systems contract award, including approval of the single source procurement exemption with Varian Medical Systems, for an amount not to exceed \$6.29 million, was made by Mr. Manning, seconded by Ms. NeMoyer, and unanimously carried.*

#### b. Sirtex SIR-Spheres (Single Source)

Mr. Andro presented on a single source procurement exemption for a three-year renewal of a contract with Sirtex for the manufacturer of SIR-Spheres microspheres, which are used in patients with unresectable liver tumors. Roswell Park has used this product successfully since 2006. While there is a competitor in the market, Roswell Park's Interventional Radiology team believes that the SIR-Spheres are the superior product which the team is highly experienced with, and prices between both manufacturers are comparable. Mr. Szeffel commended Roswell Park for negotiating an at-will termination clause in the renewal contract, which will allow Roswell Park to move to another vendor as necessary. There being no further discussion, *a motion for approval of the Sirtex*

*SIR-Spheres contract renewal award, including approval of the single source procurement exemption, with an estimated cost of \$4.3 million, was made by Mr. Manning, seconded by Ms. NeMoyer, and unanimously carried.*

**IV. Post Implementation Review**

There were no questions on the post-implementation reviews in the meeting materials.

*Upon a motion made by Mr. Manning, seconded by Ms. NeMoyer and unanimously approved, the Committee moved to Executive Session for purposes of a Government Relations update and Managed Care update.*

**V. Government Relations Update**

Mr. Kennedy provided an update on government relations. Roswell Park is seeking \$112.767 million, which is the amount allocated to Roswell Park last year.

Mr. Kennedy then discussed the negative impact that the Grieving Families Act would have on malpractice insurance and legal costs should Governor Hochul sign the legislation as currently written with Mr. Sexton providing further commentary on this matter.

Mr. Kennedy continued his update by explaining that Federal appropriation bills include strong funding for the National Cancer Institute, which is important for Roswell Park investigators seeking federal funding, but if federal lawmakers pass a continuing resolution instead of approving the new budget, this funding is not likely. There will also be a four percent (4%) cut in Medicare payments unless Congress averts this increase. Mr. Kennedy then explained the ramifications that the recent Supreme Court decision in *Braidwood Management Inc. v. Becerra* may have on preventative services provided by Roswell Park, such as Roswell Park's tobacco prevention program.

The Committee then further discussed the Grieving Families Act. Mr. Manning commented that this act has been pending for approximately 50 years and vastly expands compensable damages in wrongful death actions as currently only direct economic costs are recoverable.

**VI. Managed Care Update - Payor Negotiations**

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*Upon a motion made by Mr. Manning, seconded by Mr. Sears, and unanimously approved, the Committee returned to Open Session.*

## VII. 2<sup>nd</sup> Quarter Combined Financial Statements

Mr. Grady presented on the second quarter combined financial statements, highlighting that Roswell Park received a 16% return on its investment in OmniSeq. He provided a detailed comparison of Roswell Park's financial performance against a compare group of ninety-four (94) hospital and health systems with public books. The second quarter clinical volumes were then reviewed in detail, with inpatient days on plan and the daily average census slightly ahead of plan. Outpatient visits were also ahead of plan by 2.3%. Mr. Grady also noted that operating EBIDA is ahead of the revised plan. Mr. Grady noting that the second quarter BMT clinical volumes were behind plan due to the lower leukemia volumes that Roswell Park experienced several months ago. The consolidated statement and balance sheet were also reviewed in detail by Mr. Grady. He noted that inpatient activity is lower due to a decrease in BMT cases along with inflation driving up medical supply costs. Investment earnings were also down, but Mr. Grady expects investment earnings to increase in the future as Roswell Park reinvest funds at higher interest rates. The Committee then discussed the decrease in BMT cases in detail. *Mr. Manning made a motion to approve second quarter financials, which was seconded by Mr. Szeffel and unanimously approved.*

## VIII. Fiscal Year 23 (FY23) Preliminary Budget Submission to NYS ABO

Mr. Grady presented on the FY23 preliminary budget submission to the NYS ABO, noting that this submission must be filed 90 days before year-end in the government.-required format. He also reviewed the reconciliation of Roswell Park's full accrual budget to the ABO modified accrual budget submission, including the FY24 to FY27 projected budgets. Mr. Manning was also invited to participate in a sub-committee to discuss the re-issuance of Roswell Park's debt, which he accepted. There being no further discussion, *Mr. Manning made a motion to approve Roswell Park's FY23 Preliminary Budget Submission to the NYS ABO, which was seconded by Ms. MeMoyer and unanimously approved.*

## IX. FY 23 - 2<sup>nd</sup> Quarter Investment Activity

Mr. Maier presented on key financial indicators and second quarter investment activity. There is a 3% projected investment return next year, which is an improvement from the past few years.

Mr. Maier also provided a summary of the performance of the malpractice and HRI investment funds, noting a 3.5% loss for the HRI Investment Funds during the second quarter. Mr. Sears also advised that Roswell Park must prepare for a potential recession in the near future. *Mr. Szeffel then made a motion to approve the second quarter investment activity report, which was seconded by Ms. NeMoyer. Mr. Sears and Mr. Manning abstained.*

## X. Other Issues/Adjournment

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

  
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Michael B. Sexton, Secretary