

**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, March 16, 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 (*via Teams*)
Candace S. Johnson, Ph.D., President & CEO
Kenneth Manning, Esq. (*via Teams*)
Elyse NeMoyer (*via Teams*)
Dennis Szefel (*via Teams*)

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

**Present by
Invitation:** 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*)
Ryan Grady, Chief Financial Officer
James C. Kennedy, Vice President, Government & Community Relations
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*)
Thomas Schwaab, MD, PhD, Chief of Strategy, Business Development & Outreach
Michael B. Sexton, Esq., Senior Vice President, Chief Legal Officer &
Corporate Secretary
Jeff Walker, Executive Vice President

OPENING/MINUTES

Mr. Sears welcomed all attendees, noting that today's meeting was important as the Fiscal Year 2023 ("FY23") Budget would be reviewed by the Committee.

Mr. Sears then turned to a review of the Minutes from the Committee meeting held on December 8, 2021. With no commentary offered, *a motion was made by Mr. Manning to approve the Minutes, seconded by Ms. NeMoyer, and unanimously carried.*

CONTRACTS/CAPITAL EXPENDITURE PROJECTS

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

GE Imaging Equipment (Single Source)

Mr. Sexton requested approval for a five (5) year renewal contract with GE Healthcare for the maintenance and service of seven (7) CT scanners, two (2) MRI scanners, one (1) CT/PET scanner, one (1) bone mineral densitometry system, and two (2) C-arm X-ray systems with an \$8.9 million total cost. The contract guarantees uptime of 95% or 97% for each system with a 5% to 15% reduction in the associated annual service fee if GE Healthcare does not achieve the guaranteed uptime. The price for the first year of the contract is approximately 2% higher than the current GE Healthcare contract, but a third party consultant determined that GE Healthcare had a lower average cost of service than Phillips and Siemens, alternate manufacturers. A fair market value assessment conducted by ECRI also concluded that the contract price was within market. The procurement method will be single source because any other vendor would need to rely on GE Healthcare for proprietary parts and software. GE Healthcare also employs specialized technicians with 24-hour phone support and an online service portal. Mr. Grady noted that while GE may increase annual pricing by up to 5% due to inflation, only a 2% inflation increase is anticipated over a 10-year period.

There being no questions, a motion for approval was made by Mr. Manning, seconded by Ms. NeMoyer, and unanimously approved.

Mr. Szeffel then expressed a concern that Roswell Park continues to procure its radiology equipment almost exclusively from GE Healthcare. Mr. Sears noted that he and Mr. Grady have already determined that an annual vendor review should be performed to address this shared concern. Mr. Sexton added that bids were solicited for the procurement of radiology equipment from various manufacturers for the Park Club Lane Project in recognition of the Board and Finance Committee's concern over relying so heavily on one vendor in this expensive procurement area.

Insurance Premium Renewals

Mr. Sexton next reviewed the insurance premium renewals for Roswell Park's insurance coverage, effective April 1, 2022, with an approximate cost of \$2.8 million. Excluding cyber liability coverage, premiums increased approximately 18% from last year due to industry-wide increases in litigation, recent natural disasters, and the COVID-19 pandemic. The premium increases for each insurance line other than cyber liability were then reviewed individually by Mr. Sexton.

Cyber insurance coverage of \$10 million was recommended with a premium cost of \$432,206. Although Roswell Park's broker requested quotes from forty-two (42) insurance companies, only eight (8) insurance companies quoted this coverage. To maintain last year's \$20 million coverage, the premium cost would have increased from \$220,500 to just under \$747,000. This translates to a 348% premium rate increase. A benchmarking study determined that \$10 million in cyber liability coverage would have provided coverage in 85% of coverage events relating to a peer group of institutions. The ransomware attack sustained by ECMC several years ago was also discussed. It is believed that ECMC sustained approximately \$10 million in damages and had \$20 million in cyber liability coverage when it sustained the cyberattack.

Mr. Sexton recommended Roswell Park take out \$10 Million in coverage at the premium level of \$432,206, which is still an approximate tripling in rate cost over last year. There was discussion among the Committee members, with Mr. Sears and Mr. Manning both indicating they were supportive of this proposal, but also noting that they might have been inclined to support paying the larger cost for \$20 Million in coverage as well.

Mr. Sexton concluding by noting that despite the broker's best efforts, premiums for all insurance lines this year increased by 26% (\$564,156) from last year's premium costs, including the increased cost for \$10 Million in cyber liability coverage.

Mr. Sears inquired if the IT Committee reviews the cyber liability coverage. Mr. Manning responded that Mr. Rosen presented on cyberattacks at a recent IT Committee meeting, and Mr. Sexton gave information on the increased premiums being quoted to Roswell Park. While it is important to obtain as much coverage as possible, Mr. Manning deemed Mr. Sexton's recommendation of \$10 million in cyber liability coverage to be prudent. He further observed that larger cases are now being litigated due to third party funding, which will affect the future of the insurance marketplace.

There being no further discussion, *a motion for approval of the overall insurance program renewal was made by Mr. Manning, seconded by Mr. Szeffel, and unanimously approved.*

Elekta Gamma Knife (Core Replacement) (Sole Source)

Mr. Walker requested the Committee's approval to purchase a radioactive source renewal and maintenance services contract from Elekta for a total contract cost of \$2.43 million, and approval of the sole source exemption for this procurement. Gamma knife radiosurgery is used to treat benign and malignant brain tumors, and brain metastasis. Roswell Park operates the only gamma knife program in Western New York, which has grown significantly throughout the COVID-19 pandemic and has a 75% contribution margin. Because a gamma knife source loses its effectiveness after approximately four (4) years, the gamma knife source in Roswell Park's system must be replaced in October at a cost of \$1.03 million. Leksell Vantage frames will also be purchased for \$130,000 to increase accuracy during treatment, and the 5-year maintenance contract will cost \$1.4 million. A fair market value assessment confirms that Roswell Park received competitive pricing for all products and services. All costs are included in the operational and capital budgets for FY23-FY26.

The only question raised, by Mr. Manning, was whether any additional costs would be incurred for protective measures that may be necessary during the gamma knife source removal. Mr. Walker responded that no additional costs would be incurred because the existing source is already contained within a shielded box that will be removed intact. With no further questions, *a motion for approval was made by Mr. Manning, seconded by Ms. NeMoyer, and unanimously carried.*

INFORMATIONAL ONLY

Roche Ventana (Sole Source), Medical Oncology Locums, Cerus Pathogen Renewal (Sole Source)

Mr. Sears noted that the Director's Desk materials contained informational materials on the following contracts: Roche Ventana Benchmarking, Medical Oncology Locums, and the Cerus Pathogen Renewal. There being no questions or discussion, Mr. Sears moved to the next agenda item.

POST IMPLEMENTATION REVIEW (INFORMATIONAL)

Mr. Sears advised that the Director Desk materials included a post implementation review of the NMH Service Elevator Project. There being no questions or discussion, Mr. Sears turned the meeting over to Mr. Kennedy to provide an update on Government Relations.

GOVERNMENT RELATIONS UPDATE

Mr. Kennedy began his presentation with a brief review of FY22. New York's FY23 Executive Budget was then reviewed in detail by Mr. Kennedy. He noted that it includes \$55.463 million in operating support and \$57.304 million in capital support for Roswell Park for a total increase of \$10 million from FY22. Out of this additional \$10 million, \$2 million is to be spent on the 907 Michigan Project, \$4 million on the procurement of mobile lung screening equipment, and \$4 million for ongoing operational support for the mobile lung screening initiative. Other significant activities on a state-wide level included a proposal to remove the four percent (4%) cap on the annual growth of New York's Medicaid program, and a bill written by Memorial Sloan Kettering to protect access to NCI-Designated cancer centers by Medicaid patients.

On a local government level, Roswell Park successfully worked with the City of Buffalo and the local community in connection with the 907 Michigan Project, which Mr. Kennedy attributed to the efforts of Michael Johnson, his colleague in Government Relations at Roswell Park. Mr. Kennedy also noted that Roswell Park engaged in several successful meetings with the Town of Amherst Supervisor, Brian Kulpa, relating to costs savings on the Park Club Lane Project, and a detailed update could be provided after the meeting.

On the federal government level, Mr. Kennedy noted that President Biden recently signed the omnibus spending bill for FY22, noting that COVID-19 funding was removed, but unspent state relief funds were not rescinded. The federal government also extended telehealth flexibility for one hundred and fifty-one (151) days after the end of the public health emergency, which is currently set to expire in April 2022. An automatic Medicare sequestration cut of 1% will go into effect on April 1, 2022, resulting in a monthly revenue loss of \$112,500. A second 1% cut will go into effect on July 1, 2022, resulting in a total monthly revenue loss of \$225,000. An update on the federal funding of NIH and NCI was also provided.

Other notable Government Relations activities included federal funding for a CT scanner in exchange for Roswell Park self-funding a lung cancer registry that will provide valuable data to the federal government. Dr. Johnson commented on Roswell Park's success this year in getting more funding from the state than ever before. Mr. Sears thanked Roswell Park for its good work.

There being no further discussion, *Mr. Manning then made a motion to move the meeting to Executive Session for updates on Payor Relations and the Revenue Cycle Implementation, and a presentation on the FY23 Budget. The motion was seconded by Mr. Szefel and unanimously carried.*

HEALTH PLAN PARTNERSHIP UPDATE: PAYOR NEGOTIATIONS

REVENUE CYCLE IMPLEMENTATION UPDATE

Mr. Grady next updated the Committee on the Revenue Cycle Implementation Project (“Project”), noting that contract negotiations have concluded successfully with Athena Health and Deloitte. Roswell Park was able to negotiate some protection into each contract for revenue loss sustained by Roswell Park to the extent caused by the respective vendor did not receive all of the revenue loss protections that it sought.

Mr. Grady then provided an overview of the timeline and cost for the remaining three (3) Project stages. Of note, Roswell Park will have twenty (20) months after go-live of Athenahealth before its contract with the legacy system, Cerner, expires on December 31, 2025. The total cost projections for the Project include an estimated \$15 million revenue impact resulting from implementation issues. Mr. Sears requested regular updates on this Project.

FISCAL YEAR 2023 BUDGET PRESENTATION

Mr. Grady provided the Committee with an extensive review of the FY23 Budget. He first focused on major themes and highlights, noting that Roswell Park is in a major investment and reinvestment period, citing investment in IT infrastructure, the Revenue Cycle Project, the Park Club Lane Project, the Inpatient Bed Capacity Project, and the Research cGMP Expansion Project.

Higher inflation, continued labor market instability, and evolutions in the payor landscape are other major themes.

Projections for Roswell Park's Operating EBIDA Margin and Total Days Cash on Hand ("DCOH") from FY 23 to FY26 were discussed in detail by Mr. Grady. The Operating EBIDTA Margin Percentages slopes downward over this projected period attributable to planned investments and anticipated reimbursement pressures from Medicare/Medicaid and payors. During his review of the DCOH projections, Mr. Grady highlighted that the Medicaid Advanced Payment, part of federal pandemic relief totaling approximately \$40 million, is excluded from the DCOH projections as Medicare has been deducting reimbursement amounts owed to Roswell Park from this amount.

There being no questions, Mr. Grady reviewed the key assumptions for the FY23 Budget beginning with the actual and projected inpatient and outpatient volume trends from FY19 to FY26. He noted that clinical revenue account for 80% of total revenue.

Mr. Grady then provided a detailed overview of capital spend and capital major projects from FY23 to FY26, noting that Roswell Park's capital spend is two times the target, but this is due to the several large capital projects discussed earlier. Other major capital expenditures include the procurement of a linac replacement in FY23 and an adaptive radiotherapy linac in FY24 (partly

funded by the Alliance). Mr. Szeffel and Mr. Grady then discussed the large capital costs required to maintain Roswell Park's thirty (30) acre campus, which includes sixteen (16) buildings and a parking ramp.

There being no further questions, Mr. Grady reviewed Roswell Park's IT operating and capital costs against the Gartner benchmark. Roswell Park is currently above the Gartner median of 4.3%, but he attributed the overage to several large current IT capital projects Mr. Manning advised that the Information Technology Committee addressed concerns about Roswell Park's information technology spending exceeding the Gartner median, but the current overspend is due to underspending in past years. Mr. Manning further noted that he is comfortable with the current investments, and that the large projects compromising the majority of current spending are vital.

Mr. Grady then informed the Committee that Harris Computing Corporation, owned by Constellation Software, recently acquired Allscripts, leading to concerns about the future of the Allscripts EMR platform currently used by Roswell Park. While the Allscripts contract does not expire for another six and a half (6 ½) years, Roswell Park will begin advance planning for the possible purchase and implementation of a new software platform. Mr. Grady will continue to update the Committee on this matter.

A history of New York State's ("NYS") financial support was then provided by Mr. Grady. He noted that Roswell Park's hospital bonds will amortize fully in FY27, thus giving Roswell Park the opportunity to utilize debt markets to fund large projects such as the replacement of the current EMR system. Mr. Manning, Mr. Grady and Mr. Sexton then discussed the current bonds in greater detail with both Mr. Grady and Mr. Sexton recommending that the current repayment schedule remain in place.

Mr. Grady concluded his presentation by demonstrating the impact that alternate scenarios would have on the FY23 Budget and beyond. He reviewed EBITDA and DCOH should the FY23 projected clinical volumes increase or decrease by 5%. Mr. Grady noted that he cannot recall a time when the projected clinical volumes were off by 5%. He also reviewed the impact to the budget should significant pressure be placed on private payor reimbursement rates, especially by IHA. Mr. Sears then thanked Mr. Szeffel for asking that different budget scenarios be contemplated but emphasized that over the past fifteen (15) years, excluding the pandemic year, the actual clinical revenue has met or exceed the projected clinical revenue.

A discussion then ensued between Mr. Manning, Mr. Grady and Mr. Sears regarding current market conditions and the NYS Pension and OBED expenditures. This discussion concluded Mr. Grady's presentation on the FY23 Budget.

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

FISCAL YEAR 2023 BUDGET

Mr. Sears welcomed everyone back into Open Session and requested a motion to approve the FY23 budget. *A motion for approval was made by Mr. Szeffel, seconded by Mr. Manning, and unanimously approved.*

HRI Funding Resolution

Mr. Sears then asked Mr. Grady to provide a brief overview of the HRI Funding Resolution included in the meeting materials. On an annual basis, Roswell Park reimburses HRI for the deficiency in cost recovery for HRI costs at the Roswell Division. Mr. Grady noted that this resolution is for the approval of Roswell Park's transfer of \$7.8 million to HRI, which is less than in previous years as HRI is able to fund some expenses during FY23. There being no further questions or discussion, *a motion for approval of the HRI Funding Resolution was made by Mr. Szeffel, seconded by Ms. NeMoyer, and unanimously approved.*

SECTION 203 BUDGET SUBMISSION

Mr. Grady then informed the Committee that Roswell Park must file its final amendment to the budget filed in December with the New York State Authorities Budget Office ("NYS ABO"). Mr. Grady presented this budget, advising that it is presented in a modified accrual basis format and is used strictly by New York State for comparison purposes. The major differences with this format and the full accrual basis budget format used by Roswell Park were explained to the Committee by Mr. Grady. Mr. Sears then noted that this required filing is an amendment to the preliminary budget filed last December and will be posted on the websites of Roswell Park and NYS ABO.

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

3RD QUARTER FINANCIALS

Mr. Grady presented on the 3rd Quarter financial performance. He reviewed the 3rd Quarter inpatient and outpatient volumes, noting that inpatient days were behind by 4%, which hasn't occurred in quite some time. Outpatient visits, however, tracked ahead of plan. The 3rd Quarter Operating EBIDA of 6.7% was ahead of budget with the year-to-date operating EBIDA at 8.7%, but expected to go down a percentage due to the Revenue Cycle Implementation Project.

Mr. Grady forewarned the Committee that January clinical revenues were significantly impacted by the Omicron variant despite the 4th Quarter typically being the strongest quarter of the fiscal year. The estimated negative impact is \$5.4 million. Mr. Grady noted that six hundred eighty-five (685) employees were out sick in January either due to COVID-19 or a COVID-19 exposure, which represents 1/5th of the entire workforce. As a result, many office visits and procedures were rescheduled. However, this decrease in clinical volumes tapered immediately with Mr. Grady noting that clinical volumes increased in February and the first weeks in March have been strong.

There were no questions or further discussion. *A motion for approval was then made by Mr. Manning, seconded by Ms. NeMoyer, and unanimously approved.*

3RD QUARTER INVESTMENT REPORT

Mr. Maier gave the 3RD Quarter investment report, noting that the past three (3) months have been more favorable compared to the past two (2) years. At the end of the 3rd Quarter, the investment fund sustained anon-recognized loss attributable to expected interest rate increases by the Federal

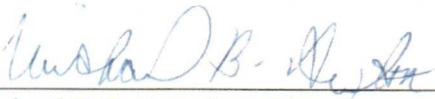
Reserve, with funds totaling \$588.1 million. He noted that 63% of the investment funds are invested in treasuries and the federal government is expected to be increasing rates.

Mr. Maier also reviewed the fund investment for the malpractice trust and HRI investment funds, noting that while the malpractice trust sustained a seventy (70) basis points loss, it is anticipated that it will be one hundred (100) basis points positive if the funds are held until maturity. The HRI investment fund of \$42.8 million earned 1.6% during the 3rd Quarter.

Mr. Maier reported that the investment outlook was generally optimistic due to the lessening of need for federal support of the economy. The Federal Reserve Board is expected to raise rates several times in coming months, in quarter point increments. Roswell Park's investment advisors previously advised Roswell Park to keep the duration of the maturities short to allow Roswell Park to benefit from higher rates. Wilmington advised that Rowell Park should wait to see when the rates stop growing, and then invest in maturities with longer durations at that point in time.

A motion was then made for approval of the investment report by Mr. Szeffel, seconded by Ms. NeMoyer, and unanimously approved, with Mr. Manning and Mr. Sears abstaining.

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



Michael B. Sexton, Secretary