

**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 15, 2023 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 Szeffel (*via Teams*)
Michael Joseph, Board Chairman (*via Teams*)

Present by

Invitation: Ronald Andro, Chief Clinical Operations Officer
Laurel DiBrog, Senior Vice President (*via Teams*)
Meghan Dobson, Esq., Associate General Counsel
Betsy Doty-Lampson, Board Administrator
Thomas Furlani, Ph.D., Chief Information Officer
Ryan Grady, Chief Financial Officer
Kathryn Hineman, Esq., Vice President and General Counsel
James C. Kennedy, Vice President, Government & Community Relations
Boris W. Kuvshinoff, M.D., Chief Medical Officer (*via Teams*)
Mary Ann Long, R.N., Senior Vice President & Chief Nursing Officer
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

I. Opening/Minutes

Mr. Sears welcomed all attendees at 8:30 am, and turned to a review of the Minutes from the December 7, 2022 Finance Committee meeting. With no commentary/questions offered, *a motion was made by Mr. Manning to approve the Minutes, seconded by Ms. NeMoyer, and unanimously carried.*

II. Contracts/Capital Expenditure Projects

a. Endoscopy Equipment Lease

Mr. Andro presented on the Olympus Endoscopy Equipment Lease, explaining that Roswell Park's flexible endoscopes have an average age of 7.5 years and require frequent repair, resulting in unfavorable clinical performance. The proposal involves Roswell Park's lease of its flexible endoscope fleet from Olympus for up to a five (5) year period for a total cost of \$4.55 million. He explained that the lease arrangement includes a service agreement covering the leased equipment to ensure the high quality performance of the equipment. Mr. Sears noted that the meeting material contained a thorough discussion on this proposed lease arrangement. There being no questions or further commentary, *a motion for approval of an expenditure of \$4.55 million for up to a five-year endoscopy lease agreement (consisting of a three-year initial term and up to two, 1-year renewals) with Olympus along with a service agreement was made by Mr. Joseph, seconded by Mr. Szeffel and unanimously approved.*

b. Insurance Premium Renewals

Mr. Sexton reviewed the insurance limits and premium for Roswell Park's insurance coverage for April 1, 2023 to March 31, 2024 at a projected cost of \$3,147,490. Despite efforts to aggressively market all coverage lines, the total cost for all premiums increased by \$436,698, representing a 16% increase from last year's total cost. Mr. Sexton advised that management would review the current insurance program in the coming years to identify any recommended changes. He also explained that certain of Roswell Park's insurance carriers do not have to meet the state-mandated reserve requirements because the carrier has not been admitted in New York State, but each such carrier satisfies Roswell Park's solvency requirements and has either an A- or B+ rating.

Mr. Sexton also advised that Roswell Park is satisfied with M&T Bank's brokerage services, but Roswell Park must issue a RFP for these services in two (2) years. There being no further discussion, *a motion for approval of the premiums and insurance limits for each line of coverage at a projected cost of \$3,147,490 was made Mr. Manning, seconded by Mr. Joseph, and unanimously approved.*

III. Informational Only - Strata Contract Renewal and Gamma Knife Upgrade

Mr. Sears advised the Committee that the meeting materials contained detailed information on the Strata Contract Renewal and Gamma Knife Upgrade single source expenditure request which will be brought to the March 29 Board meeting.

IV. Post Implementation Reviews - IT Temporary Staffing, GE Services Agreement & Elekta Gamma Knife

No questions or commentary were offered on the post implementation reviews of the IT Temporary Staffing, GE Services Agreement and Elekta Gamma Knife projects included in the meeting materials.

Upon a motion made by Mr. Manning, seconded by Mr. Joseph and unanimously approved, the Committee moved to Executive Session for purposes of a Government Relations Update, a Managed Care Update, a Revenue Cycle Implementation Update, and the FY24 Budget Reconciliation Presentation.

V. Government Relations Update

[REDACTED]

Mr. Kennedy also provided an update federal government relations, highlighting that Roswell Park received a \$2 million Federal grant for adaptive radiotherapy. Mr. Manning also noted that Governor Hochul vetoed a proposed expansion of plaintiff's rights in New York State's wrongful death law. This expansion would have resulted in large cost increases to health care providers.

VI. Managed Care Update - Payor Negotiations

Mr. Grady provided an update on payor relations, noting that Roswell Park is seeking to contract with Aetna. He also highlighted that Roswell Park is currently implementing its quality programs with Independent Health Association and Univera Healthcare.

VII. Revenue Cycle Implementation Update

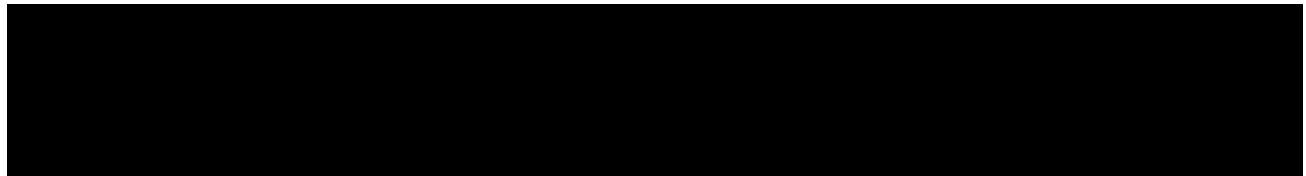
Mr. Grady updated the Committee on the current status of the Revenue Cycle Implementation Project (the "Project"), noting that Phase 3 (Implementation) began in January 2023 and will continue for 18 months. He reviewed the current status of the Phase 3 milestones in detail, highlighting that Roswell Park measures whether the Project is on-time and within budget and if sufficient resources have been allocated, by reviewing these milestones. He also highlighted that Phase 3 consist of 1,514 system test cases, 175 interface test cases, and 200 data conversion test cases, and the costs incurred thus far (\$2 million) are favorable to the budget. Dr. Furlani then explained that the Project extends beyond just the implementation of the Athena IDX system to the integration of Roswell Park's existing systems and enterprise data warehouse with this system. Mr. Grady added that Roswell Park is conducting exhaustive testing to ensure that these integrations are successful.

Mr. Manning commented that the Board and senior management is aggressively managing this very high risk Project. Mr. Sears noted that the Committee will continue to keep close tabs on this Project.

VIII. FY24 Budget Presentation

Mr. Grady presented on the FY24 Budget, starting with a detailed overview of its major themes and highlights. He then compared Roswell Park's financial performance against the publicly available data of ninety-one (91) other health institutions (such as Memorial Sloan Kettering ["MSK"]) to highlight that health care institutions across the board are experiencing decreased operating earnings and days cash on hand. He also reported that on large losses in 2022 experienced by the other local health systems.

Mr. Grady then highlighted the key financial performance indicators and strategic planning targets in the FY24 Budget, comparing Roswell Park's Days Cash On Hand ("DCOH") and Operating EBIDA Margins from FY18 to FY24 against Moody's Northeast Region A3 Medians and JP Morgan's Northeast Region A3 Medians. He also projected the impact of GASB 96, a new accounting method that requires capitalization of Roswell Park's software-based subscriptions greater than one year (i.e., Workday), on Roswell Park's Operating EBIDA Margin across FY23 to FY27. He also reviewed DCOH across FY23 to FY27, acknowledging a low point for DCOH in FY25, in addition to examining the FY24 Budget's key assumptions.



Mr. Grady also reviewed the Capital Spending Ratio across FY'20 to FY'27, attributing the increase in this ratio from FY'22 to FY'25 to the Revenue Cycle Implementation, cGMP facility expansion, the Park Club Lane construction, and other large capital projects. Mr. Sears emphasized the importance of these capital projects to Roswell Park's infrastructure and network. Mr. Grady reviewed Roswell Park's recent technology investments against a Gartner benchmark, acknowledging that this spend was nearing the benchmark, but was necessary due to past deferrals of necessary capital projects.

Mr. Grady concluded his presentation by reviewing the debt and retiree health payment projections, highlighting that Roswell Park will have the capacity in FY'27 to tap capital markets because current bonds will be amortized and paid down. Mr. Grady then presented two different scenarios involving a debt issue of \$150 million. Mr. Grady and Mr. Sears explained that a separate Board subcommittee will likely be formed with members from several Board committees to ensure that Board leadership is well informed and represented, but details need to be discussed with the Board Chairman.



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

IX. FY24 Budget

Mr. Sears noted that the FY'24 Budget was discussed in detail during the Executive Session. There being no further commentary, *Mr. Szeffel made a motion to approve the FY24 Budget. This motion was seconded by Ms. NeMoyer and unanimously approved.*

a. FY'24 HRI Funding Resolution

Mr. Grady summarized the Board Resolution for Roswell Park's funding of the Roswell Park Division of Health Research, Inc. ("HRI") for FY'24. There being no questions or commentary, *a motion was made by Mr. Josephs to approve the HRI Funding Resolution for FY'24 in the sum of \$10.3 million, seconded by Mr. Manning and unanimously approved.*

b. Section 203 Budget Submission

Mr. Grady directed the Committee to Roswell Park's Section 203 Budget Filing for FY'24 in the meeting materials. Roswell Park must file this submission annually with New York State's Authorities Budget Office. Mr. Sears noted that the filing assumes that state subsidies and grants will remain at the same level during the projected period. There being no further discussion, *a motion to approve Roswell Park's Section 203 Budget Filing for FY'24 was made by Mr. Manning, seconded by Mr. Szeffel, and unanimously approved.*

X. 3rd Quarter Combined Financial Statements

[REDACTED]

XI. 3rd Quarter Investment Activity

Mr. Maier presented on the key financial indicators and third quarter investment activity for FY'23. He reported on the recent Silicon Valley Bank failure and the current concerns on Credit Suisse's stability. He also reviewed the U.S. Treasury's yield curve in detail, noting that it remained inverted.

Mr. Maier also provided a summary of the performance of the malpractice and HRI investment Funds, reporting a net return of 0.83% for the malpractice trust. The HRI investment fund had a return of 4.6%, which exceeded the benchmark. After Mr. Grady and Mr. Sears offered further commentary on the Silicon Valley Bank failure, *a motion to approve the third quarter*

investment activity report was made by Mr. Joseph, seconded by Ms. NeMoyer and was carried. Mr. Sears and Mr. Manning abstained.

XII. Other Issues/Adjournment

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

Michael B. Sexton, Secretary