

Roswell Park Cancer Institute
Corporation
Section 203 Budget Filing
Fiscal Year 2020 - 2021
FINAL



March 31, 2020

Public Authority Relationship with Unit of Government

203.6(a)

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 49 such centers designated in the United States. The institute is a 133 licensed bed facility and an ambulatory care center containing 15 multidisciplinary care centers with a staff of over 3,200 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.

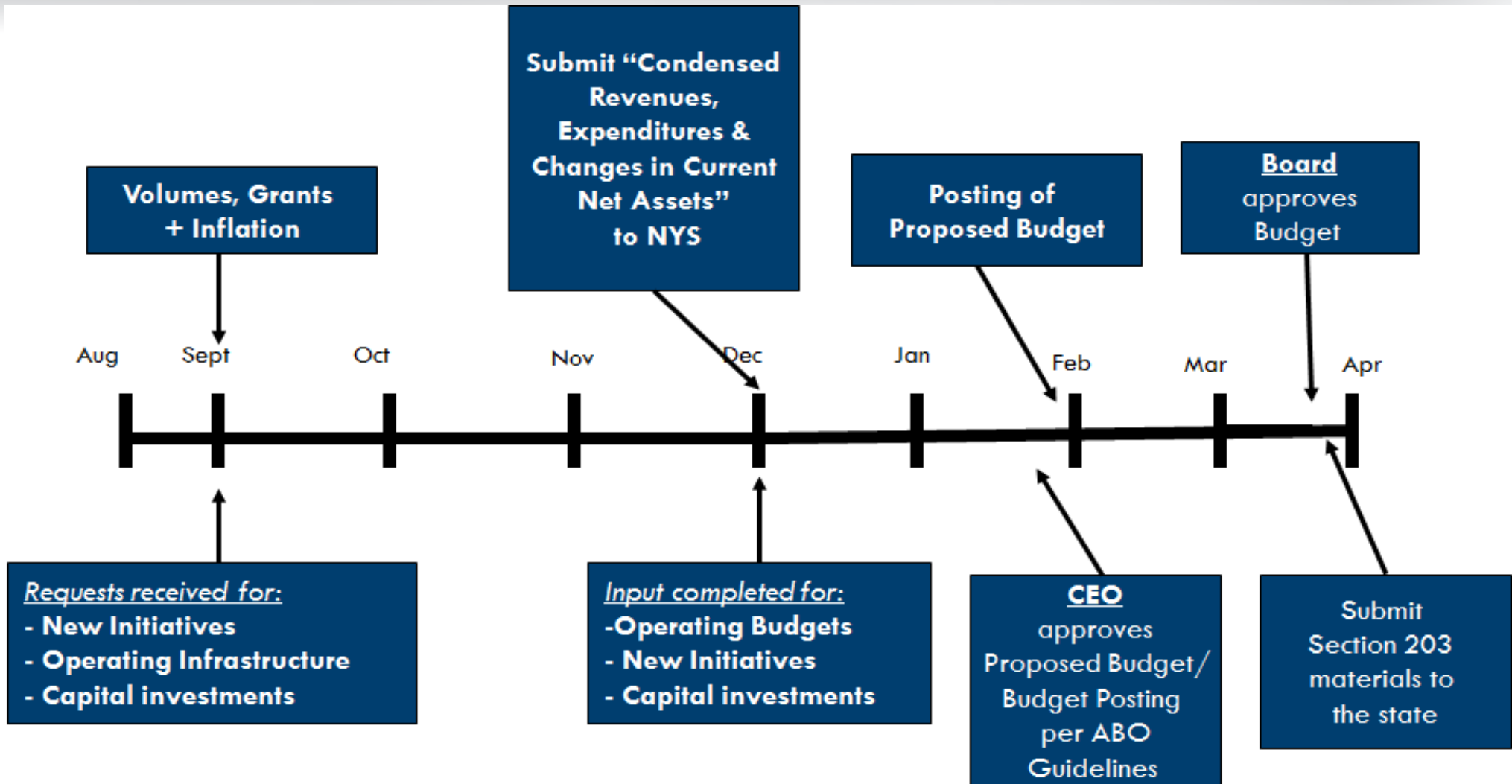
Revenues generated by the Corporation as a result of operating the Institute are considered to be revenues of the State for the purpose of its bond payment, and are required to be deposited into the Roswell Park Cancer Institute Debt Service Account of the Health Income Fund for payment of debt service 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 4.5%
 - Days 3.2%
 - Outpatient Visits 7.4%
 - 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 FY21 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) ~16.6%
 - Medical supplies, blood products, office supplies, purchased services +1.8%

- Programmatic Goals:
 - Continued expansion of local community presence
 - Implementation of Roswell Park's strategic plan, including
 - Continue to enhance ability to provide CAR-T cell therapy as a treatment option 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 (via Global Biotech and Cancer Therapies)
 - Optimize new information technology solutions and infrastructure
 - Significant capital investment to upgrade existing IT systems, expand capacity and maintain currency for clinical technology

- Outcome of Final NYS Budget
- Strategic Research Initiatives
 - Increasing costs and competition
 - Delays or changes to strategic research initiatives may impact budget projections
- 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
- Increasing cost and liability for post retirement health (OPEB) benefit

- Required labor rate increases outpacing healthcare reimbursement increases
- Physical capacity to meet demand for clinical services
- Ability to invest in accordance with strategic plan
- Potential shift to single payor system in NYS
- Potential migration from hospital-based care to outpatient facilities

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

203.6(e)/203.6(g)

	Last Year (Actual) FY19	Current Year (Estimated) FY20	Proposed Budget FY21	Proposed FY22	Proposed FY23	Proposed FY24
REVENUE & FUNDING SOURCES						
<i>Operating Revenues</i>						
Charges for Services	\$ 726,921	\$ 803,090	\$ 867,651	\$ 915,153	\$ 980,320	\$ 1,023,392
Rental & Financing income	—	—	—	—	—	—
Other Operating revenues	22,270	21,328	24,768	26,668	28,512	26,808
<i>Non-operating Revenues</i>						
Investment earnings	10,227	11,938	4,437	5,175	6,543	8,144
State subsidies/grants	102,607	102,607	102,607	102,607	102,607	102,607
Federal subsidies/grants	—	—	—	—	—	—
Municipal subsidies/grants	—	—	—	—	—	—
Public authority subsidies	—	—	—	—	—	—
Other Non-Operating Revenue	—	—	—	—	—	—
<i>Proceeds from the issuance of debt</i>	—	—	—	20,000	20,000	—
Total Revenues and Funding Sources	\$862,025	\$938,963	\$999,463	\$1,069,603	\$1,137,982	\$1,160,951
EXPENDITURES						
<i>Operating expenditures</i>						
Salaries and Wages	\$277,921	\$298,484	\$323,469	\$340,317	\$351,695	\$365,710
Other Employee Benefits	85,420	89,660	98,638	107,493	112,719	117,840
Professional Services and Contracts	105,596	109,721	122,534	121,388	125,152	126,463
Supplies and Materials	299,869	320,472	361,598	396,586	423,412	452,551
Other operating expenditures	7,263	7,414	7,791	7,900	8,187	9,412
<i>Non-operating expenditures</i>						
Payment of principal on bonds and financing arrangements	18,209	18,484	18,771	21,532	24,371	24,254
Interest and other fiscal charges on debt	2,730	2,428	2,037	2,481	3,006	2,399
Subsidies to other public authorities	—	—	—	—	—	—
Capital asset outlay	34,600	46,416	81,839	84,428	67,066	57,892
Miscellaneous	5,820	(8,398)	1,000	5,000	3,750	3,750
Total Expenditures	\$837,428	\$884,681	\$1,017,677	\$1,087,126	\$1,119,358	\$1,160,271
Capital Contributions	2,231	1,972	5,176	4,975	375	125
"Excess (deficiency) of revenues and capital contributions over expenditures"	\$26,828	\$56,254	\$(13,038)	\$(12,548)	\$18,999	\$805

Cash Flow Projections

(in millions)

203.5(h)

	Projected FY20	Budgeted FY21	Budgeted FY22	Budgeted FY23	Budgeted FY24
Excess/(Deficiency) of revenues and capital contributions over expenditures	\$ 56.3	\$ (13.0)	\$ (12.5)	\$ 19.0	\$ 0.8
Other Changes in Unrestricted Cash	2.2	(32.0)	(8.5)	(3.4)	(3.2)
Cash Impact from Operations	\$ 58.5	\$ (45.1)	\$ (21.1)	\$ 15.6	\$ (2.4)

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

203.5(d)

	FY20 Projected	FY21 Budget	FY22 Budget	FY23 Budget	FY24 Budget
Volume Statistics					
New to Center	12,403	13,381	13,815	14,046	14,250
Admits	5,456	5,702	6,011	6,133	6,237
Days	43,398	44,808	46,808	47,716	48,529
Visits	280,148	300,784	316,604	322,128	327,153
Direct Patient Service Revenue					
RPCI IP Revenue	\$ 235,662	\$ 250,203	\$ 263,986	\$ 271,253	\$ 278,850
RPCI OP Revenue	450,440	500,410	526,990	580,283	615,871
Other	50,298	51,466	52,974	54,538	56,149
RPCI Total	\$ 736,400	\$ 802,079	\$ 843,950	\$ 906,074	\$ 950,870
CPP IP Revenue	\$ 19,069	\$ 20,068	\$ 22,251	\$ 24,578	\$ 27,059
CPP OP Revenue	46,847	50,139	52,607	53,245	53,472
CPP Total	65,916	70,207	74,858	77,823	80,531
Total Direct Patient Service Revenue	\$ 802,316	\$ 872,286	\$ 918,808	\$ 983,897	\$ 1,031,401
Other RPCI Patient Service Revenue	\$ 5,720	\$ 1,940	\$ 3,643	\$ 4,235	\$ 320
Other CPP Patient Service Revenue	758	700	700	700	700
Total Other Patient Service Revenue	\$ 6,478	\$ 2,640	\$ 4,343	\$ 4,935	\$ 1,020
Total Net Patient Service Revenue	\$ 808,794	\$ 874,926	\$ 923,151	\$ 988,832	\$ 1,032,421
RPCI Provision for Bad Debts	\$ 7,061	\$ 8,402	\$ 9,125	\$ 9,664	\$ 10,212
CPP Provision for Bad Debts	659	948	1,011	1,051	1,087
Total Provision for Bad Debts	\$ 7,720	\$ 9,350	\$ 10,136	\$ 10,715	\$ 11,299
Total Net Patient Service Revenue Net of Provision for Bad Debt	\$ 801,074	\$ 865,576	\$ 913,015	\$ 978,117	\$ 1,021,122
Grants and Contracts	2,017	2,077	2,139	2,204	2,270
Total Charges for Services	\$ 803,090	\$ 867,651	\$ 915,153	\$ 980,320	\$ 1,023,392

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

203.5(d)

<u>(in thousands)</u>	FY20	FY21	FY22	FY23	FY24
	Projected	Budget	Budget	Budget	Budget
Cafeteria	\$ 2,177	\$ 2,241	\$ 2,264	\$ 2,286	\$ 2,309
Parking	3,024	3,108	3,139	3,756	3,989
Rebates (VHA/Utilities)	2,637	2,684	2,710	2,738	2,765
Network Affiliations, Agreements & Partnerships	6,160	7,896	8,340	8,467	8,596
LSB - UB Reimbursement	1,100	1,000	1,010	1,020	1,030
Rental Income	113	113	114	115	116
Aids Hotline	153	153	155	156	158
New Programs funded through Alliance	2,476	4,127	3,692	3,490	1,104
WNY Partnership / Rest of NY Initiatives	2,046	1,830	3,608	4,829	5,066
All Other	1,441	1,618	1,636	1,655	1,675
Projected Operating Revenues	\$ 21,328	\$ 24,768	\$ 26,668	\$ 28,512	\$ 26,808

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

203.5(e)/203.5(f)

	FY20 Projected	FY21 Budget	FY22 Budget	FY23 Budget	FY24 Budget
Salaries					
Salaries and Wage Costs	298,484	323,469	340,317	351,695	365,710
TOTAL Personnel Service Expense	298,484	323,469	340,317	351,695	365,710
Fringe					
NYS Pension Expense & TIAA CREF	28,794	30,247	34,647	36,066	37,065
Health Insurance: Active	24,977	27,507	29,158	30,907	32,762
Health Insurance: OPEB Payments	11,274	12,670	14,048	15,182	16,371
Other Fringe	24,615	28,214	29,640	30,564	31,642
TOTAL Fringe Expense	89,660	98,638	107,493	112,719	117,840
Note: The fringe expense includes the cash payments for NYS Pension & OPEB, but does not include the accrued cost.					
Non Personnel Service Operating Expense					
Professional Services & Contracts	109,721	122,534	121,388	125,152	126,463
Pharmaceuticals	257,662	293,158	326,044	352,379	380,836
Medical, Blood, Other Supplies	62,810	68,440	70,542	71,033	71,715
Supplies & Materials	320,472	361,598	396,586	423,412	452,551
Other Operating Expenditures	7,414	7,791	7,900	8,187	9,412
TOTAL Non Personnel Service Expense	\$ 437,607	\$ 491,923	\$ 525,874	\$ 556,751	\$ 588,426

Reconciliation FY20 Budget to FY20 Projected (in millions)

203.6(f)

	<u>(in millions)</u>
1 Excess (Deficiency) Revenues over Expenses (FY20 Budget)	\$ (2.3)
2 Clinical Growth & Strategic Plan	15.3
3 Proceeds from Stock Divestiture of Partially Owned Subsidiary	10.0
4 Timing of Investment in Clinical and Research Initiatives	9.6
5 Third Party Revenue & Settlements	7.7
6 Timing of Capital & Strategic Investments	7.7
7 Investment Earnings	4.2
8 Favorable Variable Labor	2.5
9 All Other	<u>1.6</u>
10 Excess (Deficiency) Revenues over Expenses (FY20 Projected)	\$ 56.3

FY 2021 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	2,207	1,893	1,989
Scientific / Academic	202	183	190
Administrative and Other	752	674	701
Total All Functional Areas	3,160	2,750	2,880

Sources of Funding:

The Source of funding for the projected workforce is:
Patient Service Revenues - Government and Private Payors
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.

Major Gap Closing Components:	
	(\$\$ in millions)
Clinical Growth / Strategic Plan	\$11.8M
Transformation Savings Program (incremental)	\$0.4M

The Institute is projecting non-recurring capital contribution revenues of approximately \$2.0 million in FY20, \$5.2M in FY21, \$5.0M in FY22, \$0.4M in FY23 and \$0.1 million in FY24. 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

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	Projection	Projection	Projection
FY21	FY22	FY23	FY24
\$ 86.6	\$ 69.6	\$ 51.9	\$ 34.0

Scheduled Debt Service Payment	
<i>For the Year ending March 31</i>	
2020	
2021	
2022	
2023	
2024	
2025-2029	
Thereafter	

in 000's			
Bonds		Capital Leases	
Principal	Interest	Principal	Interest
\$ 15,293	\$5,208	\$20	\$ 153
16,051	4,424	25	152
16,877	3,619	32	151
17,707	2,772	38	150
17,878	1,894	45	149
29,629	1,428	349	714
—	—	4,003	1,526
\$113,435	\$19,345	\$4,512	\$ 2,996

*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 2025. 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 2025. 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 FY21	Pledged Revenues	Debt Service Percent of Pledged Revenues
1 DASNY Debt issuance 7/13/11	\$ 4,723	\$ 757,695	0.6%
2 DASNY Debt issuance 10/21/16	\$ 15,752	\$ 757,695	2.1%
Total	<u>\$ 20,475</u>		<u>2.7%</u>

*Pledged revenues are defined in accordance with RPCI bond documents

Capital Summary

(in 000's)

203.6(m)

	FY21 Budget
Facilities and Infrastructure	\$ 22,477
Clinical, Scientific & Administrative Equipment	29,176
Information Technology	30,186
Total Capital Expenditures	\$ 81,839

Changes from Proposed Budget posted on 1/31/20

203.9

Schedule	Change Description
203.6e,g	Changes to financials in all years, with the most significant being: > changes in capital spending due to timing of major projects and changes in estimated costs
203.5h	Updated Cash Projections based on changes to Net Income and Unrestricted Cash (noted above)
203.5d	Updated to reflect change in Financials (noted above)
203.5e,f	Updated to reflect change in Financials (noted above)
203.6f	Updated to reflect change in Financials (noted above)
203.6i	Changes in estimates to Clinical Growth & Strategic Plan Initiatives
203.6m	Change in estimated timing and amount of Total Capital Expenditures
Note:	Changes made since posting on 1/31/20 reflect the most up-to-date and accurate information available prior to the Board approval on 3/26/20.

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 Operating Officer
Roswell Park Cancer Institute Corporation

Presented to The Roswell Park Board of Directors on March 26, 2020
Approved by the Board of Director's on March 26, 2020