

Roswell Park Cancer Institute Corporation

Section 203 Budget Filing

Fiscal Year 2021 - 2022
PROPOSED



January 29, 2021

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.

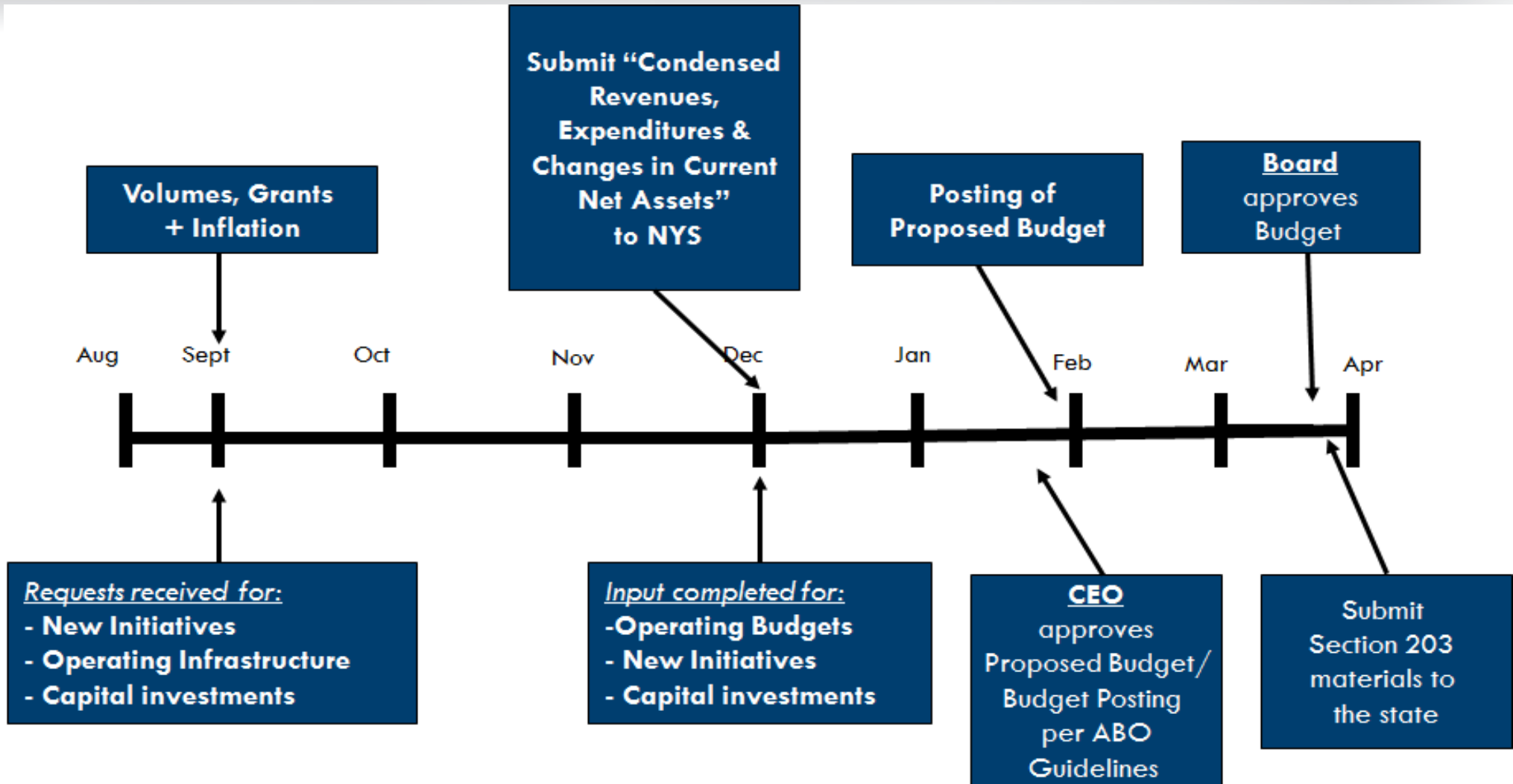
Revenues generated by the Corporation as a result of operating the Institute are considered to be revenues of the State for the purpose of its bond payment, and are required to be deposited into the Roswell Park Cancer Institute Debt Service Account of the Health Income Fund for payment of debt service 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 (includes recovery from Covid-19 clinical slowdown)
 - Admits 9.5%
 - Days 9.0%
 - Outpatient Visits 11.1%
 - 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 FY22 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) ~14.5%
 - Medical supplies, blood products, office supplies, purchased services +2.1%

- Programmatic Goals:
 - Continued expansion of local community presence
 - Implementation of Roswell Park's strategic plan, including
 - Expand CAR-T cell therapy as new treatments options become available 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
 - Significant capital investment to upgrade existing IT systems, expand capacity and maintain currency for clinical technology

- NYS budget challenges due to Covid-19
- 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 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) FY20 | Current Year (Estimated) FY21 | Proposed Budget FY22 | Proposed FY23 | Proposed FY24 | Proposed FY25 |
|---|-------------------------------|-------------------------------------|----------------------------|---------------------|---------------------|---------------------|
| REVENUE & FUNDING SOURCES | | | | | | |
| <i>Operating Revenues</i> | | | | | | |
| Charges for Services | \$ 806,132 | \$ 821,530 | \$ 914,258 | \$ 1,008,871 | \$ 1,057,116 | \$ 1,133,314 |
| Other Operating revenues | 21,872 | 20,123 | 21,759 | 25,280 | 25,453 | 26,475 |
| <i>Non-operating Revenues</i> | | | | | | |
| Investment earnings | 17,347 | 2,695 | 1,460 | 1,796 | 2,292 | 3,817 |
| State subsidies/grants | 102,607 | 87,368 | 102,607 | 102,607 | 102,607 | 102,607 |
| Federal subsidies/grants | — | 9,303 | 4,397 | — | — | — |
| Total Revenues and Funding Sources | \$ 947,958 | \$ 941,019 | \$ 1,044,481 | \$ 1,138,554 | \$ 1,187,468 | \$ 1,266,213 |
| EXPENDITURES | | | | | | |
| <i>Operating expenditures</i> | | | | | | |
| Salaries and Wages | \$ 298,463 | \$ 313,499 | \$ 351,182 | \$ 372,956 | \$ 388,412 | \$ 404,156 |
| Other Employee Benefits | 88,113 | 90,849 | 102,240 | 109,182 | 115,375 | 122,127 |
| Professional Services and Contracts | 109,004 | 112,034 | 121,260 | 131,021 | 134,399 | 135,975 |
| Supplies and Materials | 325,628 | 335,361 | 372,725 | 422,006 | 457,389 | 490,291 |
| Other operating expenditures | 6,817 | 9,178 | 8,475 | 9,597 | 9,970 | 10,307 |
| <i>Non-operating expenditures</i> | | | | | | |
| Payment of principal on bonds and financing arrangements | 18,484 | 18,771 | 19,084 | 19,350 | 18,977 | 16,285 |
| Interest and other fiscal charges on debt | 2,451 | 1,978 | 1,559 | 1,266 | 916 | 574 |
| Capital asset outlay | 40,783 | 45,366 | 56,112 | 66,587 | 54,902 | 47,719 |
| Miscellaneous | (9,973) | — | 5,000 | — | — | — |
| Total Expenditures | \$ 879,769 | \$ 927,036 | \$ 1,037,638 | \$ 1,131,965 | \$ 1,180,339 | \$ 1,227,434 |
| Capital Contributions | 3,114 | 4,247 | 5,550 | 6,800 | 350 | 200 |
| "Excess (deficiency) of revenues and capital contributions over expenditures" | \$ 71,302 | \$ 18,230 | \$ 12,393 | \$ 13,389 | \$ 7,479 | \$ 38,979 |

Cash Flow Projections

(in millions)

203.5(h)

| | Projected FY21 | Budgeted FY22 | Budgeted FY23 | Budgeted FY24 | Budgeted FY25 |
|---|-------------------|------------------|------------------|------------------|------------------|
| Excess/(Deficiency) of revenues and capital contributions over expenditures | \$ 18.2 | \$ 12.4 | \$ 13.4 | \$ 7.5 | \$ 39.0 |
| Other Changes in Unrestricted Cash | (23.5) | (12.4) | (22.2) | (1.5) | (12.5) |
| Cash Impact from Operations | \$ (5.3) | \$ — | \$ (8.9) | \$ 6.0 | \$ 26.5 |

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

203.5(d)

| | FY21 Projected | FY22 Budget | FY23 Budget | FY24 Budget | FY25 Budget |
|--|-------------------|-------------------|---------------------|---------------------|---------------------|
| Volume Statistics | | | | | |
| New to Center | 11,144 | 13,370 | 13,963 | 14,326 | 14,608 |
| Admits | 5,239 | 5,735 | 6,041 | 6,220 | 6,340 |
| Days | 41,582 | 45,339 | 46,873 | 48,172 | 49,112 |
| Visits | 265,162 | 294,614 | 314,259 | 323,791 | 329,602 |
| Direct Patient Service Revenue | | | | | |
| RPCI IP Revenue | \$ 236,686 | \$ 272,082 | \$ 290,481 | \$ 302,492 | \$ 316,179 |
| RPCI OP Revenue | 476,460 | 519,198 | 586,520 | 618,367 | 675,740 |
| Other | 47,768 | 59,282 | 61,584 | 63,776 | 65,903 |
| RPCI Total | \$ 760,914 | \$ 850,562 | \$ 938,585 | \$ 984,635 | \$ 1,057,822 |
| CPP IP Revenue | \$ 17,381 | \$ 20,263 | \$ 22,491 | \$ 24,868 | \$ 27,401 |
| CPP OP Revenue | 47,285 | 51,101 | 55,755 | 58,019 | 58,951 |
| CPP Total | \$ 64,666 | \$ 71,364 | \$ 78,246 | \$ 82,887 | \$ 86,352 |
| Total Direct Patient Service Revenue | \$ 825,580 | \$ 921,926 | \$ 1,016,831 | \$ 1,067,522 | \$ 1,144,174 |
| Other RPCI Patient Service Revenue | \$ 5,835 | \$ 1,143 | \$ 1,690 | (135) | 87 |
| Other CPP Patient Service Revenue | 700 | 700 | 700 | 700 | 700 |
| Total Other Patient Service Revenue | \$ 6,535 | \$ 1,843 | \$ 2,390 | \$ 565 | \$ 787 |
| Total Net Patient Service Revenue | \$ 832,115 | \$ 923,769 | \$ 1,019,221 | \$ 1,068,087 | \$ 1,144,961 |
| RPCI Provision for Bad Debts | \$ 11,235 | \$ 10,500 | \$ 11,317 | \$ 11,942 | \$ 12,637 |
| CPP Provision for Bad Debts | 970 | 785 | 861 | 912 | 950 |
| Total Provision for Bad Debts | \$ 12,205 | \$ 11,285 | \$ 12,178 | \$ 12,854 | \$ 13,587 |
| Total Net Patient Service Revenue Net of Provision for Bad Debt | \$ 819,910 | \$ 912,484 | \$ 1,007,043 | \$ 1,055,233 | \$ 1,131,374 |
| Grants and Contracts | 1,621 | 1,776 | 1,829 | 1,884 | 1,940 |
| Total Charges for Services | \$ 821,530 | \$ 914,258 | \$ 1,008,871 | \$ 1,057,116 | \$ 1,133,314 |

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

203.5(d)

| <u>(in thousands)</u> | FY21 | FY22 | FY23 | FY24 | FY25 |
|---|------------------|------------------|------------------|------------------|------------------|
| | Projected | Budget | Budget | Budget | Budget |
| Cafeteria | \$ 1,210 | \$ 1,212 | \$ 1,224 | \$ 1,236 | \$ 1,249 |
| Parking | 2,432 | 2,532 | 2,734 | 2,761 | 2,789 |
| Rebates (VHA/Utilities) | 2,356 | 2,403 | 2,427 | 2,451 | 2,475 |
| RPCIO | 4,099 | 3,110 | 3,502 | 3,528 | 3,555 |
| Network Affiliations, Agreements & Partnerships | 6,063 | 7,691 | 7,807 | 7,926 | 8,047 |
| LSB - UB Reimbursement | 1,000 | 1,000 | 1,010 | 1,020 | 1,030 |
| Rental Income | 85 | 100 | 101 | 102 | 103 |
| Aids Hotline | 153 | 153 | 155 | 156 | 158 |
| New Programs funded through Alliance | 2,041 | 2,329 | 2,586 | 1,736 | 1,530 |
| WNY Partnership / Rest of NY Initiatives | 15 | 563 | 3,051 | 3,834 | 4,820 |
| All Other | 670 | 667 | 684 | 702 | 720 |
| Projected Operating Revenues | \$ 20,123 | \$ 21,759 | \$ 25,280 | \$ 25,453 | \$ 26,475 |

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

203.5(e)/203.5(f)

| | FY21 Projected | FY22 Budget | FY23 Budget | FY24 Budget | FY25 Budget |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|
| Salaries | | | | | |
| Salaries and Wage Costs | \$ 313,499 | \$ 351,182 | \$ 372,956 | \$ 388,412 | \$ 404,156 |
| TOTAL Personnel Service Expense | \$ 313,499 | \$ 351,182 | \$ 372,956 | \$ 388,412 | \$ 404,156 |
| Fringe | | | | | |
| NYS Pension Expense & TIAA CREF | \$ 30,610 | \$ 34,797 | \$ 36,727 | \$ 38,284 | \$ 39,921 |
| Health Insurance: Active | 25,829 | 26,840 | 28,987 | 31,306 | 33,811 |
| Health Insurance: OPEB Payments | 10,781 | 11,955 | 12,881 | 13,847 | 14,999 |
| Other Fringe | 23,630 | 28,649 | 30,586 | 31,938 | 33,396 |
| TOTAL Fringe Expense | \$ 90,849 | \$ 102,240 | \$ 109,182 | \$ 115,375 | \$ 122,127 |
| Non Personnel Service Operating Expense | | | | | |
| Professional Services & Contracts | \$ 112,034 | \$ 121,260 | \$ 131,021 | \$ 134,399 | \$ 135,975 |
| Pharmaceuticals | \$ 263,314 | \$ 300,390 | \$ 343,421 | \$ 374,893 | \$ 404,366 |
| Medical, Blood, Other Supplies | 72,047 | 72,335 | 78,585 | 82,496 | 85,925 |
| Supplies & Materials | \$ 335,361 | \$ 372,725 | \$ 422,006 | \$ 457,389 | \$ 490,291 |
| Other Operating Expenditures | \$ 9,178 | \$ 8,475 | \$ 9,597 | \$ 9,970 | \$ 10,307 |
| TOTAL Non Personnel Service Expense | \$ 456,573 | \$ 502,460 | \$ 562,624 | \$ 601,758 | \$ 636,573 |

Note: The fringe expense includes the cash payments for NYS Pension & OPEB, but does not include the accrued cost.

Reconciliation FY21 Budget to FY21 Projected (in millions)

203.6(f)

| | <u>(in millions)</u> |
|--|----------------------|
| 1 Excess (Deficiency) Revenues over Expenses (FY21 Budget) | \$ (37.2) |
| 2 Clinical Growth & Strategic Plan | 34.1 |
| 3 Timing of Investment in Clinical and Research Initiatives | 2.4 |
| 4 Timing of Capital & Strategic Investments | 18.4 |
| 5 All Other | <u>0.5</u> |
| 6 Excess (Deficiency) Revenues over Expenses (FY21 Projected) | \$ 18.2 |

FY 2022 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 | 2,280 | 1,932 | 2,080 |
| Scientific / Academic | 190 | 170 | 179 |
| Administrative and Other | 824 | 700 | 755 |
| Total All Functional Areas | 3,293 | 2,802 | 3,013 |

Sources of Funding:

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

Revenue Enhancements and Cost Reduction Initiatives:

| | (\$ in Millions) |
|----------------------------------|------------------|
| Clinical Growth / Strategic Plan | \$14.7M |
| Cost reduction efforts | In process |

The Institute is projecting non-recurring capital contribution revenues of approximately \$4.2 million in FY21, \$5.6M in FY22, \$6.8M in FY23, \$0.4M in FY24 and \$0.2 million in FY25. 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

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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 FY22 | Projection FY23 | Projection FY24 | Projection FY25 |
| \$ 69.6 | \$ 51.9 | \$ 34.0 | \$ 18.3 |

Scheduled Debt Service Payment

For the Year ending March 31

- 2021
- 2022
- 2023
- 2024
- 2025
- 2026-2030
- Thereafter

| in 000's | | | |
|-----------------|-----------------|----------------|-----------------|
| Bonds | | Capital Leases | |
| Principal | Interest | Principal | Interest |
| \$ 16,051 | \$4,424 | \$25 | \$ 152 |
| 16,877 | 3,619 | 32 | 151 |
| 17,707 | 2,772 | 38 | 150 |
| 17,878 | 1,894 | 45 | 149 |
| 15,651 | 1,079 | 53 | 147 |
| 13,978 | 349 | 393 | 701 |
| — | — | 3,905 | 1,392 |
| \$98,142 | \$14,137 | \$4,493 | \$ 2,843 |

*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 FY22 | Pledged Revenues | Debt Service Percent of Pledged Revenues |
|---|----------------------|---------------------|--|
| 1 DASNY Debt issuance 7/13/11 | \$ 2,386 | \$ 786,756 | 0.3% |
| 2 DASNY Debt issuance 10/21/16 | \$ 18,111 | \$ 786,756 | 2.3% |
| Total | \$ 20,496 | | 2.6% |

*Pledged revenues are defined in accordance with RPCI bond documents

Capital Summary

(in 000's)

203.6(m)

| | FY22 Budget |
|---|------------------------|
| Facilities and Infrastructure | \$ 22,477 |
| Clinical, Scientific & Administrative Equipment | 15,544 |
| Information Technology | 18,091 |
| Total Capital Expenditures | \$ 56,112 |

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 17, 2021
Approved by the Board of Director's on March 17, 2021