

# Roswell Park Cancer Institute Corporation

## Section 203 Budget Filing

Fiscal Year 2021 - 2022  
FINAL



**March 31, 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.

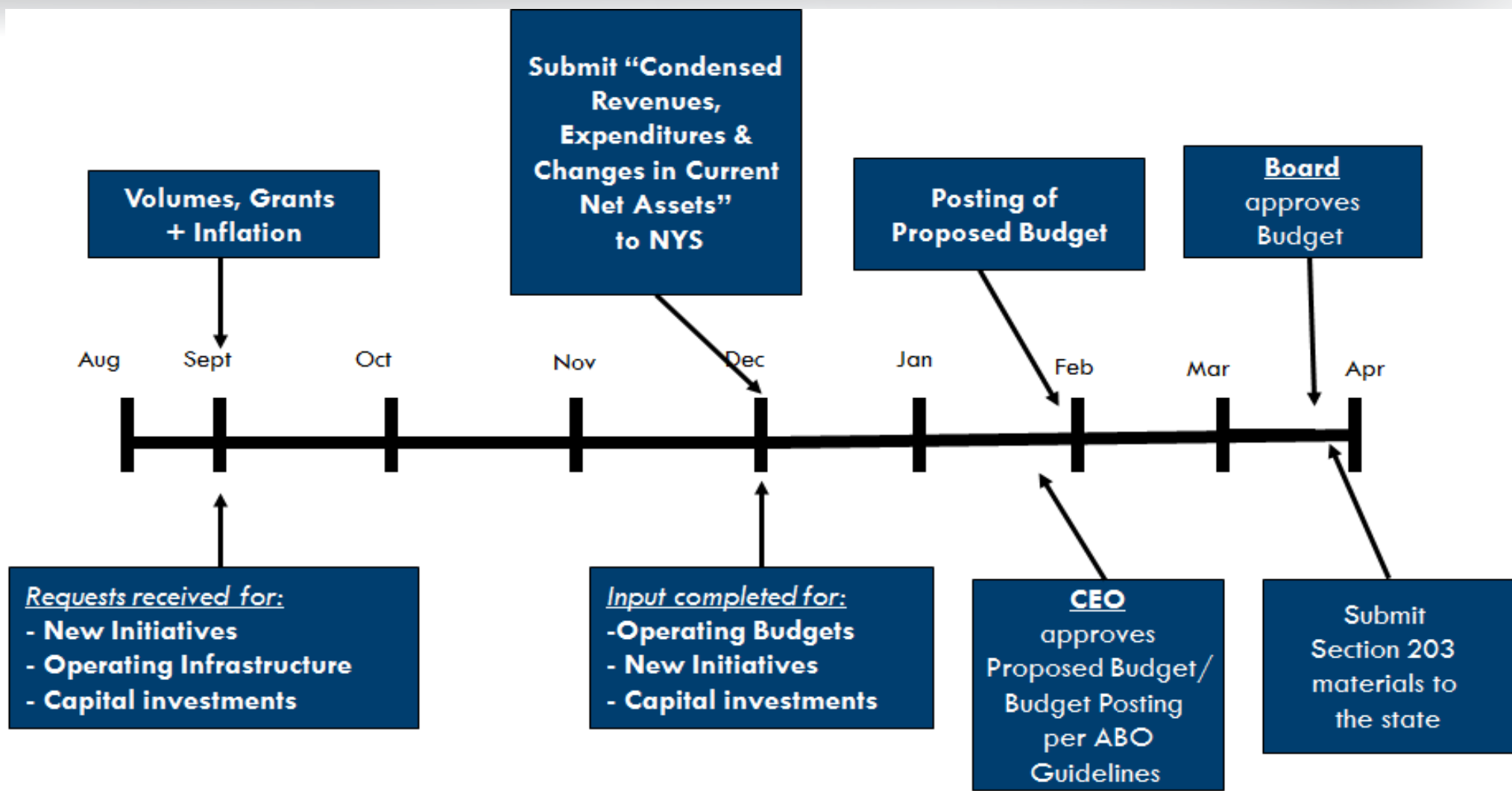
Revenues generated by the Corporation as a result of operating the Institute are considered to be revenues of the State for the purpose of its bond payment, and are required to be deposited into the Roswell Park Cancer Institute Debt Service Account of the Health Income Fund for payment of debt service 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 7.1%
    - Days 7.4%
    - Outpatient Visits 8.5%
  - 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) ~11.5%
  - 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
<b>REVENUE &amp; FUNDING SOURCES</b>						
<i>Operating Revenues</i>						
Charges for Services	\$ 806,132	\$ 816,521	\$ 896,816	\$ 983,332	\$ 1,025,709	\$ 1,099,957
Other Operating revenues	21,872	18,616	23,677	26,113	25,891	26,205
<i>Non-operating Revenues</i>						
Investment earnings	17,347	2,251	1,415	1,365	1,744	3,001
State subsidies/grants	102,607	81,670	102,607	102,607	102,607	102,607
Federal subsidies/grants	—	10,891	4,397	—	—	—
<b>Total Revenues and Funding Sources</b>	<b>\$ 947,958</b>	<b>\$ 929,949</b>	<b>\$ 1,028,912</b>	<b>\$ 1,113,417</b>	<b>\$ 1,155,951</b>	<b>\$ 1,231,770</b>
<b>EXPENDITURES</b>						
<i>Operating expenditures</i>						
Salaries and Wages	\$ 298,463	\$ 318,029	\$ 353,126	\$ 377,124	\$ 393,275	\$ 408,714
Other Employee Benefits	88,113	91,782	102,897	110,257	117,486	124,347
Professional Services and Contracts	109,004	109,563	119,954	130,121	134,178	136,510
Supplies and Materials	325,628	334,448	365,724	408,822	440,486	471,789
Other operating expenditures	6,817	8,976	8,275	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	45,267	54,594	71,877	43,907	44,721
Miscellaneous	(9,973)	—	5,000	—	—	—
<b>Total Expenditures</b>	<b>\$ 879,769</b>	<b>\$ 928,815</b>	<b>\$ 1,030,213</b>	<b>\$ 1,128,413</b>	<b>\$ 1,159,195</b>	<b>\$ 1,213,246</b>
Capital Contributions	3,114	4,247	5,550	6,800	350	200
"Excess (deficiency) of revenues and capital contributions over expenditures"	<b>\$ 71,302</b>	<b>\$ 5,381</b>	<b>\$ 4,249</b>	<b>\$ (8,196)</b>	<b>\$ (2,894)</b>	<b>\$ 18,724</b>



# 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	\$ 5.4	\$ 4.2	\$ (8.2)	\$ (2.9)	\$ 18.7
Other Changes in Unrestricted Cash	(34.6)	8.3	(22.2)	(0.5)	(10.7)
<b>Cash Impact from Operations</b>	<b>\$ (29.2)</b>	<b>\$ 12.5</b>	<b>\$ (30.4)</b>	<b>\$ (3.4)</b>	<b>\$ 8.1</b>

# 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
<b><u>Volume Statistics</u></b>					
New to Center	11,144	13,024	13,665	14,001	14,275
Admits	5,239	5,613	5,982	6,148	6,265
Days	41,582	44,679	46,547	47,751	48,675
Visits	265,162	287,799	308,850	317,736	323,427
<b><u>Direct Patient Service Revenue</u></b>					
RPCI IP Revenue	\$ 232,207	\$ 268,533	\$ 288,791	\$ 303,321	\$ 316,882
RPCI OP Revenue	472,659	505,559	562,778	586,680	642,252
Other	47,768	59,282	61,584	63,776	65,903
RPCI Total	\$ 752,634	\$ 833,374	\$ 913,153	\$ 953,777	\$ 1,025,037
CPP IP Revenue	\$ 17,849	\$ 19,982	\$ 22,189	\$ 24,544	\$ 27,054
CPP OP Revenue	46,863	50,898	55,576	57,291	58,192
CPP Total	\$ 64,712	\$ 70,880	\$ 77,765	\$ 81,835	\$ 85,246
<b>Total Direct Patient Service Revenue</b>	<b>\$ 817,346</b>	<b>\$ 904,254</b>	<b>\$ 990,918</b>	<b>\$ 1,035,612</b>	<b>\$ 1,110,283</b>
Other RPCI Patient Service Revenue	\$ 5,835	\$ 1,143	\$ 1,690	(135)	87
Other CPP Patient Service Revenue	700	700	700	700	700
<b>Total Other Patient Service Revenue</b>	<b>\$ 6,535</b>	<b>\$ 1,843</b>	<b>\$ 2,390</b>	<b>\$ 565</b>	<b>\$ 787</b>
<b>Total Net Patient Service Revenue</b>	<b>\$ 823,881</b>	<b>\$ 906,097</b>	<b>\$ 993,308</b>	<b>\$ 1,036,177</b>	<b>\$ 1,111,070</b>
RPCI Provision for Bad Debts	\$ 8,009	\$ 10,275	\$ 10,949	\$ 11,451	\$ 12,115
CPP Provision for Bad Debts	971	780	855	900	938
<b>Total Provision for Bad Debts</b>	<b>\$ 8,980</b>	<b>\$ 11,055</b>	<b>\$ 11,804</b>	<b>\$ 12,351</b>	<b>\$ 13,053</b>
<b>Total Net Patient Service Revenue Net of Provision for Bad Debt</b>	<b>\$ 814,901</b>	<b>\$ 895,042</b>	<b>\$ 981,504</b>	<b>\$ 1,023,826</b>	<b>\$ 1,098,017</b>
Grants and Contracts	1,621	1,776	1,829	1,884	1,940
<b>Total Charges for Services</b>	<b>\$ 816,521</b>	<b>\$ 896,816</b>	<b>\$ 983,332</b>	<b>\$ 1,025,709</b>	<b>\$ 1,099,957</b>

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

203.5(d)

<u>(in thousands)</u>	<b>FY21 Projected</b>	<b>FY22 Budget</b>	<b>FY23 Budget</b>	<b>FY24 Budget</b>	<b>FY25 Budget</b>
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	2,511	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	2,297	2,575	1,727	1,552
WNY Partnership / Rest of NY Initiatives	88	2,512	3,894	4,281	4,527
All Other	678	668	684	702	719
<b>Projected Operating Revenues</b>	<b>\$ 18,616</b>	<b>\$ 23,677</b>	<b>\$ 26,113</b>	<b>\$ 25,891</b>	<b>\$ 26,205</b>

# 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
<b>Salaries</b>					
Salaries and Wage Costs	\$ 318,029	\$ 353,126	\$ 377,124	\$ 393,275	\$ 408,714
<b>TOTAL Personnel Service Expense</b>	<b>\$ 318,029</b>	<b>\$ 353,126</b>	<b>\$ 377,124</b>	<b>\$ 393,275</b>	<b>\$ 408,714</b>
<b>Fringe</b>					
NYS Pension Expense & TIAA CREF	\$ 30,629	\$ 34,811	\$ 37,082	\$ 39,633	\$ 41,354
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	24,544	29,291	31,306	32,701	34,183
<b>TOTAL Fringe Expense</b>	<b>\$ 91,782</b>	<b>\$ 102,897</b>	<b>\$ 110,257</b>	<b>\$ 117,486</b>	<b>\$ 124,347</b>
<b>Non Personnel Service Operating Expense</b>					
<b>Professional Services &amp; Contracts</b>	<b>\$ 109,563</b>	<b>\$ 119,954</b>	<b>\$ 130,121</b>	<b>\$ 134,178</b>	<b>\$ 136,510</b>
Pharmaceuticals	\$ 263,315	\$ 294,643	\$ 331,211	\$ 359,114	\$ 387,032
Medical, Blood, Other Supplies	71,133	71,081	77,611	81,372	84,757
<b>Supplies &amp; Materials</b>	<b>\$ 334,448</b>	<b>\$ 365,724</b>	<b>\$ 408,822</b>	<b>\$ 440,486</b>	<b>\$ 471,789</b>
<b>Other Operating Expenditures</b>	<b>\$ 8,976</b>	<b>\$ 8,275</b>	<b>\$ 9,597</b>	<b>\$ 9,970</b>	<b>\$ 10,307</b>
<b>TOTAL Non Personnel Service Expense</b>	<b>\$ 452,987</b>	<b>\$ 493,953</b>	<b>\$ 548,540</b>	<b>\$ 584,634</b>	<b>\$ 618,606</b>

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>
<b>1 Excess (Deficiency) Revenues over Expenses (FY21 Budget)</b>	<b>\$ (37.2)</b>
2 Covid-19 Impact favorable vs original projections	7.2
3 Management Actions (Clinical Cost Savings - Deferring New Initiatives)	5.1
4 Covid funding	(5.1)
5 Payer and Service Mix (TCT, Outlier cases, and other)	12.8
6 NYS 20% Holdback on Aid to Localities	(7.6)
7 Timing of IT Spend, OPEB/Pension (Cash), and Utilities	8.8
8 Timing of Capital & Strategic Investments	18.5
9 All Other	<u>2.9</u>
<b>10 Excess (Deficiency) Revenues over Expenses (FY21 Projected)</b>	<b>\$ 5.4</b>

# FY 2022 Budgeted # of FTE's and # of Employees

203.6(h)

<b><u>Functional Classification</u></b>	<b>Total # Employees</b>	<b>Total # Full Time</b>	<b>Total # FTE's</b>
Clinical / Clinical Research / Academic	2,280	1,932	2,080
Scientific / Academic	190	170	179
Administrative and Other	824	700	755
<b>Total All Functional Areas</b>	<b>3,293</b>	<b>2,802</b>	<b>3,013</b>

## **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	\$13.0M
Cost reduction efforts	\$2.2M

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
<b>\$98,142</b>	<b>\$14,137</b>	<b>\$4,493</b>	<b>\$ 2,843</b>

\*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		<u>\$ 20,496</u>		<u>2.6%</u>

\*Pledged revenues are defined in accordance with RPCI bond documents

# Capital Summary

(in 000's)

203.6(m)

	<b>FY22 Budget</b>
Facilities and Infrastructure	\$ 22,412
Clinical, Scientific & Administrative Equipment	15,897
Information Technology	16,285
<b>Total Capital Expenditures</b>	<b>\$ 54,594</b>

# Changes from Proposed Budget posted on 1/29/21

203.9

Schedule	Change Description
203.6e,g	Changes to financials in all years, with the most significant being: > changes to volume projections based on most recent trends > 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 1/29/21 reflect the most up-to-date and accurate information available prior to the Board approval on 3/17/21.

## 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.

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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