

Roswell Park Comprehensive Cancer Center

Section 203 Budget Filing

Fiscal Year 2022 - 2023
FINAL



March 31, 2022

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.

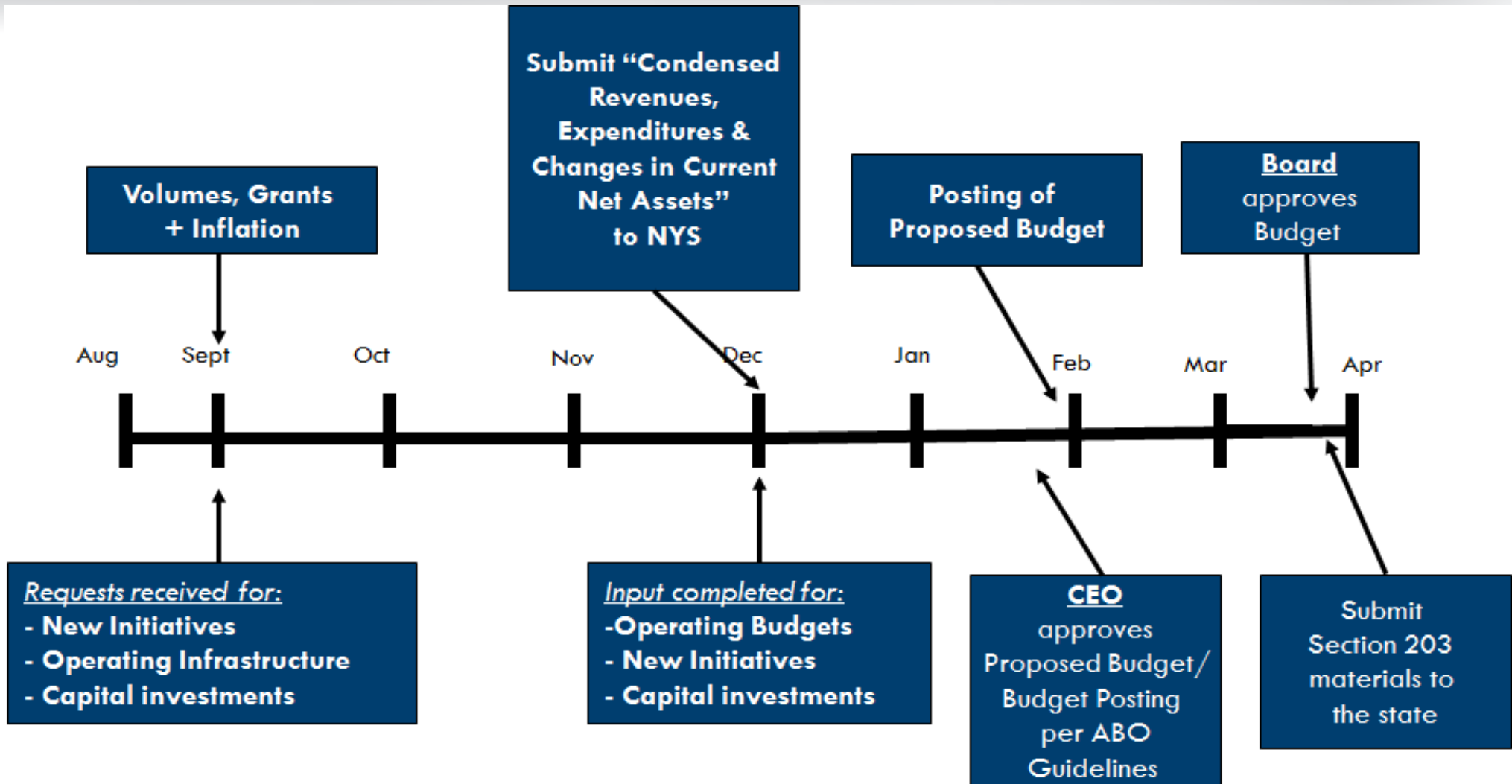
Revenues generated by the Corporation as a result of operating the Institute are considered to be revenues of the State for the purpose of its bond payment, and are required to be deposited into the Roswell Park Cancer Institute Debt Service Account of the Health Income Fund for payment of debt service 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 7.4%
 - Days 3.5%
 - Outpatient Visits 6.8%
 - 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 FY23 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) = 17%
 - Medical supplies, blood products, office supplies, purchased services = 4.5%

- Programmatic Goals:
 - Continued expansion of local community presence
 - Implementation of Roswell Park's strategic plan, including
 - Expand adoptive cellular 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

- Labor/Workforce Instability
 - Recruitment and retention
 - Rising employment costs

- Durable/Sustained Inflation

- Ongoing Pandemic costs/impacts

- Drug Reimbursement

- 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

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

203.6(e)/203.6(g)

	Last Year (Actual) FY21	Current Year (Estimated) FY22	Proposed Budget FY23	Proposed FY24	Proposed FY25	Proposed FY26
REVENUE & FUNDING SOURCES						
<i>Operating Revenues</i>						
Charges for Services	\$ 817,438	\$ 887,228	\$ 984,029	\$ 1,068,613	\$ 1,123,332	\$ 1,214,426
Other Operating revenues	20,767	23,824	28,321	28,291	29,527	31,243
<i>Non-operating Revenues</i>						
Investment earnings	1,555	6,395	1,385	4,013	8,789	10,373
State subsidies/grants	89,267	102,767	112,767	112,767	112,767	112,767
Federal subsidies/grants	16,650	5,488	—	—	—	—
Total Revenues and Funding Sources	\$ 945,677	\$ 1,025,702	\$ 1,126,502	\$ 1,213,684	\$ 1,274,415	\$ 1,368,809
EXPENDITURES						
<i>Operating expenditures</i>						
Salaries and Wages	\$ 314,651	\$ 346,889	\$ 383,948	\$ 408,195	\$ 429,665	\$ 450,480
Other Employee Benefits	90,111	98,916	100,501	113,218	120,409	127,522
Professional Services and Contracts	111,389	112,620	130,673	131,630	137,146	137,042
Supplies and Materials	331,886	358,362	416,183	454,369	490,853	528,227
Other operating expenditures	8,600	12,388	11,278	10,422	10,343	10,479
<i>Non-operating expenditures</i>						
Payment of principal on bonds and financing arrangements	18,484	19,084	19,350	18,977	16,285	14,188
Interest and other fiscal charges on debt	2,000	1,582	1,412	1,483	1,299	1,033
Capital asset outlay	44,610	38,593	86,735	65,223	48,924	48,184
Miscellaneous	—	—	—	—	—	—
Total Expenditures	\$ 921,732	\$ 988,434	\$ 1,150,080	\$ 1,203,517	\$ 1,254,924	\$ 1,317,154
Capital Contributions	3,179	4,574	17,305	5,300	—	—
"Excess (deficiency) of revenues and capital contributions over expenditures"	\$ 27,124	\$ 41,842	\$ (6,273)	\$ 15,467	\$ 19,491	\$ 51,655

Cash Flow Projections

(in millions)

203.5(h)

	Projected FY22	Budgeted FY23	Budgeted FY24	Budgeted FY25	Budgeted FY26
Excess/(Deficiency) of revenues and capital contributions over expenditures	\$ 41.8	\$ (6.3)	\$ 15.5	\$ 19.5	\$ 51.7
Other Changes in Unrestricted Cash	(17.1)	(13.9)	(6.3)	(15.7)	(22.3)
Cash Impact from Operations	\$ 24.7	\$ (20.1)	\$ 9.2	\$ 3.8	\$ 29.3

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

203.5(d)

	FY22 Projected	FY23 Budget	FY24 Budget	FY25 Budget	FY26 Budget
Volume Statistics					
Admits	5,214	5,601	5,868	6,073	6,186
Days	44,873	46,449	48,256	48,787	49,778
Visits	290,190	310,018	321,291	330,656	336,787
Direct Patient Service Revenue					
RPCI IP Revenue	\$ 255,454	\$ 279,655	\$ 301,144	\$ 315,731	\$ 332,819
RPCI OP Revenue	509,315	571,712	629,258	664,110	733,151
Other	47,766	57,141	60,028	62,563	64,819
RPCI Total	\$ 812,535	\$ 908,508	\$ 990,430	\$ 1,042,404	\$ 1,130,789
CPP IP Revenue	\$ 17,038	\$ 19,973	\$ 21,165	\$ 21,815	\$ 22,708
CPP OP Revenue	58,200	64,059	67,694	71,038	73,792
CPP Total	\$ 75,238	\$ 84,032	\$ 88,859	\$ 92,853	\$ 96,500
Total Direct Patient Service Revenue	\$ 887,773	\$ 992,540	\$ 1,079,289	\$ 1,135,257	\$ 1,227,289
Other RPCI Patient Service Revenue	\$ 10,480	\$ 2,229	\$ 1,234	\$ 793	\$ 681
Other CPP Patient Service Revenue	700	700	700	700	700
Total Other Patient Service Revenue	\$ 11,180	\$ 2,929	\$ 1,934	\$ 1,493	\$ 1,381
Total Net Patient Service Revenue	\$ 898,953	\$ 995,469	\$ 1,081,223	\$ 1,136,750	\$ 1,228,670
RPCI Provision for Bad Debts	\$ 12,918	\$ 12,610	\$ 13,794	\$ 14,626	\$ 15,482
CPP Provision for Bad Debts	677	756	800	836	868
Total Provision for Bad Debts	\$ 13,595	\$ 13,366	\$ 14,594	\$ 15,462	\$ 16,350
Total Net Patient Service Revenue Net of Provision for Bad Debt	\$ 885,358	\$ 982,103	\$ 1,066,629	\$ 1,121,288	\$ 1,212,320
Grants and Contracts	1,871	1,927	1,984	2,044	2,105
Total Charges for Services	\$ 887,228	\$ 984,029	\$ 1,068,613	\$ 1,123,332	\$ 1,214,426

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

203.5(d)

<u>(in thousands)</u>	FY22	FY23	FY24	FY25	FY26
	Projected	Budget	Budget	Budget	Budget
Cafeteria	\$ 1,364	\$ 1,445	\$ 1,459	\$ 1,474	\$ 1,489
Parking	2,771	2,632	2,658	2,685	2,712
Rebates (VHA)	2,395	2,419	2,443	2,468	2,492
RPCIO	4,477	6,578	6,622	6,667	6,714
Network Affiliations, Agreements & Partnerships	6,008	6,208	6,468	6,506	6,525
LSB - UB Reimbursement	1,290	1,000	1,010	1,020	1,030
Programs funded through Alliance	2,967	3,517	2,864	2,827	2,473
WNY Partnership / Rest of NY Initiatives	573	1,407	1,586	1,887	1,897
New Programs and Business Ventures	—	500	1,000	1,875	3,750
All Other	1,979	2,616	2,181	2,118	2,161
Projected Operating Revenues	\$ 23,824	\$ 28,321	\$ 28,291	\$ 29,527	\$ 31,243

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

203.5(e)/203.5(f)

	FY22 Projected	FY23 Budget	FY24 Budget	FY25 Budget	FY26 Budget
Salaries					
Salaries and Wage Costs	\$ 346,889	\$ 383,948	\$ 408,195	\$ 429,665	\$ 450,480
TOTAL Personnel Service Expense	\$ 346,889	\$ 383,948	\$ 408,195	\$ 429,665	\$ 450,480
Fringe					
NYS Pension Expense & TIAA CREF	\$ 33,942	\$ 27,956	\$ 35,231	\$ 36,815	\$ 38,120
Health Insurance: Active	26,558	29,362	31,711	34,248	36,988
Health Insurance: OPEB Payments	11,435	12,467	13,416	14,633	15,826
Other Fringe	26,980	30,716	32,860	34,713	36,588
TOTAL Fringe Expense	\$ 98,916	\$ 100,501	\$ 113,218	\$ 120,409	\$ 127,522
Non Personnel Service Operating Expense					
Professional Services & Contracts	\$ 112,620	\$ 130,673	\$ 131,630	\$ 137,146	\$ 137,042
Pharmaceuticals	\$ 287,695	\$ 336,443	\$ 368,546	\$ 399,193	\$ 430,964
Medical, Blood, Other Supplies	70,667	79,740	85,823	91,660	97,263
Supplies & Materials	\$ 358,362	\$ 416,183	\$ 454,369	\$ 490,853	\$ 528,227
Other Operating Expenditures	\$ 12,388	\$ 11,278	\$ 10,422	\$ 10,343	\$ 10,479
TOTAL Non Personnel Service Expense	\$ 483,370	\$ 558,134	\$ 596,421	\$ 638,342	\$ 675,748

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

Reconciliation FY22 Budget to FY22 Projected (in millions)

203.6(f)

	<u>(in millions)</u>
1 Excess (Deficiency) Revenues over Expenses (FY22 Budget)	\$ 4.2
2 Clinical Margin (volume driven)	2.6
3 Third Party Revenue (Medicare ICR Settlement/Tefra Appeals)	9.3
4 Timing of Capital & Strategic Investments	21.0
5 Timing of Spend (Research, IT, Other)	4.7
6 Excess (Deficiency) Revenues over Expenses (FY22 Projected)	\$ 41.8

FY 2023 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	2,496	2,166	2,296
Scientific / Academic	199	173	183
Administrative and Other	826	717	761
Total All Functional Areas	3,522	3,056	3,241

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	\$18.6M
Cost reduction efforts	ongoing

The Institute is projecting non-recurring capital contribution revenues of approximately \$4.6M in FY22, \$23.3M in FY23, \$5.3M in FY24, \$0.0M in FY25 and \$0.0M in FY26. 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 FY23	Projection FY24	Projection FY25	Projection FY26
\$ 51.9	\$ 34.0	\$ 18.3	\$ 4.2

Scheduled Debt Service Payment

For the Year ending March 31

2022
2023
2024
2025
2026
2027-2031
Thereafter

in 000's			
Bonds		Capital Leases	
Principal	Interest	Principal	Interest
\$ 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	61	145
—	—	440	687
—	—	3,798	1,260
\$82,091	\$9,713	\$4,467	\$ 2,690

*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 FY23	Pledged Revenues	Debt Service Percent of Pledged Revenues
1 DASNY Debt issuance 7/13/11	\$ 2,381	\$ 786,756	0.3%
2 DASNY Debt issuance 10/21/16	\$ 18,098	\$ 786,756	2.3%
Total	<u>\$ 20,479</u>		<u>2.6%</u>

*Pledged revenues are defined in accordance with RPCI bond documents

Capital Summary

(in 000's)

203.6(m)

	FY23 Budget
Facilities and Infrastructure	\$ 46,494
Clinical, Scientific & Administrative Equipment	20,038
Information Technology	20,203
Total Capital Expenditures	\$ 86,735

Changes from Proposed Budget posted on 1/31/22

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 1/31/22 reflect the most up-to-date and accurate information available prior to the Board approval on 3/24/22.

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 Financial Officer
Roswell Park Cancer Institute Corporation

Presented to The Roswell Park Board of Directors on March 24, 2022
Approved by the Board of Director's on March 24, 2022