

Roswell Park Comprehensive Cancer Center Section 203 Budget Filing Fiscal Year 2023 - 2024 FINAL



March 31, 2023

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 53 such centers designated in the United States. The institute is a 142 licensed bed facility and an ambulatory care center containing 15 multidisciplinary care centers with a staff of over 3,500 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.

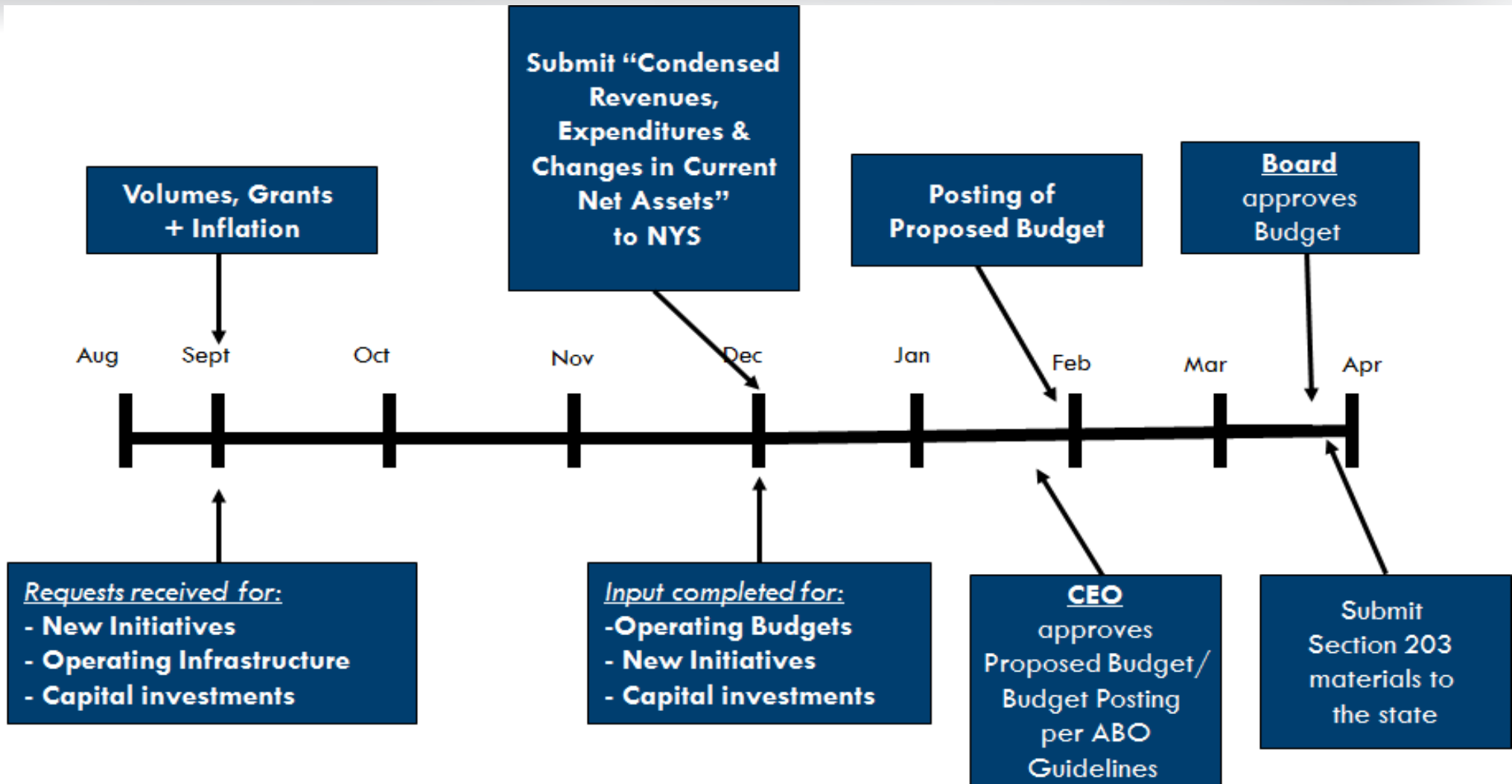
Pursuant to subdivision 2 of Section 403 of the Public Health Law, added by such chapter, the Department of Health, acting on behalf of the State, entered into an Operating Agreement with RPCI Corporation pursuant to which operating responsibility for the Institute was transferred to RPCI Corporation 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 6.0%
 - Days 9.2%
 - Outpatient Visits 7.7%
 - 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 FY24 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, office supplies, purchased services = 4.0%; Blood supplies = 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) FY22	Current Year (Estimated) FY23	Proposed Budget FY24	Proposed FY25	Proposed FY26	Proposed FY27
REVENUE & FUNDING SOURCES						
<i>Operating Revenues</i>						
Charges for Services	\$ 903,543	\$ 971,583	\$ 1,111,291	\$ 1,206,825	\$ 1,335,837	\$ 1,416,123
Other Operating revenues	25,101	27,967	38,520	48,142	58,022	63,919
<i>Non-operating Revenues</i>						
Investment earnings	(1,222)	2,977	16,003	17,499	16,388	15,396
State subsidies/grants	102,767	112,767	106,767	106,767	106,767	106,767
Federal subsidies/grants	2,770	5,273	—	—	—	—
Total Revenues and Funding Sources	\$ 1,032,958	\$ 1,120,567	\$ 1,272,581	\$ 1,379,233	\$ 1,517,014	\$ 1,602,205
EXPENDITURES						
<i>Operating expenditures</i>						
Salaries and Wages	\$ 347,751	\$ 376,620	\$ 435,005	\$ 463,872	\$ 490,653	\$ 513,305
Other Employee Benefits	102,119	101,105	115,309	126,782	135,730	144,471
Professional Services and Contracts	114,429	139,420	156,193	155,862	156,760	159,313
Supplies and Materials	367,903	414,036	485,787	552,112	618,514	661,575
Other operating expenditures	11,267	12,225	10,691	11,472	11,989	12,415
<i>Non-operating expenditures</i>						
Payment of principal on bonds and financing arrangements	19,084	15,758	16,804	14,662	13,395	1,595
Interest and other fiscal charges on debt	1,550	1,948	3,287	2,917	2,258	2,036
Capital asset outlay	38,234	64,234	95,554	74,932	50,786	48,331
Miscellaneous	—	—	—	—	—	—
Total Expenditures	\$ 1,002,338	\$ 1,125,346	\$ 1,318,630	\$ 1,402,610	\$ 1,480,086	\$ 1,543,041
Capital Contributions	3,526	11,759	20,861	4,280	19,029	—
"Excess (deficiency) of revenues and capital contributions over expenditures"	\$ 34,146	\$ 6,980	\$ (25,188)	\$ (19,097)	\$ 55,957	\$ 59,164

Cash Flow Projections

(in millions)

203.5(h)

	Projected FY23	Budgeted FY24	Budgeted FY25	Budgeted FY26	Budgeted FY27
Excess/(Deficiency) of revenues and capital contributions over expenditures	\$ 7.0	\$ (25.2)	\$ (19.1)	\$ 56.0	\$ 59.2
Other Changes in Unrestricted Cash	(3.9)	(34.0)	(25.6)	(26.3)	(7.9)
Cash Impact from Operations	\$ 3.1	\$ (59.2)	\$ (44.7)	\$ 29.7	\$ 51.3

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

203.5(d)

	FY23 Projected	FY24 Budget	FY25 Budget	FY26 Budget	FY27 Budget
Volume Statistics					
Admits	5,263	5,578	5,882	6,131	6,195
Days	43,749	47,763	50,043	51,803	52,294
Visits	295,667	318,532	335,397	349,876	353,758
Direct Patient Service Revenue					
RPCI IP Revenue	\$ 241,605	\$ 289,524	\$ 318,347	\$ 336,703	\$ 357,933
RPCI OP Revenue	587,734	683,574	747,679	852,352	907,032
Other	58,866	63,730	65,759	67,954	70,147
RPCI Total	\$ 888,205	\$ 1,036,828	\$ 1,131,785	\$ 1,257,009	\$ 1,335,112
CPP IP Revenue	\$ 21,548	\$ 23,849	\$ 25,430	\$ 26,680	\$ 27,486
CPP OP Revenue	58,833	64,628	69,374	73,740	76,200
CPP Total	\$ 80,380	\$ 88,477	\$ 94,804	\$ 100,420	\$ 103,686
Total Direct Patient Service Revenue	\$ 968,585	\$ 1,125,305	\$ 1,226,589	\$ 1,357,429	\$ 1,438,798
Other RPCI Patient Service Revenue	\$ 14,811	\$ 985	\$ (2,992)	\$ (3,116)	\$ (3,242)
Other CPP Patient Service Revenue	700	700	700	700	700
Total Other Patient Service Revenue	\$ 15,511	\$ 1,685	\$ (2,292)	\$ (2,416)	\$ (2,542)
Total Net Patient Service Revenue	\$ 984,096	\$ 1,126,990	\$ 1,224,297	\$ 1,355,013	\$ 1,436,256
RPCI Provision for Bad Debts	\$ 13,448	\$ 16,652	\$ 18,461	\$ 20,207	\$ 21,233
CPP Provision for Bad Debts	764	846	901	954	985
Total Provision for Bad Debts	\$ 14,212	\$ 17,498	\$ 19,362	\$ 21,161	\$ 22,218
Total Net Patient Service Revenue Net of Provision for Bad Debt	\$ 969,884	\$ 1,109,492	\$ 1,204,935	\$ 1,333,852	\$ 1,414,038
Grants and Contracts	1,700	1,800	1,890	1,985	2,084
Total Charges for Services	\$ 971,583	\$ 1,111,291	\$ 1,206,825	\$ 1,335,837	\$ 1,416,123

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

203.5(d)

<u>(in thousands)</u>	FY23	FY24	FY25	FY26	FY27
	Projected	Budget	Budget	Budget	Budget
Cafeteria	\$ 1,540	\$ 1,571	\$ 1,587	\$ 1,603	\$ 1,619
Parking	2,819	2,833	2,861	2,890	2,918
Rebates (VHA)	2,435	2,460	2,485	2,509	2,535
Other Operating Revenues (PC's/JV's)	6,505	11,672	11,813	11,955	12,099
Network Affiliations, Agreements & Partnerships	6,591	7,165	7,322	7,445	7,541
LSB - UB Reimbursement	1,350	1,350	1,364	1,377	1,391
New Programs funded through Alliance	3,373	3,040	3,720	4,362	4,988
WNY Partnership/Rest of NY Initiatives	1,300	1,300	1,316	1,332	1,348
Strategic Initiatives	—	5,317	13,919	22,745	25,640
All Other	2,054	1,812	1,756	1,804	3,840
Projected Operating Revenues	\$ 27,967	\$ 38,520	\$ 48,142	\$ 58,022	\$ 63,919

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

203.5(e)/203.5(f)

	FY23 Projected	FY24 Budget	FY25 Budget	FY26 Budget	FY27 Budget
Salaries					
Salaries and Wage Costs	\$ 376,620	\$ 435,005	\$ 463,872	\$ 490,653	\$ 513,305
TOTAL Personnel Service Expense	\$ 376,620	\$ 435,005	\$ 463,872	\$ 490,653	\$ 513,305
Fringe					
NYS Pension Expense & TIAA CREF	\$ 25,923	\$ 30,679	\$ 36,152	\$ 38,723	\$ 41,302
Health Insurance: Active	30,208	32,880	35,510	38,351	41,419
Health Insurance: OPEB Payments	11,609	12,499	13,534	14,714	15,712
Other Fringe	33,365	39,251	41,585	43,941	46,038
TOTAL Fringe Expense	\$ 101,105	\$ 115,309	\$ 126,782	\$ 135,730	\$ 144,471
Non Personnel Service Operating Expense					
Professional Services & Contracts	\$ 139,420	\$ 156,193	\$ 155,862	\$ 156,760	\$ 159,313
Pharmaceuticals	\$ 334,569	\$ 390,644	\$ 428,420	\$ 472,954	\$ 508,484
Medical, Blood, Other Supplies	79,467	95,143	123,692	145,560	153,091
Supplies & Materials	\$ 414,036	\$ 485,787	\$ 552,112	\$ 618,514	\$ 661,575
Other Operating Expenditures	\$ 12,225	\$ 10,691	\$ 11,472	\$ 11,989	\$ 12,415
TOTAL Non Personnel Service Expense	\$ 565,681	\$ 652,671	\$ 719,446	\$ 787,263	\$ 833,303

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

Reconciliation FY23 Amended Budget to FY23 Projected (in millions)

203.6(f)

	<u>(in millions)</u>
1 Excess (Deficiency) Revenues over Expenses (FY23 Amended Budget)	\$ (31.1)
2 Clinical Margin (volume driven)	6.2
3 FEMA Funding	5.3
4 Compensation Adjustments	(3.2)
5 Increased Utility Costs	(2.6)
6 Third Party Revenue (Medicare ICR Settlement/HCRA)	12.6
7 Timing of Capital & Strategic Investments	17.0
8 Timing of Spend (Research, New Recruitment, Other)	2.8
9 Excess (Deficiency) Revenues over Expenses (FY23 Projected)	\$ 7.0

FY 2024 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	2,692	2,311	2,465
Scientific / Academic	184	159	169
Administrative and Other	879	761	808
Total All Functional Areas	3,755	3,230	3,441

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	\$27.4M
Financial Sustainability / Strategic Initiatives	ongoing

The Institute is projecting non-recurring capital contribution revenues of approximately \$11.8M in FY23, \$20.9M in FY24, \$4.3M in FY25, \$19.0M in FY26 and \$0.0M in FY27. 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	Projection	Projection	Projection
FY24	FY25	FY26	FY27
\$ 43.3	\$ 29.0	\$ 15.8	\$ 14.3

Scheduled Debt Service Payment

For the Year ending March 31

	in 000's		in 000's	
	Bonds Principal	Bonds Interest	Capital Leases Principal	Capital Leases Interest
2023	\$ 14,286	\$2,915	\$38	\$ 150
2024	16,080	2,224	45	149
2025	14,197	1,490	53	147
2026	13,204	817	61	145
2027	1,432	451	69	143
2028-2032	5,472	1,286	490	671
Thereafter	4,614	367	3,679	1,133
	\$69,284	\$9,551	\$4,436	\$ 2,539

*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 2037. 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 FY24	Pledged Revenues	Debt Service Percent of Pledged Revenues
1 DASNY Debt issuance 7/13/11	\$ 2,384	\$ 981,307	0.2%
2 DASNY Debt issuance 10/21/16	\$ 15,921	\$ 981,307	1.6%
Total	\$ 18,304		1.9%

*Pledged revenues are defined in accordance with RPCI bond documents

Capital Summary

(in 000's)

203.6(m)

	FY24 Budget
Facilities and Infrastructure	\$ 54,291
Clinical, Scientific & Administrative Equipment	13,158
Information Technology (including Rev Cycle)	28,105
Total Capital Expenditures	\$ 95,554

Changes from Proposed Budget posted on 1/31/23

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 1/31/23 reflect the most up-to-date and accurate information available prior to the Board approval on 3/29/23.

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 29, 2023
Approved by the Board of Director's on March 29, 2023