

# ROSWELL PARK CANCER INSTITUTE CORPORATION

Section 203 Budget Filing

Fiscal Year 2017 – 2018

PROPOSED



January 31, 2017



# Public Authority Relationship with Unit of Government

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 47 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 State 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 in 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.

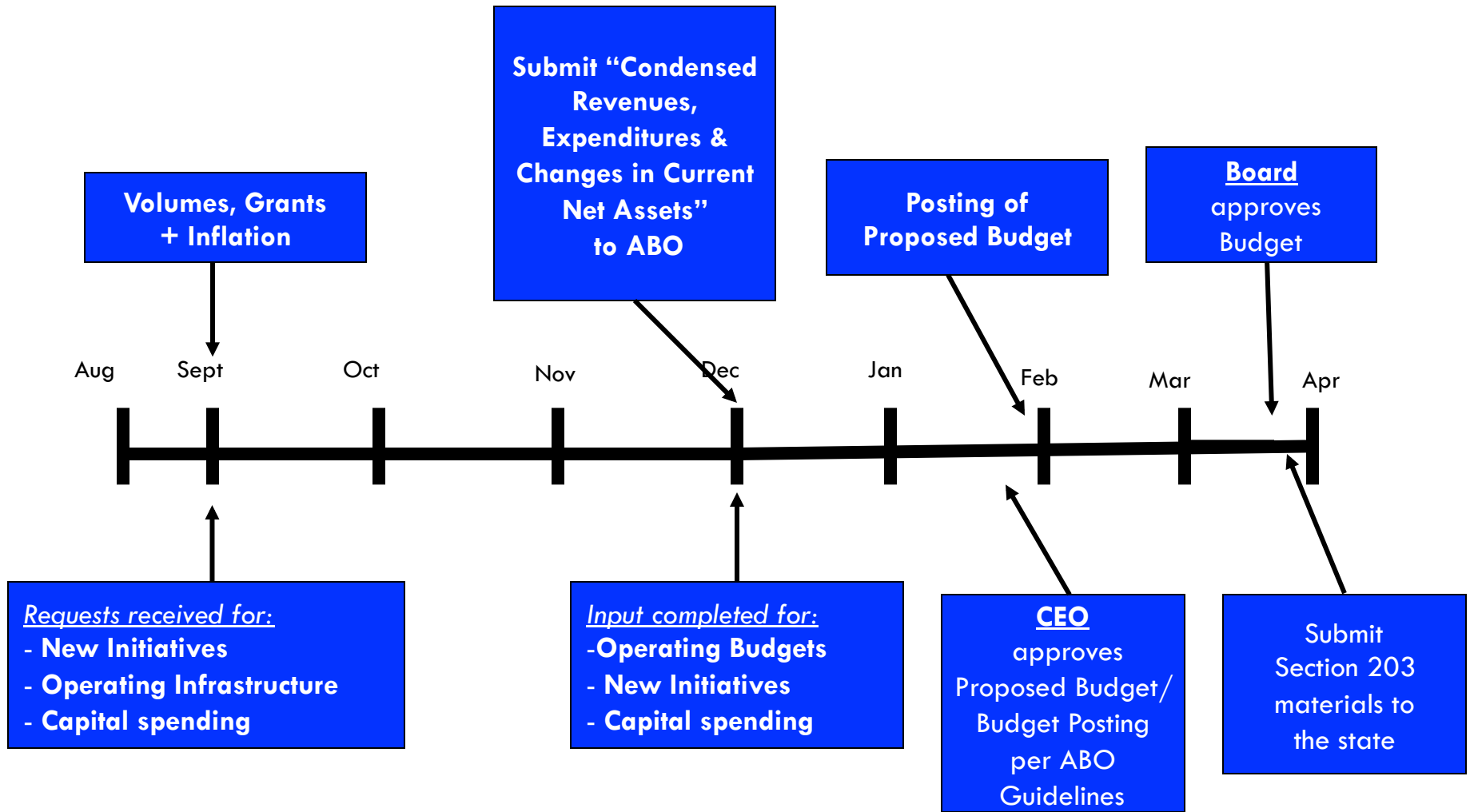
Revenues generated by the Corporation as a result of operating the Institute are considered to be revenues of the State for the purpose of its bond payment, and are required to be deposited into the Roswell Park Cancer Institute Debt Service Account of the Health Income Fund for payment of debt service 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 the 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 agreements includes medical, nursing and medical research.



# RPCIC Budget Process Timeline





# Capital Allocations

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<b>Facilities Committee</b>	<b>IT Committee</b>	<b>Clinical Committee</b>	<b>Scientific Committee</b>	<b>Administrative</b>
<i>Chief Institute Operations Officer General Counsel</i>	<i>President/CEO and Vice President Information Technology</i>	<i>Chief Clinical Operations Officer</i>	<i>President/CEO</i>	<i>V.P. of Finance and C.F.O.</i>
<i>VP for Facilities Management</i>				



## □ Revenue Assumptions:

- Base Volumes
  - NTI's +4.7%
  - Admits +3.7%
  - Days +3.0%
  - Visits +7.4%
- Rate Assumptions
  - Payor rates as negotiated
  - Governmental payor 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 FY18 include assumed Step and COLA pending completion of Union negotiations



## □ Inflation:

- Salaries – Steps and COLA factored in as previously noted
- Fringe Benefits – increased consistent with Salaries
- Pharmaceuticals (inflation, utilization, new drugs) +13.9%
- Medical Supplies, Blood Products, Office Supplies, Purchased Services +1.7%

## □ Programmatic Goals:

- Implementation of Strategic Research Initiatives
- Strategic Recruiting Efforts
- Pursue Collaborative Opportunities
- OmniSeq (Personalized Medicine) Project
- GBCT (Global Biotech and Cancer Therapeutics) Project
- Comprehensive update of RPCIC's Strategic Plan
- Pediatric Oncology Legal and Business Structure Implementation
- Upgrade Information Technology Capabilities
- Integrate Medicare Access and Chip Authorization Principles into Clinical Processes



# Challenges and Obstacles – External Forces

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- Current Economic Climate
- Outcome of Final NYS Budget
- Strategic Recruitment
  - Increasing costs and competition
  - Delays or changes to strategic recruitment plan may impact budget projections
- NIH Funding
  - Continued competition for funding remains a challenge to growing research
  - Federal Budget uncertainty remains a challenge



- 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
  
- Potential phase out of PPS exemption
  
- Physical capacity to meet demand for clinical services
  
- Ability to invest in accordance with RPCI Strategic Plan
  
- Potential changes to Healthcare Reform under New Administration





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

	Last Year (Actual) FY16	Current Year (Budget) FY17	Current Year (Estimated) FY17	Proposed Budget FY18	Proposed FY19	Proposed FY20	Proposed FY21
<b>REVENUE &amp; FUNDING SOURCES</b>							
<i>Operating Revenues</i>							
Charges for Services	\$ 542,126	\$ 581,045	\$ 600,622	\$ 658,738	\$ 690,707	\$ 720,527	\$ 744,250
Rental & Financing income							
Other Operating revenues	\$ 11,322	\$ 11,898	\$ 12,249	\$ 13,090	\$ 16,161	\$ 17,621	\$ 18,157
<i>Non-operating Revenues</i>							
Investment earnings	\$ 803	\$ 1,778	\$ 344	\$ 2,919	\$ 3,831	\$ 4,494	\$ 4,663
State subsidies/grants	\$ 102,608	\$ 102,600	\$ 102,608	\$ 102,608	\$ 102,608	\$ 102,608	\$ 102,608
Federal subsidies/grants							
Municipal subsidies/grants							
Public authority subsidies							
Other Non-Operating Revenue							
<i>Proceeds from the issuance of debt</i>							
<b>Total Revenues and Funding Sources</b>	<b>\$ 656,859</b>	<b>\$ 697,321</b>	<b>\$ 715,824</b>	<b>\$ 777,356</b>	<b>\$ 813,307</b>	<b>\$ 845,249</b>	<b>\$ 869,678</b>
<b>EXPENDITURES</b>							
<i>Operating expenditures</i>							
Salaries and Wages	\$ 221,673	\$ 240,709	\$ 241,444	\$ 266,025	\$ 273,512	\$ 285,214	\$ 298,237
Other Employee Benefits	\$ 71,848	\$ 75,343	\$ 74,892	\$ 82,135	\$ 87,482	\$ 92,876	\$ 99,133
Professional Services and Contracts	\$ 84,483	\$ 102,042	\$ 94,514	\$ 100,570	\$ 99,949	\$ 95,782	\$ 93,231
Supplies and Materials	\$ 173,354	\$ 193,402	\$ 208,107	\$ 233,939	\$ 249,745	\$ 268,135	\$ 284,051
Other operating expenditures	\$ 8,646	\$ 12,488	\$ 7,335	\$ 10,162	\$ 10,325	\$ 10,559	\$ 10,828
<i>Non-operating expenditures</i>							
Payment of principal on bonds and financing arrangement:	\$ 13,279	\$ 13,055	\$ 13,055	\$ 13,578	\$ 14,568	\$ 15,293	\$ 16,051
Interest and other fiscal charges on debt	\$ 7,708	\$ 7,531	\$ 5,775	\$ 3,226	\$ 2,954	\$ 2,654	\$ 2,264
Subsidies to other public authorities							
Capital asset outlay (including CSC)	\$ 40,944	\$ 54,221	\$ 39,238	\$ 56,159	\$ 59,600	\$ 47,746	\$ 37,002
Miscellaneous	\$ 0	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Total Expenditures</b>	<b>\$ 621,934</b>	<b>\$ 698,792</b>	<b>\$ 684,361</b>	<b>\$ 765,792</b>	<b>\$ 798,137</b>	<b>\$ 818,258</b>	<b>\$ 840,796</b>
<b>CAPITAL CONTRIBUTIONS</b>	<b>\$ 11,465</b>	<b>\$ 7,554</b>	<b>\$ 4,432</b>	<b>\$ 3,858</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
"Excess (deficiency) of revenues and capital contributions over expenditures"	<b>\$ 46,390</b>	<b>\$ 6,083</b>	<b>\$ 35,895</b>	<b>\$ 15,421</b>	<b>\$ 15,170</b>	<b>\$ 26,991</b>	<b>\$ 28,882</b>



# Cash Flow Projections

(in millions)

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	<b>Budget FY17</b>	<b>Projected FY17</b>	<b>Budgeted FY18</b>	<b>Budgeted FY19</b>	<b>Budgeted FY20</b>	<b>Budgeted FY21</b>
Excess (Deficiency) of revenues and capital contributions over expenditures	\$ 6.1	\$ 35.9	\$ 15.4	\$ 15.2	\$ 27.0	\$ 28.9
Other Changes in Unrestricted Cash	(6.7)	(12.2)	(17.6)	(9.2)	(12.7)	(18.8)
<b>Cash Impact from Operations</b>	<b>\$ (0.6)</b>	<b>\$ 23.6</b>	<b>\$ (2.2)</b>	<b>\$ 5.9</b>	<b>\$ 14.3</b>	<b>\$ 10.1</b>



# Projected Operating Revenues – Net Patient Service Revenue

	FY17 Projected	FY18 Budget	FY19 Budget	FY20 Budget	FY21 Budget
<b><u>Volume Statistics</u></b>					
Admits	5,106	5,293	5,328	5,421	5,484
Days	39,023	40,201	40,028	40,248	40,227
ALOS	7.64	7.60	7.51	7.42	7.34
Visits	230,508	247,490	254,210	258,299	260,897
<b><u>Direct Patient Service Revenue</u></b>					
RPCI IP Revenue	206,695	215,191	219,191	224,866	229,880
RPCI OP Revenue	301,636	340,075	366,973	383,772	402,254
Other	36,663	42,559	40,980	42,664	43,766
RPCI Total	544,994	597,824	627,145	651,302	675,900
CPP IP Revenue	19,225	19,761	20,448	21,437	22,260
CPP OP Revenue	39,900	43,274	46,599	48,853	50,810
CPP Total	59,126	63,035	67,047	70,291	73,071
<b>Total Direct Patient Service Revenue</b>	<b>604,120</b>	<b>660,860</b>	<b>694,192</b>	<b>721,593</b>	<b>748,971</b>
Other RPCI Patient Service Revenue	4,136	3,827	2,995	5,690	2,361
Other CPP Patient Service Revenue	1,055	758	758	758	758
<b>Total Other Patient Service Revenue</b>	<b>5,191</b>	<b>4,585</b>	<b>3,753</b>	<b>6,448</b>	<b>3,119</b>
<b>Total Net Patient Service Revenue</b>	<b>609,311</b>	<b>665,444</b>	<b>697,945</b>	<b>728,041</b>	<b>752,090</b>
RPCI Provision for Bad Debts	8,899	7,639	8,096	8,337	8,632
CPP Provision for Bad Debts	1,514	662	738	773	804
<b>Total Provision for Bad Debts</b>	<b>10,412</b>	<b>8,301</b>	<b>8,834</b>	<b>9,110</b>	<b>9,435</b>
<b>Total Net Patient Service Revenue Net of Provision for Bad Debt</b>	<b>598,899</b>	<b>657,143</b>	<b>689,111</b>	<b>718,931</b>	<b>742,655</b>
Grants and Contracts	1,724	1,595	1,595	1,595	1,595
<b>Total Charges for Services</b>	<b>600,622</b>	<b>658,738</b>	<b>690,707</b>	<b>720,527</b>	<b>744,250</b>



# Projected Operating Revenues – Other Revenue

	<b>FY17 Projected</b>	<b>FY18 Budget</b>	<b>FY19 Budget</b>	<b>FY20 Budget</b>	<b>FY21 Budget</b>
<b>Other Operating Revenues:</b>					
Cafeteria	1,771	1,788	1,806	1,824	1,842
Parking	2,416	2,416	2,440	2,465	2,489
Rebates (VHA/Utilities)	1,997	2,062	2,083	2,104	2,125
Network Affiliations & Service Agreements	1,324	1,314	1,328	1,341	1,354
LSB - UB Reimbursement	1,275	1,275	1,288	1,301	1,314
Rental Income	120	120	121	122	124
Aids Hotline	113	113	115	116	117
New Programs funded through Alliance	480	689	639	650	627
Pediatrics Joint Venture	-	824	3,316	3,401	3,482
Southtowns Joint Venture	-	(383)	48	1,211	1,542
CPP Physician Salary Support	2,368	2,415	2,464	2,513	2,563
All Other	385	456	515	575	578
<b>Total Other Operating Revenues</b>	<b>12,249</b>	<b>13,090</b>	<b>16,161</b>	<b>17,621</b>	<b>18,157</b>



# Salary & Fringe and Non Personnel Service Operating Expense

	FY17 Projected	FY18 Budget	FY19 Budget	FY20 Budget	FY21 Budget
<b>Salaries</b>					
Salaries and Wage Costs	225,631	248,968	255,638	266,484	278,610
Furlough/Severance Payments	297	-	-	-	-
Overtime Payments	5,771	2,481	2,600	2,724	2,855
Premium Payments	9,745	14,576	15,274	16,006	16,773
<b>TOTAL Personnel Service Expense</b>	<b>241,444</b>	<b>266,025</b>	<b>273,512</b>	<b>285,214</b>	<b>298,237</b>
<b>Fringe</b>					
NYS Pension Expense & TIAA CREF	25,044	25,868	28,740	30,790	33,039
Health Insurance: Active	20,825	23,171	24,562	26,035	27,597
Health Insurance: OPEB Payments	7,987	9,137	10,344	11,373	12,736
Other Fringe	21,036	23,959	23,838	24,678	25,760
<b>TOTAL Fringe Expense</b>	<b>74,892</b>	<b>82,135</b>	<b>87,482</b>	<b>92,876</b>	<b>99,133</b>
<b>Non Personnel Service Operating Expense</b>					
<b>Professional Services and Contracts</b>	<b>94,514</b>	<b>100,570</b>	<b>99,949</b>	<b>95,782</b>	<b>93,231</b>
Pharmaceuticals	153,657	178,529	193,797	210,596	225,166
Medical, Blood, Other Supplies	54,450	55,409	55,948	57,539	58,885
<b>Supplies and Materials</b>	<b>208,107</b>	<b>233,939</b>	<b>249,745</b>	<b>268,135</b>	<b>284,051</b>
<b>Other Operating Expenditures</b>	<b>7,335</b>	<b>10,162</b>	<b>10,325</b>	<b>10,559</b>	<b>10,828</b>
<b>TOTAL Non Personnel Service Expense</b>	<b>309,956</b>	<b>344,670</b>	<b>360,020</b>	<b>374,475</b>	<b>388,110</b>

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



# Reconciliation FY17 Budget to FY17 Projected

	<u>(in Millions)</u>
<b>1 Excess (Deficiency) Revenues over Expenses (FY17 Budget)</b>	<b>\$ 6.1</b>
2 Clinical Margin and timing of Investment in Strategic Research Initiatives	\$ 10.1
3 Investment in Information Technology	\$ 1.0
4 Change in Self-Insured Program Cost	\$ 4.6
5 Utilities	\$ 0.6
6 Reduced Interest Expense from Bond Refinancing	\$ 1.8
7 Capital Spend / timing of upgrades to ERP and ADT systems	\$ 11.9
8 All Other	\$ (0.2)
<b>9 Excess (Deficiency) Revenues over Expenses (FY17 Projected)</b>	<b><u>\$ 35.9</u></b>



# FY 2018 Budgeted # of FTE's and # of Employees

<u>Functional Classification</u>	<u>Total # Employees</u>	<u>Total # Full Time</u>	<u>Total # FTE's</u>
Clinical / Clinical Research / Academic	2,004.0	1,689.0	1,789.2
Scientific / Academic	205.0	189.0	194.5
Administrative and Other	596.0	533.0	549.4
<b>Total All Functional Areas</b>	<b>2,805.0</b>	<b>2,411.0</b>	<b>2,533.1</b>

### 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



# New Revenue Enhancement and Cost Reduction Initiatives

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 increasing revenue in RPCI's clinical operations, which are used to support research and academic missions at the institute.

<b>Major Gap Closing Components:</b>	
	(\$\$ in millions)
Clinical Growth	\$ 13.5
Transformation Savings (incremental)	\$ 3.2
Refinancing of Long-Term Debt	\$ 2.6





## FY2017 to FY2021 Material Non-Recurring Resource

The institute is projecting non-recurring capital contribution revenues of approximately \$4.4 million and \$3.9 million in fiscal years FY2017 and FY2018 respectively. These contributions are expected to assist in funding the continued growth at Roswell Park.



# FY18 Material Shift in Resources Between Years

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Capital Projects can span multiple years. The entire project is 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 after the start of the new fiscal year.



# Borrowed Debt Outstanding

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 FY18	Projection FY19	Projection FY20	Projection FY21
\$ 132.5	\$ 117.9	\$ 102.6	\$ 86.6

- Scheduled Debt Service Payment**
- For the Year ending March 31*
- 2017
  - 2018
  - 2019
  - 2020
  - 2021
  - 2022-2026
  - Thereafter

**in 000's**

Bonds		Capital Leases	
Principal	Interest	Principal	Interest
\$ 13,055	\$ 7,531	\$ 4	\$ 154
\$ 13,578	\$ 6,559	\$ 9	\$ 154
\$ 14,568	\$ 5,954	\$ 14	\$ 154
\$ 15,293	\$ 5,208	\$ 20	\$ 153
\$ 16,051	\$ 4,424	\$ 25	\$ 152
\$ 82,091	\$ 9,713	\$ 230	\$ 230
\$ -	\$ -	\$ 4,238	\$ 1,947
<b>\$ 154,636</b>	<b>\$ 39,388</b>	<b>\$ 4,539</b>	<b>\$ 2,945</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 Revenues and Debt Limited Levels

<b>Debt Service as a percentage of Pledged Revenues*</b>	<b>Debt Service FY18</b>	<b>Pledged Revenues</b>	<b>Debt Service Percent of Pledged Revenues</b>
1 DASNY Debt issuance 7/13/11	\$ 4,733	\$ 515,837	0.9%
2 DASNY Debt issuance 10/21/16	\$ 15,403	\$ 515,837	3.0%
Total	<u>\$ 20,136</u>		<u>3.9%</u>

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



# Capital Summary

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	<b>FY18 Budget</b>
<u>Projects funded with Operating Cash:</u>	
Total Facilities Capital	\$ 11,600
Clinical, Scientific & Administrative Equipment	9,093
Information Technology	23,319
Strategic Initiatives	8,000
OmniSeq (Personalized Medicine)	289
<b>Subtotal</b>	<b>\$ 52,301</b>
 <u>Projects funded with Support from Outside Sources:</u>	
Pediatric Oncology	895
Wellness Center	2,963
<b>Total Capital Expenditures</b>	<b>\$ 56,159</b>

Note:

IT projects include certain implementation and ongoing maintenance costs which are not material to the overall operating budget.

## **Sec 203.9 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 Cancer Institute Corporation's Board of Directors on March 23, 2017  
Approved by the Board of Director's on March 23, 2017