

**ROSWELL PARK CANCER INSTITUTE CORPORATION
FINANCE COMMITTEE
OF THE
BOARD OF DIRECTORS**

A meeting of the Finance Committee of the Board of Directors of Roswell Park Cancer Institute Corporation was held on Thursday, March 29, 2018 at 8:30 a.m. in the Scott Bieler Clinical Science Center, 9th Floor, Patrick P. Lee Board Room.

Present: R. Buford Sears, Committee Chairperson
Linda Dobmeier
Anne Gioia (telephonically)
Donna Gioia (telephonically)
Candace Johnson, Ph.D.
Michael Joseph, Chairman of the Board
Kenneth Manning, Esq.
Judge Salvatore Martoche (telephonically)
Elyse NeMoyer
Dennis Szefel (telephonically)
Steven J. Weiss, Esq. (telephonically)

**Present by
Invitation:** Betsy Doty-Lampson, Administrator for Board of Directors
Christopher Darlak, Interim Director, Information Technology
Marc Ernstoff, Sr. Vice President, Medicine
Victor Filadora, Chief of Clinical Services
Ryan Grady, Vice President of Finance
Kathryn Hineman, Deputy General Counsel
Shirley Johnson, Chief Nursing Officer
Boris Kuvshinoff, Chief Medical Officer
Gregory A. McDonald, Chief Financial Officer
Thomas Schwaab, MD, Chief of Strategy, Business Development
& Outreach
Michael B. Sexton, Esq., Chief Institute Operations Officer,
General Counsel and Corporate Secretary

I. OPENING/MINUTES

Mr. Sears opened the meeting by welcoming all and asking for review of the Minutes from the meeting held on December 13, 2017. After review, and *on motion made by Mr. Manning, seconded by Mr. Joseph, those Minutes were unanimously approved.*

II. Contracts/Capital Expenditure Projects

Mr. Sears then turned to the approval of contracts and capital expenditure projects.

a. Retail Food Services Personnel.

Shirley Johnson, Chief Nursing Officer, presented on the retail food services personnel contract with Eurest. This contract was the subject of an RFP and the incumbent, Eurest was the successful bidder. The contract is for 3 years with 3 optional 1-year renewals, and the cost of approximately \$825,000 annually. The contract comes with a 60-day termination without cause clause. Ms. Johnson noted that the Institute will be considering the possibility of bringing the personnel aspects of the cafeteria in-house. A review will take place next year. *There was a motion to approve by Mr. Joseph, seconded by Mr. Manning and unanimously carried.*

b. BPADS.

Ryan Grady, Vice President of Finance, then presented on the budgeting, planning, analytics and decision support software application, which was also the subject of a request for proposal (RFP). This is a part of the ERP project. The finance aspects of the ERP project are represented by the BPAD contract. Strata is the vendor that has been selected. This vendor also has BPAD installations at Dana Farber, Fox Chase, Northwestern, OSU and Montifiore. They scored the highest of 3 finalists. It is a 5-year contract for \$2.3 million. The RFP process was reviewed and Mr. Grady explained that contract adjustments by all vendors were done at the end so that the best possible price would be obtained. All of the vendors were given the opportunity to lower their price. The finance group would like the project overall approved, but the scoring committee will review the 3 finalists one last time with each vendor's best price obtained. A determination will also be made as to which vendor's product will integrate best with the other vendors and the rest of the ERP project. A motion was made for final approval of the project, with the vendor selection approval to be delegated to Mr. Manning and Mr. Sears based upon the final recommendation of the scoring committee. *The motion was made by Mr. Joseph, seconded by Ms. Dobmeier to approve the project and to delegate final approval, and was unanimously approved.*

III. Consent/Capital Project

a. Hyperion Imaging System (sole source). This system was reviewed and described by Dr. Odunsi.

b. Gamma Knife Source Replacement (sole source). This system was reviewed and presented by Dr. Filadora.

A motion was made to approve both projects for recommendation to the Board of Directors, which was seconded and unanimously carried.

IV. Post Implementation Review

a. IT Temporary Staffing. Informational only; material in packet.

b. Imaging Equipment Maintenance Contract. Informational only; material in packet.

Mr. Manning made a motion to move the meeting into Executive Session for status reports on Business Development initiatives, governmental relations,

reimbursement contract renewals and the status of implementation of the recently approved strategic plan. That motion was seconded by Ms. Dobmeier and unanimously carried.

V. Business Development Update

Dr. Schwaab gave the Business Development Update, reviewing the financial performance by the captive professional corporation for the last quarter and year-to-date.

Dr. Schwaab briefly touched upon the CCS Oncology issue. This community practice is experiencing severe problems. There have been a number of calls by patients and referral sources asking if CCS patients can get their treatment from Roswell Park and/or the professional corporation. Dr. Schwaab also discussed with the committee the possible employment of Drs. Moon and Ramkumar from CCS Oncology, in the event that their employment with that entity ends.

VI. Government Relations Update

Ms. Krolczyk gave a Government Relations report, informing the committee that the Governor's budget contained a \$102.6 million allocation to Roswell Park, one half of which is for support of capital expenditures.

VII. Managed Care Update: Payor Negotiations

Mr. Grady gave the Managed Care report, commencing January 1, 2019 will be starting soon. thirds of their business is Medicare Advantage.

Mr. Grady noted that the new executive, Thomas Summerill is the negotiator for Roswell Park, along with Mr. McDonald and himself.

VIII. Transformation Update

Mr. Grady then gave a brief report on the transformation process, presenting the savings realization grid. He also noted a pharmacy issue that was raised on the Joint Commission review the previous week. The Joint Commission is questioning the use of a locking cap mechanism on open drugs, which permits the storage of these drugs and future use. The Joint Commission is questioning whether this locking mechanism is permissible under FDA rules. This could have over a \$700,000 impact. This matter is being reviewed by the Joint Commission as Roswell Park is adhering to industry practice. It was noted that the transformation process review will be done annually, and more frequently as needed.

IX. FY'19 Budget

Mr. McDonald presented the FY'19 Budget review. He reviewed projections for FY'19 which shows a \$13.8 million loss including OPEB and pension costs. With these costs adjusted a \$38.9 million positive net income is projected. He noted revenue projections for the year and the impact of GASB 75, which will require full recognition of accrued post-retirement benefits on the corporation's financial statements. Mr. Weiss inquired as to whether any financial trends have been identified by the team. It was noted that payor rates are going down while labor costs in New York State for public entities such as Roswell Park are projected to go up 4% annually in the coming years whether reimbursement contracts increasing at most by 2% annually.

Mr. McDonald reviewed key performance metrics both nationally and locally from the strategic plan project. These include days cash on hand, capital spend and EBIDA, along with margin. He presented slides showing 5-year projections on the key performance metrics. The FY'22 projections show an impact from the proposed EPIC EMR spend if that takes place, which would significantly reduce margin and EBIDA due to both cost and reductions in reimbursement during the implementation phases. Projections recover by FY'23. The 5-year project cost for EPIC would be in the \$100 million range but on an operating basis, the go live has a negative impact on revenues in the first year.

On the projected EBIDA returns for the 5-year period from FY'19 to FY'23, a gap is showing for FY'21 - FY'23.

Mr. McDonald reviewed highlights for FY'19. He then turned to operating revenue from FY'15 to projection for FY'19. Clinical growth and revenues continue, and he showed the portions thereof attributable to volumes, rates and growth of the professional corporation. He also reviewed grants trends. Grants leveled off in FY'18 but 7.1% growth is projected for the coming fiscal year. Three percent of that growth would be organic with the rest coming from the Alliance Foundation. Labor cost projections into FY'22 were in the 4.9% - 5.3% annual range due to labor contracts. He also reviewed IT Technology projections through FY'23.

A motion was made by Mr. Manning to return to Open Session, seconded by Ms. Dobmeier and unanimously carried.

A motion was made by Ms. NeMoyer to approve the FY'19 Budget, which was seconded by Ms. Dobmeier and unanimously carried.

X. FY2019 Budget

a. HRI Funding Resolution.

Mr. McDonald then proceeded with the HRI funding resolution. This resolution contemplates funding from the public benefit corporation to Health Research, Inc. (HRI) for Roswell operations for FY'19 in the amount of \$16.15 million. The purposes of the funding were reviewed and *on motion by Mr. Joseph, seconded by Mr. Manning, that resolution was unanimously carried.*

b. Section 203.

Mr. Grady reviewed the Section 203 budget filing by the public benefit corporation with the New York State Public Authority budget office. This is an amended filing as the original filing was made prior to the end of calendar year 2017. This filing is on the modified accrual basis that is required by the Authorities' Budget Office, which excludes depreciation, post-retirement benefits, capital expenditures and debt. Roswell's budget is actually maintained on the accrual basis. *A motion was made by Mr. Manning, seconded by Ms. NeMoyer to approve the Section 203 budget amendment filing, which was motion was unanimously carried.*

XI. 3rd Quarter Financials FY'18

Mr. McDonald reviewed the 3rd quarter financial statements for the corporation. He included a discussion of the costs for GBCT and OmniSeq. He reviewed core operations for the 3rd quarter and year-to-date. The 3rd quarter was below budget but year-to-date a healthy margin is being maintained. Year over year volume grew but did not grow as much as was budgeted. Margin year-to-date is at budget. Mr. McDonald reviewed variances for the 3rd quarter and year-to-date. A portion of the clinical margin variances is due to a sun setting of the Canadian BMT program.

The Christmas holiday also had a significant impact during the 3rd quarter due to clinic closures.

Mr. Manning made a motion to approve the 3rd quarter financial statements, which was seconded by Mr. Joseph and unanimously carried.

XII. 3rd Quarter Investment Report

Mr. Grady gave the investment report. Wilmington Trust is doing a good job with the investment portfolio, which is exceeding benchmarks in most cases. Most of the funds are being kept in short term investments to avoid the negative impact to be caused by expected increases in interest rates. HRI and the malpractice trusts are experiencing similar results.

A motion was made by Ms. NeMoyer to approve the investment report, which was seconded by Ms. Dobmeier and unanimously carried.

There being no further business a motion was made by Mr. Joseph, seconded by Ms. NeMoyer to adjourn the meeting, which was unanimously approved.


Michael B. Sexton, Secretary