A meeting of the Finance Committee of the Board of Directors of Roswell Park Cancer Institute Corporation was held on Thursday, June 19, 2019 at 8:30 a.m. in the Scott Bieler Clinical Science Center, 9th Floor, Patrick P. Lee Board Room.

**Present:**
- R. Buford Sears, Committee Chairman
- Candace Johnson, Ph.D.
- Kenneth Manning, Esq.
- Elyse NeMoyer (telephonically)
- Dennis Szefel

**Excused:**
- Michael Joseph
- Steven H. Weiss, Esq.

**Present by Invitation:**
- Betsy Doty-Lampson, Administrator for Board of Directors
- Thomas Furlani, Chief Information Officer
- Pam Giesie, Vice President / Chief Nursing Officer
- Ryan Grady, Vice President of Finance
- Kathryn Hineman, Deputy General Counsel
- Shirley Johnson, Senior Vice President/Chief Clinical Operations Officer
- Laura Krolczyk, Vice President of Government Relations
- Boris Kuvshinoff, M.D., Chief Medical Director
- Gregory A. McDonald, Chief Financial Officer
- Raghu Ram, M.D., Vice President of Value-Based Care Optimization & Community Clinical Collaboration
- Mark Salada, Senior Director, Materials Management
- Michael B. Sexton, Esq., Chief Administrative Officer, General Counsel and Secretary

**OPENING/MINUTES**

Mr. Sears opened the meeting by welcoming all and thanking them for attending. There was a review of the draft Minutes from the quarterly Finance Committee meeting held on March 20, 2019 and the Special Joint Board and Finance Committee meeting held on April 25, 2019. **There was a motion by Mr. Manning to approve the March 20, 2019 minutes, seconded by Mr. Szefel, and unanimously carried with Mr. Sears and Ms. Gioia abstaining. Mr. Manning then made a motion to approve the Minutes of the April 25, 2019 joint meeting, which was seconded by Mr. Sears and unanimously carried.**
CONTRACTS/CAPITAL EXPENDITURE PROJECTS

Mr. Sears then directed the meeting to the review of the procurement contracts:

**Building Controls Terms Contracts** ($1.5M; $250K/yr. for 6 years)

Mr. Sexton reviewed the proposal to issue three (3) building controls term contracts for a term of six (6) years at an annual projected cost of $250,000 for a total cost of $1.5M. Mr. Sexton reviewed the need and the procurement process. Contracts are to be issued to Johnson Controls, U&S Inc. and Trane with respect to each vendors building controls system. In response to a question, Mr. Sexton noted that in the event the cost for these term contracts exceed the $1.5M by greater than 10%, management would bring them back to the Finance Committee for approval prior to proceeding further. A **motion was made by Mr. Manning, seconded by Mr. Szefel to approve the contracts, which was unanimously carried.**

**Allscripts MSA Renewal** ($11.4M; $1.4M/yr. for 8 years)

Mr. Furlani reviewed a renewal of the Master Services Agreement with Allscripts which is being done on a sole source basis. This is a 6-year term agreement with two (2) one (1) year renewals. This is the Master Services Agreement with Allscripts which covers the Electronic Health Record, and various other clinical systems. It is being sole sourced as it is a single platform system with proprietary components. The contract is projected $1.4M per year for a total of 8 years and a total projected expenditure of $11.4M over the entire eight (8) year term. After discussion, a **motion was made by Mr. Manning, seconded by Mr. Szefel to approve the contract, which was unanimously carried.**

**Datacenter Relocation Phase III** ($965K)

Mr. Furlani next proposed approval of the Phase III expenditure for new capital equipment related to the datacenter at Victory Technology Center (VTC). This proposal is for new equipment that will be installed in the Roswell Park datacenter at VTC. The hardware in Roswell’s 901 Washington location was from 2010. Equipment originally intended for VTC center was used in the Roswell Park center; as a result this equipment has to be purchased again for the VTC center. The cost is $965,226 and the equipment will go to the VTC center. A **motion for approval was made by Mr. Manning, seconded by Mr. Szefel and unanimously carried.**

**IT Technical Staff** ($2.5M; $833K/yr. for 3 years)

Mr. Furlani then reviewed the IT temporary staffing contracts. This is a set of term staffing contracts for IT technical staff. An RFP was issued and five (5) vendors were selected for three (3) year term agreements totaling up to $2.5M over the three (3) year term. Contracts are to be issued to Systems Personnel, TEKSystems, Genuet, Fusco Personnel and Genzeon Corporation. Mr. Furlani noted that TEKSystems costs were somewhat higher, but its technical expertise and experience with Roswell overcame the price differential. He also reviewed benchmarking and usage information with respect to the use of temporary IT technical staffing. He noted that generally the lowest price will govern when staff are needed, but the expertise available will also be a factor. A **motion for approval of these contracts was made by Mr. Manning, seconded by Mr. Szefel and unanimously carried.**

**HLA Testing Services** (add’l funds) ($725K; total spend $3.72M over 4 years)

Ms. Johnson reviewed the Histocompatibility (HLA) testing contract for the BMT unit. This is a request for an additional expenditure of up to $725,000 on an existing contract which runs until
December 2020. It was a six (6) year contract awarded in 2014 at a total cost of $3M. The volume of BMTs has significantly exceeded projections and as a result the need for HLA testing has exceeded the projected spend on this contract. A motion for approval of the additional funds was made by Mr. Manning, seconded by Mr. Szefel and unanimously carried.

**Interpretation Services** (add’l funds) ($1.1M; total spend $2.8M over 5 years)

Ms. Johnson then turned to the interpretation translation services agreement. This is a request for an additional $1.1M on an existing five (5) year contract that goes until the end of December, 2020. This was a five (5) year contract awarded to All Word Language Consultants and also the International Institute for $1.7M. A large increase in volume of immigrant patients has resulted in a much greater need for this service. Toward the end of 2020 an RFP will be issued for replacements and alternative processes are also going to be reviewed to see if funds can be saved. A motion for approval of the additional expenditure was made Mr. Manning, seconded by Mr. Szefel and unanimously carried.

Mr. Sears alluded to the two sole source summaries that were on director’s desk which are for information only. These will be going to the Board. He also referred to the post implementation reviews on the retail food services contract and the alternative datacenter at VTC.

**Single/Sole Source Contracts.** Informational Only.

- **Inpatient Consultative Psychiatric Services** ($400K)
- **Allscripts EHR Oncology Content** ($628K)

**Post Implementation Review.**

- **Retail Food Service**
- **Alternative Data Center**

  *Mr. Manning made a motion to move into Executive Session for Business Development Initiatives including Regional Affiliations, Relationships in Central New York and Long Island, and status of Community Practice in Western New York; 4th Quarter Financials including clinical service performance; and Reimbursement Contract renewal negotiations with local payors. The motion was seconded by Mr. Sears and was unanimously carried.*

**BUSINESS DEVELOPMENT UPDATE**

Dr. Schwaab gave the Business Development report. He updated the committee on the Cuba joint venture, discussing efforts to get interest from investors in Spain and other parts of the World. There was also a discussion about the legal fees being incurred for this initiative. Most of these fees were paid to the Akin Gump firm to date. A new firm, Winston Strawn is also involved helping with the investment effort. Akin Gump is still doing the OFAC work.

**FINANCE UPDATE**

**4th QUARTER COMBINED FINANCIALS**

Mr. McDonald gave the finance report reviewing data points for the 4th quarter and the fiscal year ended March 31, 2019. He reviewed cash on hand, margin, EBIDA margin, capital spending and other data points. Currently the corporation has 168 days of cash on hand (including Board designated funds). He also compared Roswell Park’s financial performance with the other ten (10)
PPS-exempt cancer centers as well as local systems. Roswell has performed favorably on both counts. Mr. Szefel noted that this comparison is informative and indicates that Roswell Park is doing well.

Mr. McDonald reported the 4th quarter financials which included a margin of 5.3% excluding OPEB full accrual of $5.1M. Total margin was 1.6% including these costs (a $14.7M surplus). He reviewed the reduction in accrued benefits costs caused by actuarial review assumptions that have changed in a favorable fashion. Overall expenses were unfavorable to budget ($5.9M). The variance was mainly caused by increased drug costs which were caused by volume increases. He reviewed margin trends which appear to be stable and comparable to budget. Mr. McDonald reviewed the variances from last year's budget. Mr. McDonald also reviewed the clinical drivers with respect to the budget. BMT volumes are down from budget. CART-cell volumes were up but revenues do not match expenses as Medicare only pays for a fraction of the cost. He is hopeful that reimbursement will improve over time. He also reviewed the captive professional corporation's results, which included $7.6M direct loss. Overall to the Roswell system, the captive professional corporation is positive. He is projecting a $1M improvement in this loss which will actually reflect a $2M improvement in operations but which will include a $1M additional cost for a capital investment in the Southdown's start-up location.

Mr. McDonald also reviewed the OmniSeq restructuring and the impact that that will have on the FY'20 financial statements. OmniSeq will be deconsolidated from the financial statements for FY'20 as a result of no longer being considered a subsidiary of Roswell Park.

Mr. McDonald then reviewed the impact of GASB 75, which requires full recognition of the accrual of past liabilities for post-retirement health and other post-retirement benefits. The original projection for this accrual was $649.3M. Due to favorable actuarial changes the costs was reduced to $529.1M. Accordingly, the impact of GASB 75 was less negative than originally projected. The pension accrual for the year also reduced due to a number of favorable factors.

MANAGED CARE UPDATE: Payor Negotiations

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

GOVERNMENT RELATIONS UPDATE

Ms. Krolczyk gave the governance relations report noting that Roswell’s state support of $102.6M is approved for FY’20. $50M is in support of capital. She also noted that Roswell received an additional clinical support of $50,000 from the Cuomo administration. She noted that the Trump
administration is proposing a large cut to the NIH which Congress is opposing. She reviewed the disproportionate share payments currently received by Roswell Park, which help to cover self-pay and Medicaid losses. DSH cuts are coming but it is hoped that these cuts will be delayed. She also reviewed CART-cell reimbursements. No payment relief for PPS-exempt centers has yet been enacted. There is a proposal to increase to 65% reimbursement of the cost of the materials. She also detailed advocacy efforts in this regard.

YEAR-END FINANCIAL REVIEW

Mr. McDonald gave the year-end financial review, reconciling the internal financial statements to the audited financial statements. Adjustments included OPEB liability, consolidation of HRI, the reclassification of the capital portion of New York State's support to operating cash and others.

4th QUARTER INVESTMENT REPORT

4th Quarter Investment Activity

Investment Audit

Mr. Grady gave the investment report, commenting on the inverted yield curve and its impact on Roswell's investments. He reviewed current investment results and the allocation of funds. He noted that HRI's investment portfolio and the malpractice fund are matching their benchmarks. A motion was made by Mr. Szeffel to approve the investment report, seconded by Ms. NeMoyer and carried by majority vote. Mr. Manning and Mr. Sears abstained from this vote.

Annual Review of Investment Policy

The investment policy for the Institute was given its annual review. Mr. Manning made a motion to approve the policy, seconded by Ms. NeMoyer and unanimously carried.

PERIODIC REVIEWS

NYS Annual Report (Consent)

Mr. McDonald reviewed the New York State annual report. Certain parts of the report require approval by the Finance Committee. These portions were in director's desk and were reviewed by Mr. McDonald. A motion was make to approve the NYS annual report, which was seconded and unanimously carried.

Annual Review of Finance Charter (Consent)

Mr. Sexton reviewed two proposed changes to the Finance Committee charter. These changes were, on motion by Mr. Manning, seconded by Mr. Szeffel, unanimously approved.

Mr. Szeffel, thereupon, gave a brief report on his views as the Board designee to the PWC transformation process. He reported that in FY'19 $12M in transformation savings were included in the financials. He noted that the program is alive and well and does impact Roswell Park's financial performance. Mr. Sears suggested that a management report on this be provided to the Committee in the near term.

Mr. Manning suggested that a Committee be formed to look at getting State relief from the $450M OPEB accrued liability. He noted that this needs to be followed up on.
There being no further business a motion was made by Mr. Manning, seconded by Mr. Szefel to adjourn the meeting, which was unanimously approved.

Michael B. Sexton, Secretary