

ROSWELL PARK CANCER INSTITUTE CORPORATION

Section 203 Budget Filing

Fiscal Year 2019 – 2020

PROPOSED

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.

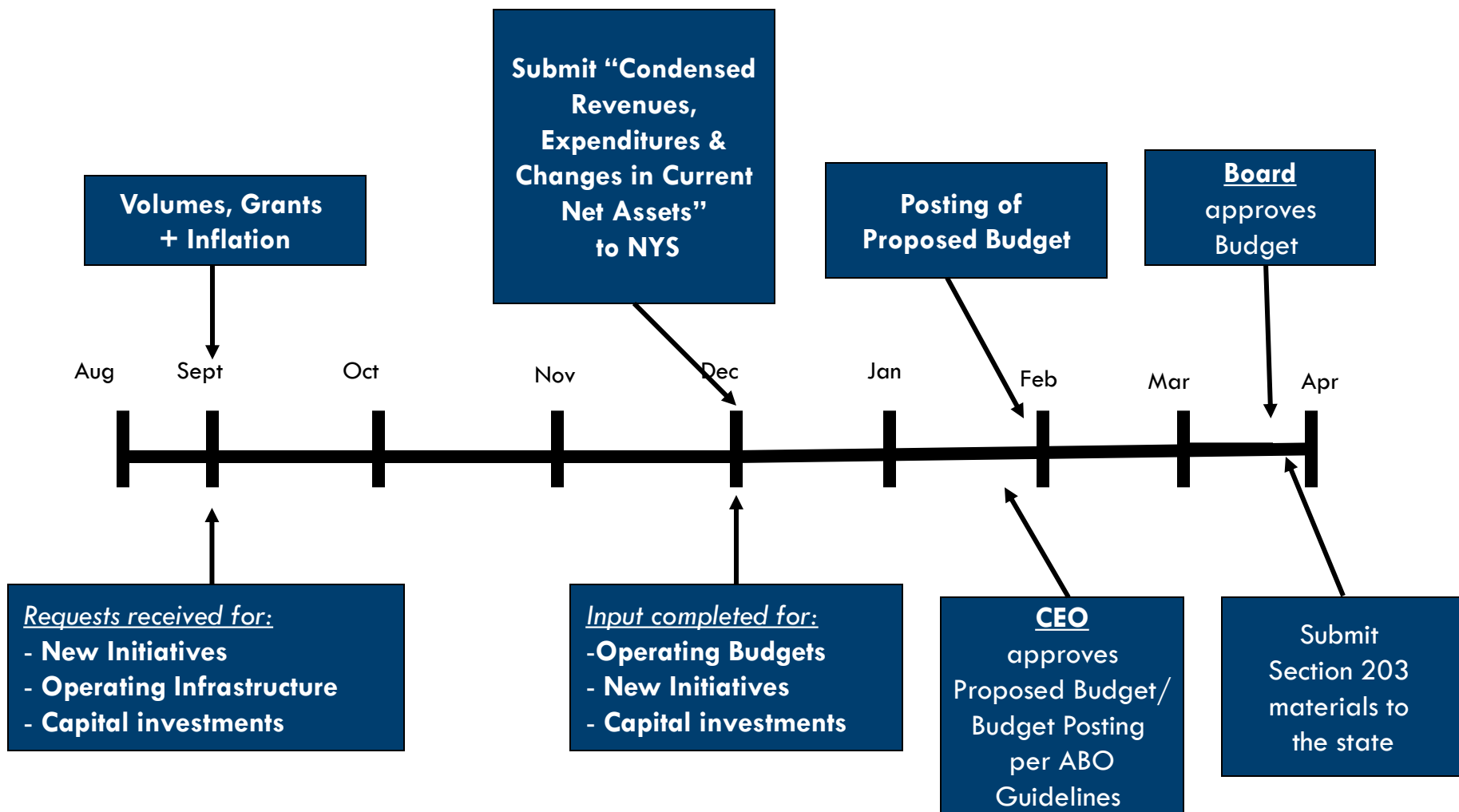
The operation of the Institute transferred from the New York Department of Health to the RPCI Corporation on January 1, 1999. In order to meet the demands of the changing health care marketplace and to promote the strengths and capabilities of the Institute, Chapter 5 of the Laws of 1997 added a new 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.



□ Revenue Assumptions:

- Base Volumes
 - NTC's +4.5%
 - Admits +3.9%
 - Days +2.2%
 - Outpatient Visits +2.5%
- 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 FY20 include assumed 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) +9.0%
- Medical Supplies, Blood Products, Office Supplies, Purchased Services +1.8%

□ Programmatic Goals:

- Continuation of NCI designation
- Implementation of Roswell Park’s Strategic Plan, including
 - Continue to enhance ability to provide CAR-T cell therapy as a treatment option for patients
 - Expand access to Roswell Park through WNY and Statewide Collaborative Opportunities
 - Structure an Innovative Cancer Program to deliver transformational science
 - Leverage established Disease Site Strategy Groups (DSSG’s) to increase empowerment and clarity of accountability
- Implementation of Strategic Research Initiatives
- Expand capabilities for commercializing Roswell Park innovations (via Global Biotech and Cancer Therapies)
- Complete Central New York Radiation and Medical Oncology Collaboration
- Determine Information Technology Capabilities

- Outcome of Final NYS Budget
- Strategic Research Initiatives
 - Increasing costs and competition
 - Delays or changes to strategic research initiatives may impact budget projections
- 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
- Increasing benefit cost and liability driven by post retirement health (OPEB)

- Required labor rate increases outpacing healthcare reimbursement increases
- Physical capacity to meet demand for clinical services
- Ability to invest in accordance with Strategic Plan
- Potential shift to Single Payor System in NYS
- Potential migration from Hospital-based care to Outpatient facilities

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

	Last Year (Actual) FY18	Current Year (Budget) FY19	Current Year (Estimated) FY19	Proposed Budget FY20	Proposed FY21	Proposed FY22	Proposed FY23
REVENUE & FUNDING SOURCES							
<i>Operating Revenues</i>							
Charges for Services	\$ 645,200	\$ 692,734	\$ 720,298	\$ 761,155	\$ 810,416	\$ 857,843	\$ 920,006
Rental & Financing income	-	-	-	-	-	-	-
Other Operating revenues	14,320	17,899	21,293	23,612	23,550	26,977	28,982
<i>Non-operating Revenues</i>							
Investment earnings	235	6,150	7,942	7,758	8,426	8,720	9,641
State subsidies/grants	102,607	102,608	102,608	102,608	108,608	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>	-	-	-	-	-	-	-
Total Revenues and Funding Sources	\$ 762,362	\$ 819,392	\$ 852,140	\$ 895,133	\$ 951,000	\$ 996,148	\$ 1,061,237
EXPENDITURES							
<i>Operating expenditures</i>							
Salaries and Wages	\$ 264,870	\$ 279,192	\$ 279,881	\$ 298,260	\$ 310,604	\$ 323,627	\$ 339,647
Other Employee Benefits	81,281	86,661	85,456	90,771	96,372	102,614	109,215
Professional Services and Contracts	99,064	104,368	105,591	115,300	120,388	121,252	121,111
Supplies and Materials	246,041	264,316	292,340	312,113	341,254	371,895	400,415
Other operating expenditures	5,124	7,820	7,274	7,813	8,074	8,350	8,740
<i>Non-operating expenditures</i>							
Payment of principal on bonds and financing arrangement:	17,568	18,209	18,209	18,484	18,771	19,084	19,350
Interest and other fiscal charges on debt	3,018	2,735	2,737	2,436	2,046	1,545	1,252
Subsidies to other public authorities	-	-	-	-	-	-	-
Capital asset outlay	36,077	53,209	36,371	58,718	44,616	43,281	44,451
Miscellaneous	3,002	9,535	6,250	6,455	5,414	7,484	6,346
Total Expenditures	\$ 756,045	\$ 826,045	\$ 834,110	\$ 910,350	\$ 947,539	\$ 999,133	\$ 1,050,528
Capital Contributions	8,405	1,500	2,293	1,645	500	1,900	80
"Excess (deficiency) of revenues and capital contributions over expenditures"	\$ 14,722	\$ (5,153)	\$ 20,323	\$ (13,572)	\$ 3,961	\$ (1,085)	\$ 10,790

Cash Flow Projections

(in millions)

	Budget FY19	Projected FY19	Budgeted FY20	Budgeted FY21	Budgeted FY22	Budgeted FY23
Excess/(Deficiency) of revenues and capital contributions over expenditures	\$ (5.2)	\$ 20.3	\$ (13.6)	\$ 4.0	\$ (1.1)	\$ 10.8
Other Changes in Unrestricted Cash	(5.2)	(5.8)	(16.0)	(19.2)	(8.0)	(7.4)
Cash Impact from Operations	\$ (10.4)	\$ 14.5	\$ (29.6)	\$ (15.2)	\$ (9.0)	\$ 3.4

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

	FY19 Projected	FY20 Budget	FY21 Budget	FY22 Budget	FY23 Budget
<u>Volume Statistics</u>					
New to Center	12,007	12,553	12,992	13,487	13,844
Admits	5,317	5,523	5,712	5,934	6,089
Days	40,122	40,988	42,189	43,466	44,373
Visits	262,715	269,351	280,013	291,311	299,730
<u>Direct Patient Service Revenue</u>					
RPCI IP Revenue	\$ 210,999	\$ 225,719	\$ 237,778	\$ 251,091	\$ 262,040
RPCI OP Revenue	399,845	433,199	464,825	495,391	543,737
Other	45,658	43,676	44,885	46,145	47,442
RPCI Total	\$ 656,503	\$ 702,594	\$ 747,488	\$ 792,627	\$ 853,219
CPP IP Revenue	\$ 18,807	\$ 19,490	\$ 20,463	\$ 21,496	\$ 22,364
CPP OP Revenue	43,028	44,496	47,200	50,103	52,564
CPP Total	61,835	63,985	67,663	71,600	74,928
Total Direct Patient Service Revenue	\$ 718,338	\$ 766,579	\$ 815,151	\$ 864,227	\$ 928,147
Other RPCI Patient Service Revenue	\$ 6,614	\$ 404	\$ 1,656	\$ 619	\$ (589)
Other CPP Patient Service Revenue	758	758	758	758	758
Total Other Patient Service Revenue	\$ 7,372	\$ 1,162	\$ 2,414	\$ 1,377	\$ 169
Total Net Patient Service Revenue	\$ 725,710	\$ 767,741	\$ 817,565	\$ 865,603	\$ 928,315
RPCI Provision for Bad Debts	\$ 6,099	\$ 7,237	\$ 7,753	\$ 8,313	\$ 8,819
CPP Provision for Bad Debts	773	809	856	906	949
Total Provision for Bad Debts	\$ 6,872	\$ 8,045	\$ 8,609	\$ 9,219	\$ 9,768
Total Net Patient Service Revenue Net of Provision for Bad Debt	\$ 718,839	\$ 759,696	\$ 808,957	\$ 856,384	\$ 918,547
Grants and Contracts	1,459	1,459	1,459	1,459	1,459
Total Charges for Services	\$ 720,298	\$ 761,155	\$ 810,416	\$ 857,843	\$ 920,006

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

(in thousands)

Other Operating Revenues:

	FY19 Projected	FY20 Budget	FY21 Budget	FY22 Budget	FY23 Budget
Cafeteria	\$ 2,006	\$ 2,045	\$ 2,066	\$ 2,086	\$ 2,107
Parking	2,943	3,024	3,055	3,085	3,116
Rebates (VHA/Utilities)	2,373	2,687	2,714	2,741	2,769
Network Affiliations, Agreements & Partnerships	4,462	4,843	4,924	5,007	5,091
LSB - UB Reimbursement	1,200	1,100	1,111	1,122	1,133
Rental Income	125	138	139	141	142
Aids Hotline	108	108	109	110	111
New Programs funded through Alliance	3,672	4,788	3,119	4,311	4,408
WNY Partnership / Rest of NY Initiatives	2,857	3,009	4,437	6,490	8,215
All Other	1,548	1,870	1,877	1,883	1,890
Other Operating Revenues (Consolidated)	\$ 21,293	\$ 23,612	\$ 23,550	\$ 26,977	\$ 28,982

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

	FY19 Projected	FY20 Budget	FY21 Budget	FY22 Budget	FY23 Budget
Salaries					
Salaries and Wage Costs	279,881	298,260	310,604	323,627	339,647
TOTAL Personnel Service Expense	279,881	298,260	310,604	323,627	339,647
Fringe					
NYS Pension Expense & TIAA CREF	27,265	28,119	28,917	30,016	31,257
Health Insurance: Active	24,643	26,135	28,226	30,484	32,923
Health Insurance: OPEB Payments	9,553	10,556	11,771	13,114	14,365
Other Fringe	23,995	25,961	27,458	29,000	30,670
TOTAL Fringe Expense	85,456	90,771	96,372	102,614	109,215
Non Personnel Service Operating Expense					
Professional Services & Contracts	105,591	115,300	120,388	121,252	121,111
Pharmaceuticals	230,481	250,009	275,844	303,139	328,716
Medical, Blood, Other Supplies	61,860	62,103	65,410	68,756	71,699
Supplies & Materials	292,340	312,113	341,254	371,895	400,415
Other Operating Expenditures	7,274	7,813	8,074	8,350	8,740
TOTAL Non Personnel Service Expense	\$ 405,205	\$ 435,225	\$ 469,716	\$ 501,497	\$ 530,266

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

Reconciliation FY19 Budget to FY19 Projected (in millions)

	(in Millions)
1 Excess (Deficiency) Revenues over Expenses (FY19 Budget)	<u>\$ (5.2)</u>
2 Capital Expenditure timing adjustments	16.8
3 Third Party Revenue and Settlements	7.7
4 Favorable Investment Earnings	1.8
5 All Other	<u>(0.9)</u>
6 Excess (Deficiency) Revenues over Expenses (FY19 Projected)	<u>\$ 20.3</u>

<u>Functional Classification</u>	<u>Total # Employees</u>	<u>Total # Full Time</u>	<u>Total # FTE's</u>
Clinical / Clinical Research / Academic	2,063.0	1,766.0	1,854.3
Scientific / Academic	205.0	186.0	193.6
Administrative and Other	706.0	633.0	658.1
Total All Functional Areas	2,974.0	2,585.0	2,706.0

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

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.

Major Gap Closing Components:	
	(\$\$ in millions)
Clinical Growth / Strategic Plan	\$ 14.3
Transformation Savings Program (incremental)	\$ 0.8

The institute is projecting non-recurring capital contribution revenues of approximately \$2.3 million in FY19, \$1.6M in FY20, \$0.5M in FY21, \$1.9M in FY22 and \$0.1 million in FY23. 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)

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 FY20	Projection FY21	Projection FY22	Projection FY23
\$ 102.6	\$ 86.6	\$ 69.6	\$ 51.9

Scheduled Debt Service Payment

For the Year ending March 31

2019
2020
2021
2022
2023
2024-2028
Thereafter

in 000's			
Bonds		Capital Leases	
Principal	Interest	Principal	Interest
\$ 14,568	\$ 5,954	\$ 14	\$ 154
15,293	5,208	20	153
16,051	4,424	25	152
16,877	3,619	32	151
17,707	2,772	38	150
47,507	3,322	307	725
-	-	4,090	1,664
\$ 128,003	\$ 25,299	\$ 4,526	\$ 3,150

*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 (in 000's)

Debt Service as a percentage of Pledged Revenues*	Debt Service FY20	Pledged Revenues	Debt Service Percent of Pledged Revenues
1 DASNY Debt issuance 7/13/11	\$ 4,725	\$ 737,808	0.6%
2 DASNY Debt issuance 10/21/16	\$ 15,776	\$ 737,808	2.1%
Total	\$ 20,500		2.8%

*Pledged revenues are defined in accordance with RPCI bond documents

	FY20 Budget
Facilities	\$ 25,433
Clinical, Scientific & Administrative Equipment	8,705
Information Technology	24,580
Total Capital Expenditures	\$ 58,718

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 Operating Officer
Roswell Park Cancer Institute Corporation

Presented to The Roswell Park Board of Directors on March 21, 2019
Approved by the Board of Director's on March 21, 2019