

**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 Wednesday, September 13, 2023 at 8:30 a.m. in the Scott Bieler Clinical Science Center, 9<sup>th</sup> Floor, Patrick P. Lee Board Room.

**Present:** R. Buford Sears, Committee Chairman  
Candace S. Johnson, Ph.D., President & CEO  
Elyse NeMoyer (*via Teams*)

**Present by**

**Invitation:** Ronald Andro, Chief Clinical Operations Officer  
Laurel DiBrog, Senior Vice President & Chief Marketing Officer  
Meghan Dobson, Esq., Associate General Counsel  
Betsy Doty-Lampson, Board Administrator  
Thomas Furlani, Ph.D., Chief Information Officer  
Ryan Grady, Chief Financial Officer  
Dale Henry, Chief Scientific Operations Officer  
Kathryn Hineman, Esq., Vice President & General Counsel  
James C. Kennedy, Vice President, Government & Community Relations  
Boris W. Kuvshinoff, M.D., Chief Medical Officer (*via Teams*)  
Todd Maier, Vice President, Finance and Payor Relations  
Peter G. Maslak, M.D., Vice Chair of Clinical Affairs, Department of Medicine  
Thomas Schwaab, M.D., Ph.D., Chief of Strategy, Business Development & Outreach (*via Teams*)  
Michael B. Sexton, Esq., Senior Vice President, Chief Legal Officer & Corporate Secretary  
Andrew Storer, Ph.D., Senior Vice President & Chief Nursing Officer  
David Tear, Vice President

**I. Opening/Minutes**

Mr. Sears opened the meeting at 8:30 a.m. He thanked Dennis Szefel and Ken Manning for their many years of service on the Board, expressing gratitude for their critical guidance to Roswell Park over the years. He then turned to a review of the Minutes from the June 14, 2023 Finance Committee meeting. With no commentary/questions offered, *a motion was made by Ms. NeMoyer to approve the Minutes, seconded by Dr. Johnson, and unanimously carried.*

**II. Contracts/Capital Expenditure Projects**

a. Flow Cytometry Equipment (Single Source)

Dr. Maslak requested approval for a \$2.3 million expenditure with Becton Dickinson and Company ("BD") for the purchase of flow cytometry analyzers and a flow cytometry sorter, compromising five (5) pieces of equipment, along with a related consumables contract and service

contract, each covering a five (5) year period, for the Flow and Image Cytometry Shared Resource. He explained the equipment in detail along with how this new equipment allows the Resource to support ongoing Roswell Park projects, such as the cGMP expansion. Mr. Grady pointed to the meeting materials for a breakdown of the funding sources. Mr. Sears observed that Roswell Park needs this equipment to perform cell manufacturing. Dr. Maslak responded affirmatively, noting that the new equipment will allow Roswell Park to meet regulatory requirements for cell production. There being no further commentary, *a motion for approval for a \$2.3 million expenditure with BD for the procurement of flow cytometry analyzers and a flow cytometry sorter along with related five-year consumable and service contracts was made by Dr. Johnson, seconded by Ms. NeMoyer, and unanimously approved.*

b. Jamestown Clinical Renovation

Mr. Tear presented on a request for a \$800,000 incremental spend for the relocation of the Jamestown Medical Oncology and Hematology with revised total spend of approximately \$2.9 million over a 7- year period. He explained that in September 2021, the Business Development Committee originally approved a 7-year lease for this new location, but tenant fit-out and related costs have since increased by \$800,000, a 58% increase. He noted that the new location costs remain less than the current location costs over a 7-year period.

While Mr. Sears acknowledged the new landlord's negotiating power given the prime location, he advised that the new landlord should be absorbing, or at least sharing, in these increased costs. Mr. Sears recommended that the Committee's approval of this incremental spend be subject to the landlord absorbing a portion of these costs. Mr. Tear noted a concern as the current landlord is selling the practice's current location, the lease for which ends in March 2024. The Committee members and attendees discussed conditioning the Committee's approval of this request on the new landlord sharing in at least twenty-five percent (25%) of these costs. Dr. Schwaab also noted some concern with this conditional approval as the current landlord identified a buyer for the current location, but Mr. Sears noted that this matter can be brought to the Board's September meeting, if necessary. There being no further commentary, *a motion to approve an incremental expenditure for additional tenant fit-out and related incremental costs for the new Jamestown Medical Oncology and Hematology location, subject to the landlord absorbing at least 25% of these increased costs of \$800,000, was made by Mr. Sears, seconded by Ms. NeMoyer, and unanimously approved.*

c. Linac Replacement (Single Source)

Mr. Andro then presented on a request for approval of a \$5.5 million expenditure with Varian Medical Systems for the purchase of an Ethos 2.0 linear accelerator unit, necessary software (ARIA) license, and a related 5-year service agreement, with a total project cost of \$6 million, including \$500,000 in estimated construction costs. He explained that this procurement replaces an end-of-life linac purchased in 2009. Mr. Grady then expressed his excitement that Roswell Park was entering into the adaptive radiotherapy field by procuring this new unit. Mr. Sears also expressed support for this purchase. *Dr. Johnson then made a motion to approve a total expenditure of \$6 million for this project, including a \$5.5 million expenditure with Varian Medical Systems for the purchase of the Ethos unit, related software (ARIA) license, and related service contracts, which was seconded by Ms. NeMoyer and unanimously approved.*

d. CT Scanner Replacement

Mr. Ando also presented on a request for the replacement of two (2) end-of-life CT scanners from GE with a total project cost of \$2.2 million, comprised of \$1.24 million in capital equipment, \$634,000 for a related service agreement, and \$237,000 in related construction costs. He highlighted that while Roswell Park looked to GE's competitors, Siemens bid a higher price. There were also support and technology concerns with Philips' equipment. *A motion to approve a total expenditure of \$2.2 million to procure two (2) new CT scanners and a related service agreement from GE, along with associated construction costs, was made by Ms. NeMoyer, seconded by Dr. Johnson, and unanimously approved.*

III. Informational Only: Medtronic O-Arm 02 Imaging System & Post-Implementation Reviews (Olympus OR Equipment, CRC Relocation)

Mr. Sears asked for any questions on the materials provided for informational purposes only. Ms. NeMoyer inquired if the Board needed to approve the additional expenditure (7% over the Board approved budget) for the CRC relocation. Mr. Grady advised that Board approval is sought when additional costs exceed 10% of the Board approved expenditure amount. Mr. Sears noted that even a 5% increase over the Board approved amount is significant to the budget. Mr. Grady advised that he would review industry practices and revise this benchmark as necessary.

*Upon a motion made by Ms. NeMoyer, seconded by Mr. Sears and unanimously approved, the Committee moved to Executive Session for purposes of a Debt Update, a Government Relations Update, a Managed Care Update, and a Revenue Cycle Implementation Update.*

IV. Debt Update

Mr. Grady updated the Committee on Roswell Park's recent debt activities, advising that management was reviewing commercial mortgage proposals from Northwest Bank and PNC Bank for the Park Club Lane ("PCL") purchase. Approval from the Board and the New York State Division of Budget ("DOB") will be sought as necessary for the final mortgage documents. The sale is currently on hold until Ciminelli completes its purchase of the adjacent parking lot. Ms. Hineman noted that she expects this parking lot sale to Ciminelli to close within thirty (30) to sixty (60) days. In response to Mr. Sears' inquiry, she also confirmed that Roswell Park's clock to purchase the PCL location was paused until Ciminelli completes its purchase of this parking lot. Mr. Sexton added that Ciminelli is nowhere near ready to close the PCL location sale to Roswell Park.

Mr. Grady then reported that PFM was selected as Roswell Park's financial advisor for a potential new debt issuance. Next step is management's selection of a underwriting partner(s). At least two (2) to three (3) credit ratings will also be sought. Mr. Sears commented that PFM seems to have assigned its "A Team" to Roswell Park. Mr. Kennedy also advised that an official ask was made to New York State ("NYS") to approve a potential new debt issuance, but he is still awaiting a response.

Mr. Sears then asked for an update on Roswell Park's prepayment of its existing debt. Mr. Grady advised that NYS is onboard, but 15% of this debt is with other institutions so discussions are still underway.

#### V. Government Relations Update

Mr. Kennedy provided an update on government relations, beginning with a 1<sup>st</sup> quarter update on NYS' financial status. He then reviewed Roswell Park's local government and community projects, highlighting that 907 Michigan has opened with a grand opening event scheduled in the coming weeks. He also noted that Roswell Park issued an executive budget request to NYS for funding at the same level as two (2) years ago. He also highlighted a recent visit by Empire State Development and DOB representatives to Roswell Park.

Mr. Kennedy then reviewed recent NYS legislation, reporting that the legislature passed a wrongful death bill, which was nearly identical to last year's bill and expands wrongful death claims with no cap on damages, the availability of emotional damages, and an expanded pool of claimants with a 3-year "look back period". It is unclear if Governor Hochul will sign this bill. Mr. Kennedy also reported that the legislature passed a bill prohibiting non-compete agreements between employees and employers. He is tracking this bill given its impact on Roswell Park's employment contracts.

Mr. Kennedy then provided an update on federal government relations, reporting on the impact of a potential federal government shutdown on Roswell Park. He also reported on efforts to introduce legislation to provide for earlier cancer diagnoses, such as federal lung cancer screening legislation.

#### VI. Managed Care Update - Payor Negotiations

#### VII. Revenue Cycle Implementation Update

Mr. Grady then updated the Committee on the current status of the Revenue Cycle Implementation Project (the "Project"), noting that the Board subcommittee for this Project needs to backfill its membership given the recent Board member departures. He reviewed the current Project timeline, noting that end-to-end system testing starts on January 1<sup>st</sup>. The Project is currently in "yellow status", primarily due to one to two needed resources in the pathology area. Mr. Grady then outlined the path to a "green status" by the end of September. The Project is also currently on time and on budget. Mr. Grady cautioned that he anticipates some issues around the go-live date, but he has planned for this. Dr. Johnson added that this Project was reviewed extensively by the IT Committee. It was also noted that Ms. NeMoyer is the IT Committee's interim chair.

*Upon a motion made by Ms. NeMoyer, seconded by Mr. Sears, and unanimously approved, the Committee returned to Open Session.*

**VIII. 1<sup>st</sup> Quarter Combined Financial Statements**

Mr. Grady then touched about reasons why Roswell Park's earnings have decreased approximately two percentage points (approximately \$4 million) year-after-year. Reasons why earnings are down this year include: (1) nursing compensation increases imposed by NYS on state facilities, which needed to be matched by Roswell, adding \$9 million in increased costs along with an unbudgeted signing bonus memorialized in the new PEF contract; (2) CRS staffing investments, including an additional 53 FTE to restore staffing levels, with Dr. Johnson noting this staffing is critical and that she anticipates CRS moving to recover 50 to 60% of its costs from industry partners; and (3) a decrease in state funding levels. Mr. Sears requested that these materials be added to the meeting book.

Mr. Sears observed that new patient volumes are off by 4%. He also commented that one month does not make a trend, but unless this \$9 million gap is narrowed, it will be difficult to get back on plan this fiscal year. He noted that if Roswell Park is off plan, it will also hinder its efforts to issue new debt. Mr. Grady noted that August volumes show that some clinical categories have bounced back with volumes looking slightly above plan, but the current patient census is challenged by low hematology and transplant volumes. He reported that Dr. Johnson and he meet bi-weekly with the hematology and transplant leaders to address volumes. Mr. Sears noted the importance of moving away from the current reliance on transplant volume.

There being no further commentary or questions, *Ms. NeMoyer made a motion to approve the 1st Quarter Combined Financial Statements, which was seconded by Dr. Johnson and unanimously carried.*

**IX. 1<sup>st</sup> Quarter Investment Activity**

Mr. Maier presented on the key financial indicators and 1<sup>st</sup> quarter investment activity. He noted that inflation reports were positive with CPI at 3.2% in July 2023 with a slight increase in August 2023. Mr. Sears reported that the Fed uses the core PCE Index as its primary inflation gauge, which must be under 4 before the Fed will stop raising rates.

Mr. Maier then continued with his presentation, noting that treasury durations will continue to be kept short given the yield curve continues to move upward. He reported a 2.75% average expected yield for Roswell Park's investments and a projected realized investment income of \$16 million, which is on plan.

Mr. Maier also provided a summary of the 1<sup>st</sup> quarter performance of the malpractice and HRI investment funds, noting a net loss of 0.30% on the malpractice investment fund and a 1.6% net return for the HRI Investment Funds.

There being no questions or commentary, *Dr. Johnson then made a motion to approve the 1<sup>st</sup> quarter investment activity report, which was seconded by Ms. NeMoyer and unanimously carried.*

X. Other Issues/Adjournment

There being no further business, *a motion to adjourn the meeting was made by Ms. NeMoyer, seconded by Dr. Johnson, and unanimously approved.*

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Michael B. Sexton, Secretary