

**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, March 13, 2024 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 S. Johnson, Ph.D., President & CEO
Elyse NeMoyer (*via Teams*)
Lee Wortham

Excused: Leecia Eve, Esq., Board Chairperson

Present by

Invitation: Laurel DiBrog, Senior Vice President & Chief Marketing Officer
Meghan Dobson, Esq., Associate General Counsel
Betsy Doty-Lampson, Board Administrator
Ryan Grady, Chief Financial Officer
George Hickman, Chief Digital and Information Officer
Julia Faller, D.O., Chief Medical Officer
James C. Kennedy, Vice President, Government & Community Relations
Todd Maier, Vice President, Finance and Payor Relations
Carl Morrison, M.D., D.V.M., Senior Vice President & Chair, Department of
Pathology & Laboratory Medicine
Crytal Rodriguez-Dabney, Esq., Senior Vice President, Diversity, Equity &
Inclusion
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, Strategy, Business Development &
Network Integration

I. Opening/Minutes

Mr. Sears opened the meeting at 8:29 a.m. After welcoming all attendees and highlighting the agenda, he turned to a review of the Minutes from the December 6, 2023 Finance Committee meeting. Mr. Wortham noted that a reference to “underlying funding sources” on page 5 of the Minutes should be revised to “underlying holdings”. No further commentary was offered, and *a motion was made by Mr. Wortham to approve the Minutes, as revised, which was seconded by Dr. Johnson and unanimously carried.*

II. Contracts/Capital Expenditure Projects

a. Roof Replacement

Mr. Sexton presented on an \$1.27 million expenditure to fund the replacement of the roofs of Roswell Park's Research Studies Center, the bridge between the Main Hospital and Parking Garage, and the Parking Garage stair towers, highlighting that the new roofs will have a 30-year warranty. He also reviewed the procurement process, advised that Elmer Davis was the lowest qualified bidder on the RFP issued for this project. Mr. Sears and Mr. Sexton then discussed whether the warranties would impact Roswell Park's insurance premiums.

There being no further discussion, *a motion to approve an expenditure of up to \$1.27 million to fund the replacement of the roofs of the Research Studies Center, the bridge between the Main Hospital and Parking Garage, and the Parking Garage stair towers was made by Mr. Wortham, seconded by Ms. NeMoyer, and unanimously approved.*

b. Insurance Premium Renewals

Mr. Sexton reviewed the insurance limits and premium for Roswell Park's insurance coverages for April 1, 2024 to March 31, 2025 at a projected cost of \$3,463,159. He reported that despite efforts to aggressively market all lines of coverage by Roswell Park's broker (Gallagher), the total premiums for all insurance lines will increase by approximately \$276,000, representing an approximate 8% increase over last year. Mr. Sexton then briefly summarized the rationale behind the various increases in insurance coverages, noting that a surprising exception to the general increased premiums was on Roswell Park's Cyber Liability insurance coverages, which showed a decrease in premium of over \$100,000. Mr. Sexton noted that Gallagher performed well by keeping premium increases to a reasonable level, with these increases being documented as corresponding to increased risks at Roswell Park.

Mr. Sears inquired if Roswell Park required a minimum financial strength for new carriers. Mr. Sexton advised that any new carriers must have an A rating. Mr. Wortham and Mr. Sexton then discussed the lower premiums offered by Roswell Park's property insurance carrier in exchange for a higher deductible for property and water damage claims, with Mr. Sexton advising that this option was not selected as Roswell Park.

There being no further discussion, *a motion was then made by Mr. Wortham for approval of the premiums and insurance limits at a projected cost of \$3,463,159, seconded by Ms. NeMoyer, and unanimously approved.*

Mr. Sears then thanked Mr. Sexton for his work on this matter, with Mr. Sexton acknowledging the efforts of Amy Dunn Kirkpatrick and her team.

c. Chemistry Immunoassay Equipment

Dr. Morrison presented on a request for approval of a 5-year contract with Roche Diagnostics for the replacement and upgrade to the Chemistry and Immunoassay testing platforms within the clinical laboratories as well as service agreements and related consumables, at a cost of \$4.2 million. He reviewed the need for the new platforms as well as the advantages of the new testing performed by the platforms. Mr. Grady then provided a brief overview of the procurement process, advising that Roswell Park will utilize a GPO as the procurement method. Mr. Grady and Dr. Morrison then

advised that other systems were evaluated, with Dr. Morrison explaining the added benefits of the Roche instrumentation.

A motion to approve the 5-year contract with Roche Diagnostics at a cost of \$4.2 million was then made by Mr. Wortham, seconded by Ms. NeMoyer, and unanimously approved.

III. Informational Only – New Wave Consumables (Sole Source)

Mr. Sears inquired if the Committee had any questions and comments on this item. There being no comments or questions, he moved on the next agenda item.

IV. Post Implementation Review (907 Michigan)

Mr. Buford offered the only commentary on this agenda item, commenting that he considered the 907 Michigan Project a “home run”.

Mr. Wortham then moved that the Committee go into Executive Session for reports on New York State budget and support; current payor relations status; a Revenue Cycle project update and a status report on Financing Activities, which was seconded by Mr. Sears and unanimously approved.

V. Government Relations Update

Mr. Kennedy provided a state government relations update, starting with a review of Governor Hochul’s FY 2025 healthcare priorities. He also reviewed the timeline for the approval of the New York State FY 2025 budget in which Roswell Park was appropriated \$110.7 million (\$55.4 million in operating / \$55.3 million in capital).

Mr. Kennedy then provided an update on federal government relations, reviewing the March 8th budget package, which includes funding cuts to several scientific programs. He then discussed the Medicare Drug Price Negotiation Program.

Mr. Kennedy concluded by sharing an example of Roswell Park building strategic alliances to support patient access, explaining that the Alliance of Dedicated Cancer Centers (“ADCC”) brought together several patient advocacy organizations to meet with the Department of Health and Human Services recently on a broad range of patient access issues to cancer care. Mr. Wortham, Mr. Grady and Mr. Kennedy then briefly discussed Governor Hochul’s proposed cuts to Medicaid programs affecting long-term care and nursing homes.

VI. Change Healthcare Cyber Attack

Mr. Grady updated the Committee on the Change Healthcare/Optum Cyber Attack (“Cyber Attack”) and its impact on Roswell Park. Since the Cyber Attack, Roswell Park has been unable to send out the Clinical Practice Plan’s professional billings, [REDACTED]

[REDACTED] Roswell Park was able to pivot to an alternate solution for hospital billing.

[REDACTED] That

solution would not be available until Summer, 2024, so the best option is to work with Change/Optum to get its system back up and running.

Mr. Grady then reviewed Roswell Park's options to address any potential cash flow issues arising from the Cyber Attack. These options included drawing on the M&T Line of Credit and participating in cash flow assistance programs, such as the Change Healthcare/Optum program, which Roswell Park objected to given the minimal assistance offered. Roswell Park also already submitted an application to the Centers for Medicare & Medicaid Services ("CMS")' Change Healthcare/Optum Payment Disruption Program.

A brief discussion then ensued, which included Mr. Grady explaining that Change Healthcare/Optum has not offered to reimburse financial costs. Mr. Grady also advised that Change Healthcare/Optum has not disclosed if PHI was compromised in the Cyber Attack. Mr. Sexton said he assumed that PHI was obtained by the bad actors behind the Cyber Attack, with Roswell Park ready to respond to any such data breach.

VII. Revenue Cycle Implementation Update

Mr. Grady updated the Committee on the current status of the Revenue Cycle Implementation Project (the "Project"), reminding attendees that a subcommittee was formed to oversee this Project, which is also overseen by the IT Oversight Committee. He reported a two-month extension of the Go-Live Date to September 1st due to additional remedial issues identified during the initial testing phase, which was expected given the age of certain systems. End-to-end testing is underway with approximately 100 individuals running transactions through the new system. Mr. Grady also reviewed the new timeline in light of the Go-Live date extension as well as the Project budget, highlighting a \$2.113 million favorable budget variance.

As Mr. Wortham earlier inquired about the expected one-time revenue impact of this Project, Mr. Grady advised that while some revenue loss is expected, he felt that it would be a failure on Roswell Park's end for revenue loss to reach the budgeted amount (derived from industry benchmarks) given the substantial system testing and building efforts.

Mr. Sears added that Roswell Park is seeking to be prudent by planning for the projected revenue impact, noting that ECMC lost 90 days of billing due a computer change issue, but he would be disappointed if more than half of the estimated revenue impact is realized. Mr. Grady then explained how this revenue impact will be measured, with Mr. Sexton added that the challenge is to beat this number, which is based upon the actual losses of Roswell Park's peer organizations. Before moving on to the next agenda item, Mr. Sears and other attendees expressed their appreciation to Mr. Szeffel for sitting on the Project Subcommittee, as his involvement provides comfort to the Committee.

VIII. Debt Issuance Update

Mr. Grady updated the Committee on Roswell Park's anticipated inaugural debt issuance, reporting that Roswell Park selected Morgan Stanley as the lead manager (receiving 50% of fees) and Barclays as co-lead manager (receiving 20% of fees). Various MWBE firms were selected to compete to provide services to receive the remaining 30% of fees. These fees are anticipated to total \$1 million

(excluding attorneys' fees and costs). A kick-off call with these vendors will be scheduled for late March/early April.

Mr. Grady then advised that Roswell Park will likely pursue preliminary credit ratings with two firms, and advised that bond counsel, tax counsel, and borrower's counsel must be selected. Discussions with New York State (Division of Budget, Department of Health, and DASNY) continue on defeasance of existing debt. Management is also verifying that Roswell Park is not required to use DASNY as the conduit for the debt issuance. Mr. Kennedy noted that other organizations have not been required to use DASNY as a conduit. He also advised that Roswell Park must reiterate to NYS that its clinical revenues will cover the debt payments.

Mr. Sears commented that in his opinion, this debt issuance process does not start until after the Board approves the FY 2024 audited financial statements as this is the primary document used by the underwriters. Mr. Grady added that interim financial statements will likely be required as the audited financial statement will become "stale" approximately 115 days from year-end.

IX. Finance Update

a. Fiscal Year 2024 3rd Quarter Combined Financial Statements Presentation

Mr. Grady presented on the third quarter ("Q3") financial statements for FY24, reviewing inpatient days, admissions and average daily census. He advised that the average daily census is approximately 4% off plan due to lower numbers of BMT and ACT cases, but is tracking closer to plan during Q4. He also reviewed Q3 outpatient visits as well as clinical volumes by service in detail. Mr. Wortham inquired why the dermatology service was off plan by 11%, with Mr. Grady attributing this to two providers going on paid parental leave at the same time.

Mr. Grady also reported an Operating EBIDA Margin of 3.6%, advising that Roswell Park was \$24 million off plan as of Q3. He reviewed in detail the drivers of this variance as well as the FY24 actions taken to address this variance, such as staff eliminations, restrictions on travel, deferring capital expenditures, and bi-weekly meetings with leadership of those clinical services performing under plan.

Mr. Grady concluded his report by reviewing Roswell Park's financial performance against that of ECMC, Catholic Health and Kaleida, as well as against Memorial Sloan Kettering.

b. VPP Reconciliation (FY24)

Per Mr. Sears request, Mr. Grady presented on an Adjusted EBITDA that the Compensation Committee could use for purposes of determining Variable Payment Plan funding for FY24. The Adjusted EBITDA removes the following state-mandated items which Roswell Park was not aware of when the budget was finalized: (1) a one-time PEF bonus (\$5 million expense); (2) Paid Parental Leave expenses; and (3) Retiree Health Payment (actual payment due exceeded actuarial estimate by \$3 million). Mr. Sears asked the Finance Committee to opine on this reconciliation for the benefit of the Compensation Committee.

After a discussion on NYS Paid Parental Leave, *a motion was made by Mr. Wortham to recommend that the Compensation Committee consider the Adjusted EBITDA for purposes of the Variable Pay Plan, which was seconded by Ms. NeMoyer and unanimously approved.*

Before moving on to the next agenda item, Dr. Johnson provided a brief update on Great Lakes Cancer Care given recent leadership changes.

c. FY25 Budget Presentation

Mr. Grady presented the FY25 budget, starting with a detailed overview of its major themes and highlights. He also detailed the FY25 opportunities, such as Roswell Park’s planned inaugural debt issuance, new leadership and specialized faculty, and the development of alternative revenue streams, as well as the FY25 threats, such as changing clinical patterns, recruitment and retention issues, competition, slowing clinical volume growth rates, and payor landscape changes.



Mr. Wortham commended leadership for the rigor around clinical metrics, but inquired if Roswell Park has thought of how to analyze research activities that may no longer be at the forefront by using defined metrics. Dr. Johnson advised that to get funding, researchers must be at the forefront. Mr. Grady advised that at the next meeting, he would show the funding flow as clinical income does not fully fund Roswell Park’s research programs. Dr. Johnson and Mr. Grady also described how Roswell Park incentivizes researchers, and measures salary recovery. Ms. NeMoyer added that the Tech Transfer Committee has requested a similar review, focused on start-ups that received Roswell Park funding.

Mr. Grady continued with his report, highlighting that FY25 will be a challenging year in which Roswell Park must rebuild through revenue growth and capitalizing on its investments. He reviewed the Key Financial Performance Indicators and Strategic Planning Targets in detail.



Mr. Grady also discussed the FY25 Budget’s Key Assumptions, in particular the Commercial Payer Rate Assumptions, highlighting the need for Roswell Park to negotiate increased rates with its payers. Mr. Grady also detailed a Margin Optimization Initiative as well as projecting capital expenditures going forward. The actual and planned technology investments across FY20 to FY25 were then reviewed by Mr. Grady against the Gartner benchmarks. When reviewing the Pension and OPED Projections across FY19 to FY28, Mr. Grady highlighted the “staggering” increase in costs. Mr. Grady concluded his report by commenting that while FY24 was bumpy, the future is bright, but Roswell Park must focus on meeting its plan.

Mr. Sears then commented that Roswell Park has historically outperformed its plans, but FY24 was impacted by an “aggressive” budget that could not be achieved. Mr. Sears suggested the FY25 Budget would likely be fairly conservative.

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

X. 3rd Quarter Combined Financial Statements

After review, Mr. Sears *moved to approve the third quarter financial statements, which was seconded by Dr. Johnson and unanimously approved.*

XI. FY 2025 Budget

After discussion, *Mr. Wortham moved to approve the FY25 Budget as presented, which was seconded by Mr. Sears, and unanimously carried.*

a. HRI Funding Resolution

Mr. Grady summarized the Board Resolution for Roswell Park’s funding of the Roswell Park Division of Health Research, Inc. (“HRI”) for FY25.

There being no questions or commentary, *Mr. Wortham moved to approve the HRI Funding Resolution, which was seconded by Dr. Johnson and unanimously approved.*

b. Section 203 Budget Submission

Mr. Grady presented on Roswell Park’s Section 203 Budget Filing for FY25. Mr. Sears noted that a preliminary budget was submitted prior to December 31st, which is amended by this filing.

A motion to approve Roswell Park’s Section 203 Budget Filing for FY25 was made by Mr. Wortham, seconded by Dr. Johnson, and unanimously approved.

XII. 3rd Quarter Investment Activity

Mr. Maier presented on the key financial indicators and third quarter investment activity for FY24. He projected two cuts to the federal funds rate by the Federal Reserve during the next calendar year, and reviewed the U.S. Treasury’s yield curve as well as the U.S. Consumer Price Index graph.

Mr. Maier then summarized the malpractice and HRI investment funds performance, reporting a 3.1% return for Roswell Park’s malpractice funds, but noted that as interest rates plateau, so will investment performance. The HRI investment fund had a return of 6.2%. Mr. Sears commented on the improvement of Roswell Park’s investment performance over the years. He also highlighted that Roswell Park’s investment performance was one of this FY’s bright spots as it performed ahead of plan.

There being no further commentary, *a motion to approve the third quarter investment activity report for FY 24 was made by Mr. Wortham, seconded by Mr. Sears and was carried.*

XIII. Other Items/Adjournment

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

Michael B. Sexton, Secretary