A meeting of the Finance Committee of the Board of Directors of Roswell Park Cancer Institute Corporation was held on Wednesday, June 17, 2020 at 8:30 a.m. in the Scott Bieler Clinical Science Center, 9th Floor, Patrick P. Lee Board Room.

Present by Phone:
- R. Buford Sears, Committee Chairman (via WebEx)
- Candace Johnson, PhD, President & CEO
- Michael Joseph, Board Chairman (via WebEx)
- Kenneth Manning, Esq. (via WebEx)
- Elyse NeMoyer (via WebEx)
- Dennis Szefel (via WebEx)

Excused:
- Steven J. Weiss, Esq.

Present by Invitation:
- Laurel DiBrog, Vice President of Marketing & Communications (via WebEx)
- Betsy Doty-Lampson, Board Administrator
- Thomas Furlani, PhD, Chief Information Officer
- Pamela D. Giesie, MSN, RN, Chief Nursing Officer (via WebEx)
- Ryan Grady, Vice President of Finance
- Kathryn Hineman, Deputy General Counsel
- Shirley Johnson, Senior Vice President/Chief Clinical Operations Officer
- James C. Kennedy, Director, Government & Community Relations
- Boris Kuvshinoff, II, MD, Chief Medical Officer (via WebEx)
- Mary Ann Long, Senior Vice President (via WebEx)
- Gregory A. McDonald, Chief Financial Officer
- Kunle Odunsi, MD, PhD, Deputy Director (via WebEx)
- Raghu Ram, MD, Vice President of Value-Based Care Optimization & Community Clinical Collaboration
- Thomas Schwaab, MD, PhD, Chief of Strategy, Bus Dev & Outreach
- Michael B. Sexton, Esq., Chief Administrative Officer, General Counsel and Secretary

OPENING/MINUTES

Mr. Sears opened the meeting by thanking everyone for their attendance and noted the busy agenda. He called for a review of the draft Minutes from the Finance Committee meeting held on Wednesday, March 18, 2020. After review, there was a motion by Mr. Manning to approve those minutes, seconded by Ms. NeMoyer, and unanimously carried.
CONTRACTS/CAPITAL EXPENDITURE PROJECTS

Mr. Sears then turned to the review and approval for contracts and capital expenditures submitted this quarter:

1. **Cerner Upgrade (sole source).** Dr. Furlani reviewed the required upgrade of the Cerner Millennium laboratory system, which was originally installed at Roswell Park in 1989 and covers the entire laboratory and pathology service. The current Cerner system upgraded last in 2015 and sunsets in 2021.

2. **Data Center Relocation.** The establishment of a second data center at the VTC Data Center on Ridge Road in Lackawanna has been before the Committee multiple times. The VTC Data Center is a tier III data center utilized by multiple entities for servers and storage. The current proposal will be for hardware and IT support services for phase III of the transfer of capability to this center. The cost is $1.8 million constituting $1 million in hardware and $800,000 in support services to support twenty-eight (28) critical applications at the VTC Data Center.

   After review, a motion was made by Mr. Joseph, seconded by Ms. NeMoyer and unanimously carried.

3. **Minor Procedures Suite.** Ms. Johnson presented on the new x-ray imaging system for the Radiology Department, with a capital cost of $788,000. This purchase will be for the C-Arm for the Interventional Radiology Suite, enabling the visualization of catheter placement during procedures. Three (3) vendor responded to the Request for Proposal (RFP) process, General Electric, Siemens and Phillips. GE won the scoring criteria having the lowest price and other favorable factors. GE has a significant amount of equipment in the Radiology Department as does Phillips. The Phillips equipment has not performed up to standards. The Radiology Department currently has no Siemens equipment. Mr. Manning inquired as to how much equipment is currently invested in GE, as it is often unwise to have too much reliance on one vendor, particularly for such a critical service. He suggested that procurement policies be looked at to ensure the vetting of all vendors upfront and to establish potential thresholds for extended review of vendors where purchases exceed certain amounts or where a particular mission area is unduly reliant on one particular vendor. This policy will be brought back to the next Finance Committee meeting.
A motion was made by Mr. Manning to approve the GE purchase of the minor procedures suite which was seconded by Ms. NeMoyer and unanimously carried.

4. **Relocate Apheresis/Donor Center/Physical Therapy & Occupational Therapy (PTOT).** Ms. Johnson presented on the renovation of 7300 square feet of hospital space on the first floor to accommodate the relocation of the apheresis/donor center to the former Physical Therapy and Occupational Therapy (PTOT) space, and moving PTOT to the current Apheresis/Donor Center space. The cost is projected at $825,000 and is in the fiscal year Facilities and Clinical equipment budget. There has been a volume increase in apheresis stem cell and cell therapy collection needs for the donor center, requiring additional space. The space to which PTOT will be moving is more than sufficient for that service.

**A motion was made by Mr. Szefel for approval, seconded by Ms. NeMoyer and unanimously carried.**

5. **Varian LINAC TruBeam Service Contract.** This is a 5-year service contract at a cost of $453,685 per year, $2,268,000 over the 5-year period for maintenance and service support for a period of five (5) years for two newer TruBeam Varian LINAC systems in the Radiation Oncology Department. An RFP was conducted this year with two (2) respondents, Varian and Avante OSI. Avante OSI has not demonstrated sufficient technical competence for the new TruBeam machines. The scoring for the RFP was reviewed and Varian was the successful bidder. An ECRI fair market value report was also presented which indicates that the pricing presented was competitive.

Mr. Szefel complimented the RFP process and scoring and noted that the procurement processes seems to have improved significantly at Roswell Park in recent years. Mr. Manning credited the Legal Department for leading much of that improvement. Mr. Sexton noted the contributions of Deputy General Counsel, Kathryn Hineman in helping to improve procurement processes at Roswell Park.

**A motion was made by Mr. Szefel to approve the Varian service contract for a five-year term and cost of $2,268,000, which was seconded by Ms. NeMoyer and unanimously carried.**

**POST IMPLEMENTATION REVIEW**

The following were in Director’s Desk meeting materials for information only. There were no questions.

- **APP Coverage.**
- **Allscripts MSA Renewal.**
- **IT Technical Staffing.**

**GOVERNMENT RELATIONS UPDATE**

Mr. Kennedy then gave the Government Relations report. Dr. Johnson praised Mr. Kennedy for his work in taking over for Ms. Kroczyn, the previous incumbent. Mr. Sears extended the
congratulations of the Finance Committee to Mr. Kennedy and his wife on the recent birth of his son, John F. Kennedy.

Mr. Kennedy discussed the $6 billion deficit that New York State entered the budget year with prior to the impact of Covid-19. He noted that there was a $13 million reduction scheduled for Roswell Park’s appropriation which he believed might have been reversed had the Covid-19 crisis not hit. He noted that with the impact of Covid-19, the state’s budget deficit will be significantly worse, and he does not expect an increase in Roswell Park’s appropriation as a result. He also noted that the Governor’s budget permits the Division of Budget to re-evaluate budget allocations in the Executive discretionary budget three (3) times during the budget year. The first phase already took place with no adjustments and the second phase ends June 30th. The full impact of Covid-19 will most likely be felt in the last half of the year and it remains to be seen how phase three turns out. He noted that the Federal Government may provide aid to States, and that NY State had asked for significant Federal assistance in this regard. Mr. Kennedy also reviewed Federal Covid Aid activities. There was a discussion as to whether there were sufficient resources at the Federal level in the government relations initiatives given all of the aid funds that had become available. Mr. Kennedy reviewed Roswell Park’s various resources available at the Federal level and indicated that at the current time resources in this regard appear to be sufficient.

Mr. Manning made a motion to move the meeting to Executive Session for reports on the impact to Roswell Park of the Coronavirus crisis; Managed Care and payor negotiations; Fiscal Year 20 financial performance review; and a proposed Fiscal Year 21 budget adjustment, all of which involved discussion of the strategic and financial position of the organization. The motion was seconded by Ms. NeMoyer and was unanimously carried.

COVID-19 UPDATE

Dr. Johnson gave a Covid-19 update. She reviewed the impact thus far on Roswell Park of the crisis noting the reduction in volumes in order to open capacity for a potential surge, the difficulty in keeping an adequate supply of personal protective equipment and other supplies. She also discussed the need for testing and the early difficulty in getting staff and patients to return once the ramp up began. Dr. Johnson noted that patient volumes are now coming back strongly. There have been several instances of inpatient beds being essentially full and the outpatient clinic volumes are also coming back. She is hopeful that Roswell Park will be prepared to meet any surge that occurs in the Fall. She noted that the IT Department had done a remarkable job of getting 1100 Roswell Park employees remotely connected so that they could do work at home during the crisis, and in getting Roswell Park up and running on virtual visits and telemedicine. It is hoped that virtual visits going forward will help depress crowding in the clinics and permit faster scheduling of new patients.

The Finance Committee complimented management for its work in managing the crisis.
Year End Financial Review

Mr. McDonald gave the year end financial review for Fiscal Year 2020. He reviewed performance and data on final cash on hand, EBIDA margin, and capital spending. All are positive to the strategic plan implemented in 2015. Total margin for the year was 8% and the corporation ended the year with 194 days of cash on hand. Mr. McDonald gave credit to the clinical and research operations missions, which had highly productive years. He reviewed total assets and net revenue trends. Net patient revenue was $823 million for Fiscal Year 2020, significantly exceeding the strategic plan projection of $685 million. Total assets for the corporation ended the year of fiscal year 2020 at $1.3 billion.

Mr. McDonald then showed a slide reviewing the Public Benefit Corporation’s performance since the year 2000, which showed a remarkable picture of growth. New York State support was 44% of revenues in 2000 and it is now approximately 10% for 2020. Revenues in 2000 were $233 million including State support, and they are over $1 billion now, twenty years later. The bond indebtedness has been reduced from $334 million to $140 million. Liabilities for fringe benefits were very low in 2000 and they have risen to $633 million since. Nevertheless, equity has still increased to $226 million from $59 million in 2000 despite the dramatic increase in accrued liabilities for OPEB costs.

Mr. McDonald then went through highlights from the 4th quarter of Fiscal Year 2020. For Fiscal Year 2020, Roswell Park was successful in achieving and exceeding budget. Operating EBIDA was 10.3% versus a budget of 6.6%. He reviewed positive clinical results noting that BMT volumes were up significantly, Car T-cell Medicare reimbursement came in earlier than expected and was at higher rates, allowing Roswell Park to at least recoup much of its costs for this service. He also reviewed non-recurring clinical earnings which were substantial for the year. He noted that the Covid crisis did not hit until there were only two (2) weeks left in the year. There were some Covid
costs and revenue impact that occurred during Fiscal Year '20 but the main impact will be felt in the 2021 fiscal year.

Budget Amendment

Mr. McDonald then turned to the proposed FY '21 Budget Amendment required as a result of the Covid-19 crisis. He reminded the Committee of the 30% reduction in volumes experienced during the first two months of the Fiscal Year and noted also that research activity was also down significantly while costs for PPE and IT costs skyrocketed. As a result of the Federal Reserve reducing interest rates, OPEB liabilities also increased substantially. He reviewed the impact on revenues and costs as well as New York State support, the depressing affect on fundraising and research activity. He is now projecting operating EBIDA to be 3.8% for the year ($39.6 million) versus the original budget projection of 7.5% ($82.1 million). He projects a gross effect of $74 million from the reduction in State support and the Covid-19 impact. He projects $32 million in remediation funding leaving a deficit of $42 million. Management is proposing to defer capital expenditures and operating budgets were also significantly reduced to address this problem, including suspension of the prior-approved 3% management confidential pay increase. Mr. McDonald reviewed the impact of the crisis on cash on hand. There was a significant impact, but the impact of remediation measures will hopefully reduce the impact to only a loss of five (5) days cash on hand. He compared the original financial targets of cash on hand, EBIDA and capital spending with proposed reductions.

Mr. Sears and Mr. Manning discussed the proposed new budget and the fact that Roswell Park has not proposed any furloughs or layoffs of employees. They noted that the question may arise as to why Roswell Park is not implementing furloughs and/or layoffs, as these activities usually save the most money. They requested talking points for the Board meeting to discuss how we are handling the financial damage from Covid-19.

A motion was made by Mr. Manning to return the meeting to Open Session, which was seconded by Mr. Joseph and unanimously carried.

In Open Session, the Budget Amendment proposed by Mr. McDonald was reviewed. A motion was made for approval by Mr. Szefel, seconded by Mr. Joseph and unanimously carried.
4th Quarter Financial Combined Financial Statements

Mr. McDonald then briefly reviewed the 4th quarter financials. *A motion was made by Mr. Manning, seconded by Ms. NeMoyer to approve the 4th quarter financials, which was unanimously carried.*

4th Quarter Investment Activity

*Investment Activity / Annual Review of Investment Policy*

Mr. Grady reviewed 4th quarter investment activities, reviewing performance noting that yields had plummeted and correspondingly asset values had increased. Investment income will be down substantially for Fiscal Year ’21 as a result of the reduction in interest rates by the Federal Reserve. *A motion was made by Mr. Szefel, seconded by Ms. NeMoyer to approve the 4th quarter investment report which was carried. Mr. Sears and Mr. Manning abstained.*

The Investment Policy for Roswell Park Cancer Institute Corporation was reviewed. *A motion was made by Mr. Szefel to ratify the Investment Policy, which was seconded by Mr. Joseph and unanimously carried.*

Periodic Reviews

*Finance Charter*

Mr. Sexton noted that the Finance Committee Charter needs to be reviewed and approved annually by the Committee. Mr. Sexton stated that the current version contained in the meeting materials has no changes from the version approved last year. *The motion was made for approval of the Finance Charter by Mr. Szefel, seconded by Mr. Joseph and unanimously carried.*

*NYS Annual Report*

Mr. McDonald reviewed the NYS Annual Report. *A motion for approval of the NYS Annual Report by Mr. Manning, seconded by Mr. Szefel and unanimously carried.*

Mr. McDonald had noted that certain items requiring Finance Committee approval in the NYS Annual Report had been previously seen and reviewed by the Committee at previous Finance Committee meetings.

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

Michael B. Sexton, Secretary