

**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 18, 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
Candace Johnson, Ph.D., President & CEO
Kenneth Manning, Esq.
Elyse NeMoyer
Dennis Szefel

Excused: Michael Joseph, Board Chairman
Steven J. Weiss, Esq.

Present by

Invitation: Laurel DiBrog, Vice President of Marketing & Communications
Betsy Doty-Lampson, Board Administrator
Thomas Furlani, Chief Information Officer
Pamela D. Giesie, MSN, RN, Chief Nursing Officer
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
Gregory A. McDonald, Chief Financial Officer
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 all for attending and noting that due to the COVID-19 crisis, all Committee members were attending via teleconference with staff in the Patrick P. Lee Conference Room. He then turned to review of the draft Minutes from the Finance Committee meeting held on Wednesday, December 4, 2019. After review, *there was a motion by Mr. Szefel 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:

StealthStation Purchase (sole source).

Ms. Johnson described the Stealth Medtronic navigation system, which is a neurosurgical navigation system that will be installed to replace the current Polstar navigation system used in brain surgeries. The Polstar system is at the end of its life. This will be a \$784,000 capital expenditure with a five (5) year service contract costing a total of \$753,000, for a total project cost of \$1,548,000. After review, *a motion for approval of this purchase was made by Mr. Manning, seconded by Ms. NeMoyer and unanimously carried.*

Echocardiogram Services.

Ms. Johnson reviewed the request for proposal process done under which Buffalo Ultrasound will be awarded the contract as the only vendor that bid. Buffalo Ultrasound has had the contract since 2015 and has provided excellent service. The proposal is for a five (5) year agreement with a two (2) year renewal. Mr. Szeffel questioned why there was only one bidder. Mr. Johnson indicated that the Purchasing Department contacted other vendors but none proposed. *A motion was made for approval of this contract by Ms. NeMoyer, seconded by Mr. Szeffel and unanimously carried.*

Azedra (sole source).

Mr. Sexton presented on a drug purchase for a new drug recently approved by the Food and Drug Administration to treat advanced adrenal cancer. This is a cancer condition that previously had no effective treatments and this compound has recently been approved which is effective in shrinking tumors and treating complications caused by the cancer's progression. The new treatment it is extremely expensive, costing \$300,000 per patient, and Roswell Park currently has one patient in serious need of the treatment, and so a sole source exigency purchase is requested. Roswell Park expects to treat up to five (5) patients per year with this drug resulting in a one (1) year cost of approximately \$1.5 million. To date, one insurer has agreed to reimburse covering the cost of the drug. Others are likely to follow suit. *A motion was made for approval of this purchase by Mr. Manning, which was seconded by Mr. Szeffel and unanimously carried.*

6 East & 6 West Renovations (\$986,000).

Ms. Johnson reported on the construction contract for the extensive renovations of wings 6 East and 6 West to help expand bed capacity. The construction cost will be \$986,000. After discussion, *a motion was made by Ms. Szeffel to approve the renovations, which was seconded by Ms. NeMoyer and unanimously carried.*

Insurance Renewals.

Mr. Sexton gave a report on the recently concluded insurance renewal process. A brokerage RFP process took place at the end of 2019 in which M&T Insurance was renewed as Roswell Park's insurance broker. M&T commenced a renewal process in which it shopped all of Roswell Park's coverages. Due to a hardening market, the total cost of the program will increase by at least \$64,723 and possibly more depending on whether increased limits for cybersecurity are obtained. The total cost for all lines of coverage is projected to be \$1,504,339. Mr. Sexton discussed each of the coverages and explained the background on the premium quotes. Reduced premium was obtained for the

general and professional liability coverage, as a new carrier is involved and there is a reduction in coverage for sexual abuse and molestation coverage. That coverage is now segregated in the policy and a straight \$5 million per occurrence/\$5 million aggregate coverage will be in place. The directors desk contained a complete description of the various coverages and quotes and a comparison to last years pricing.

With that recommendation, *a motion was made by Mr. Manning to approve the insurance renewals, which was seconded Mr. Szefer, and unanimously carried.*

Vector Product Validation Testing (single source).

Dr. Johnson presented on the request for a purchase and single source approval of continued vector validation testing from the University of Indiana. The vector products are produced at Roswell Park as part of the Car-T cell therapy program. The vectors require validation testing prior to any use and the majority of testing is done at the University of Indiana, which has been the source of this service at Roswell Park. After a discussion, *a motion was made for approval by Mr. Szefer, seconded by Ms. NeMoyer and unanimously carried.*

At that point, Mr. Szefer made a motion for Executive Session to permit a discussion of the proposed Revenue Cycle system replacement project, and specifically to discuss the currently pending results of the RFP process for consultant assistance for the implementation of this project. That motion was seconded by Ms. NeMoyer and unanimously carried.

Revenue Cycle System Replacement.

After discussion, a motion was made by Mr. Sears to return to Open Session, which was seconded by Ms. NeMoyer, and unanimously carried.

Mr. Sears summarized the proposed contracts presented by the IT Department to the Finance Committee.

Microsoft Licensing Renewal.

Mr. Furlani discussed the renewal of the Microsoft office licensing system. This renewal now combines Windows 10 with the new Office 365 M3 license, which provides Cloud based communication and teleconferencing. Mr. Furlani described the combined communication features and the enhanced security aspects of the program. The new system will allow for better communication and the use of Microsoft Teams for more secure and efficient teleconferencing. He also noted that Microsoft Teams sets the stage for Roswell Park to move into the telemedicine era. He reiterated that the system is Cloud based and extremely secure. He is requesting approval of a renewal of three (3) years at a price not to exceed \$5.6 million. This is a nineteen percent (19%) increase but the increase is attributable to a significant increase in the number of licenses and also to the better security and communication features of the system. New York State Office of General Service pricing has been obtained on the purchase. The purchase is being made through a distributor, Dell. *After discussion, a motion for approval of the license renewal was made by Mr. Szeffel, seconded by Ms. NeMoyer and unanimously carried.*

IT Temporary Staffing Resources (additional funds).

Mr. Furlani discussed the request to increase the budgets for the IT temporary staffing contracts that were awarded in 2018. These were three (3) year term contracts with a total spend of \$3 million. Staffing needs have increased due to the WorkDay and network infrastructure projects along with increased maintenance needs. Needs for engineers to do testing have significantly outpaced these contracts. These contracts were done in three separate IT RFPs: one for quality assurance staffing, one for project management staffing, and one for infrastructure staffing. Mr.

Furlani noted that the capital budget for IT has increased by fifty percent (50%) and the operating budget has increased by sixty percent (60%), both resulting in increased needs for temporary staffing. He is requesting an augmentation of the approved spend under these contracts from \$3 million to \$6 million for the three (3) year term. The increase will be spread over the remaining two (2) years of the three (3) year term. After discussion, *a motion was made to approve the increase in the IT Temporary staffing contracts by Mr. Szefel, which was seconded by Mr. Manning and unanimously approved.*

High Performance Storage Replacement.

Mr. Furlani reviewed high performance storage systems for Citrix, EHR, and other high-performance systems at Roswell Park. The total cost for the replacement will be \$3.0 million. After discussion, *a motion was made to approve the replacement by Mr. Manning, which was seconded by Ms. NeMoyer and unanimously approved.*

Backup Storage Refresh.

Mr. Furlani then gave an update to the Committee on the data storage at Roswell Park. He described the different types of storage for data, noting differences between the storage of research data, clinical data and finance data. The backup storage refresh calls for a spend of \$2.7 million over three (3) years and this is for the multi-year procurement of a replacement data backup storage platform to refresh storage that supports the backup environment at Roswell Park. These backup storage environments will be deployed at the 901 Washington and VTC data centers.

There was a complete summary of these proposals in the Directors desk documentation. *A motion was made by Mr. Manning to approve, which was seconded by Ms. NeMoyer and unanimously carried.*

POST IMPLEMENTATION REVIEW

Temporary Professional Staffing Services. Informational ONLY. No presentation.

Physician Coverage for ATC. Informational ONLY. No presentation.

GOVERNMENT RELATIONS UPDATE

Dr. Johnson discussed the New York State budget, which calls for a \$13 million reduction for Roswell Park. The legislature was working to restore the budget cut. Due to the COVID-19 virus pandemic, however, which is expected to have serious ramifications for New York budget purposes, the State budget process is on hold. Dr. Johnson will have more to report once the crisis ends.

Mr. Manning made a motion to move into Executive Session for reports on Coronavirus status, Business Development, Managed Care and payor negotiations, Fiscal Year 2021 budget matters and a marketing contract review. The motion was seconded by Ms. NeMoyer and was unanimously carried.

COVID-19 UPDATE

Dr. Johnson gave a report on Roswell Park's response to date on the COVID-19 crisis. She noted that Roswell Park is in good shape financially to weather the storm but advised that the crisis is likely to have a negative impact to Roswell Park and all other health care systems. She noted that she has multiple meetings during the day with her staff on the preparations to respond to this crisis and the Roswell Park Crisis Response System has been implemented.

She noted that employees are currently being screened before being admitted to work. Much of the white-collar work force has been assigned to work remotely from home. This is also being done with the research staff. The animal facility will continue to be maintained and the Executives on the 10th floor of the Clinical Sciences Center (CSC) will continue to work on site for the time being. All non-essential staff will be sent to work at home. She emphasized that Roswell Park must remain open for its cancer patients and will also be participating in the response to ill patients with coronavirus.

Dr. Johnson noted that testing for COVID-19 is still not up and running at Roswell Park and that Erie County is short on supplies for testing. She also noted that Roswell Park's supply of masks for staff, while a full complement, is likely to only last in the crisis for a matter of weeks. Re-supply is a concern and is being worked on. She noted that New York City situation is very serious and obviously related to the dense population in that area.

Mr. Sears offered the confidence and support of the Board to Dr. Johnson and her staff while Roswell Park responds to this crisis.

BUSINESS DEVELOPMENT UPDATE

The Business Development update was reported on Director's Desk for information ONLY. No presentation was made.

MANAGED CARE UPDATE: Payor Negotiations

Dr. Ram gave a Managed Care report.

FY21 BUDGET PRESENTATION

Mr. McDonald presented the FY21 Budget presentation.

He reminded the Committee that the ABO Budget was submitted in December as required by New York State law. The budget presented at the March Finance Committee meeting is typically the final budget. Due to the COVID-19 crisis, it is possible that the budget he is presenting at this meeting will change. He noted that given the seriousness of the crisis, and the necessity for a forced

reduction in volumes for the foreseeable short term future, the possibility of missing the budget for the year certainly existed.

Mr. McDonald discussed the potential impact of the COVID-19 crisis, noting that the stock market drop is likely to result in roughly a \$12 million increase in pension costs spread over a period of five (5) years. He noted that the deferral of patient visits which is projected over two to three months could be extremely negatively impactful on the revenue side. Investment earnings will be well down from the current year's \$14 million due to the reduction in interest rates by the Federal Reserve. Mr. McDonald noted that management will consider the deferral of infrastructure capital expenditures if that can be done without hurting operations.

Mr. McDonald also noted that the New York State budget may be on an interim basis for an extended period of time and voiced the hope that funding of the Institute would be done at current levels. He noted that Roswell Park currently has 190 days of cash on hand, but he expects that will be adversely impacted by the COVID-19 crisis. He also noted that there are considerations of opening a line of credit to mitigate any impact on cash flow. He noted also that the NIH may be doing a stimulus program to allow grants to be charged virus related costs on the research program.

Mr. McDonald then provided a long-term review of the Roswell Park's EBIDA trend. EBIDA is projected at 10.7% for FY20 but he expects that to drop in the next Fiscal Year. He compared financial results from FY19 to the current year and outlined the various improvements. He noted that a volume surge has been straining the system and labor costs have not yet caught up to the increased volumes. This has resulted in additional revenue without the fully corresponding labor cost increase. He is projecting 7.5% EBIDA for FY21.

Mr. McDonald reviewed the FY21 budget projection. His projection assumed full restoration of funds to \$102 million. The budget projection projects a \$3.8 million loss overall but a \$42.6 million surplus once OPEB costs are removed, not considering the crisis impact. Long-term he noted that Roswell Park will be looking to New York State for help on the OPEB retiree health costs. He projected pension costs to be \$21 million and post-retirement healthcare costs to be \$13 million. He noted also that the results for OmniSeq and GBCT were excluded to show the core operational performance at Roswell Park.

Mr. McDonald reviewed operations targets. He is projecting days of cash on hand to be 155 days at the end of the year down from 182. The decrease he is suggesting is due primarily to planned capital expenditures. He is projecting EBIDA to decline to 7.5% from 10.7% and total margin to decline to 4.1% from 8.2%. Capital spending is projected to have a large increase. Mr. McDonald also presented a detailed review on the reasons why the projected budget looks different from what is expected to be year-end results of FY20. These are largely attributable to reductions in reimbursement settlements, lower DSH payments, increased costs attributable to PBC status (OPEB, step increases, retirement costs), a projected rise in volumes and corresponding rise in labor costs, drug margins being pressured, and somewhat reduced margin on Canadian business.

The EBIDA projection to FY24 shows and eventual drop to 6.4%. He noted that PBC costs put pressure on margins that will have to be addressed. He also noted Medicare reductions that will be taking hold shortly, in particular, with managed Medicare rate reductions coming. He noted that aligning provider productivity to compensation at Roswell Park is a challenge that will need to be faced in the coming years. He then projected clinical volumes for the Institute for the coming fiscal

year and beyond. He completed the five (5) year projection by a review of suggested capital expenditures over the next five (5) years.

Ms. Sears thanked Mr. McDonald for his detailed budget presentation. After discussion, *a motion was made by Mr. Manning, seconded by Ms. NeMoyer to approve the FY21 budget, which was motion was unanimously carried.*

3rd QUARTER FINANCIALS

Mr. Sears then briefly reviewed the 3rd quarter financials, which showed a positive variance. *A motion was made for approval of the 3rd quarter financials by Ms. NeMoyer, which was seconded by Ms. Szeffel and unanimously carried.*

MARKETING CONTRACT RENEWAL

Ms. DiBrog then presented on a renewal of the Buffalo Sabres sponsorship agreement.

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

There was general summary of the renewal of the Buffalo Sabres marketing contract and *upon motion by Ms. NeMoyer, seconded by Mr. Szeffel the renewal of the Sabres contract was unanimously carried.*

3RD QUARTER INVESTMENT REPORT

Mr. Sears then noted that the investment report is in the Director's Desk package and request a motion for approval. *A motion was made by Ms. NeMoyer, seconded by Ms. Szeffel, which was carried by majority with Mr. Sears and Mr. Manning abstaining.*

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



Michael B. Sexton, Secretary