



House Committee on Higher Education  
Thursday, January 21, 2016 at 2:00pm  
Regarding  
University of Hawai'i Cancer Center  
by  
Robert Bley-Vroman, UH Mānoa Chancellor  
and  
Jerris Hedges, UH Cancer Center Interim Director

Chair Choy, Vice Chair Ichiyama and Members of the House Higher Education Committee:

Thank you for this opportunity to present information on the UH Cancer Center.

Attached are responses to the inquiries highlighted on the House Higher Education Notice of Informational Briefing, January 21, 2016, along with materials provided as exhibits.

- Exhibit 1 - Current balance in all funds relating to the UH Cancer Center (*in response to inquiry number 1*)
- Exhibit 2 - Total amount of tuition and fees allocated to UH Cancer Center by year over the past 10 years (*in response to inquiry number 2*)
- Exhibit 3 - Cancer Center Faculty Base Salary Support (*in response to inquiry number 4*)
- Exhibit 4 - Detailed breakdown of FY17 budget request, including the number of positions, descriptions for each position and justification for each position (*in response to inquiry number 5*)
- Exhibit 5 - Memo to UH BOR re Consortium (*in response to inquiry number 9*)

Representatives from UH Mānoa as well as the UH Cancer Center will be present at the House Higher Education Committee informational briefing to answer questions in more detail.

To provide context for discussion, the University hereby provides brief responses to the items listed on the informational briefing notice.

Q1. Current balance in all funds relating to the UH Cancer Center and all future allocations this program would need.

A1. Information related to fund balances was a significant consideration in both external consultants' review and business plan development. These are materials scheduled for review by the UH Board of Regents. Current balances of all related funds as of December 31, 2015, are shown in Exhibit 1.

Q2. Total amount of tuition and fees allocated to UH Cancer Center by year over the past 10 years.

A2. This information is shown in Exhibit 2. Please note that tuition is provided to the UH Cancer Center in part for faculty support related to the teaching of undergraduates & graduate students, as well as, part of a General fund swap that UH Mānoa has done historically with the Organized Research Units. That is, in the latter case, tuition dollars were provided by Mānoa in lieu of RTRF and General funds, given the needs for these fund types elsewhere at Mānoa.

Q3. National Cancer Institute designation:

Q3.a. Present and future costs to retain the designation, including staffing and facility requirements.

A3.a. Future costs to retain the designation will depend upon the bar that NCI sets for center designation, waivers to such requirements allowed by the NCI, utilities/facilities upkeep costs, and the productivity of the faculty. The cost to the state will depend upon partnerships & related investments, commercial activities, alternative facilities usage, etc. These factors are discussed in the updated Business Plan (incorporating the Warbird Consultation) that would accommodate some cautious growth through the development of new revenue streams coordinated by the new Director.

Q3.b. Prospect of retaining this designation.

A3.b. Despite efforts by some to discourage UH from retaining its NCI designation, there are UH leaders, hospital leaders, practicing oncologists, and many cancer patients who are firmly behind UH continuing its NCI designation. It is important to recall that many (even some within UH) did not believe that our Cancer Center would receive its designation in 2012, but it did. Receiving the designation is a mark of excellence that will continue to attract top talent to the Center, create opportunity for local students to learn from the best scientists (including noble laureates), help bring federal grant dollars into the state's economy, and bring positive recognition to Hawai'i.

For Hawai'i to have a part in the Obama/Biden "Moon Shot" to cure/prevent cancer for our keiki's future, we need an NCI designated Cancer Center. The NCI external advisory committee that reviewed the Cancer Center in January 2016 was very positive about the science and organizational progress being made by the Center. The Chair of the NCI external advisory committee will recommend to the head of the cancer center study group at the NCI that UH have a 1-year extension of its current designation cycle to complete its recruitment of the new Director, complete reorganization activities set in motion this last year, and submit its materials for NCI designation review in early 2018. So although naysayers can kill any great idea, we have excellent reasons to believe the designation can be renewed and to be proud of our Center and the dedicated people who work in the Center for the benefit of all Hawai'i.

Q3c. How much in grant dollars are directly generated by this designation.

A3c. Being an NCI-designated Center provides for preferable access to NCI-designated funds. Approximately \$4.3M (direct & indirect) federal dollars earmarked only for NCI designated Centers come to Hawai'i annually. There are dedicated monies for which only NCI designated

Cancer Centers can apply. Furthermore, an NCI designated Cancer Center provides the opportunity for patients in Hawai'i to participate in new treatment & diagnostic trials that are only done at designated centers. Being a designated Center also strengthens your ability to apply for grants. The Center has increased its success in federal grant acquisition, despite very significant challenges for federal funding of science. This has been valuable for the recognition of UH and for the state's economy. The approximately \$23M (direct & indirect) in federal dollars acquired by the Center that are spent in Hawai'i each year have a significant effect upon the local economy.

Q3d. Whether designation is necessary to the existence of the UH Cancer Center and/or benefit to the State of Hawai'i.

A3d. There is significant synergy that comes from having NCI designation and recruiting & retaining the faculty who will bring grants to UH. Without the NCI designation, over several years we can expect to lose approximately \$10M per year in federal grant income that currently comes to the University and the jobs associated with that revenue. Additionally, the University would lose the ability to provide the Dept. of Health with many support services related to cancer prevention and surveillance. We would also lose the ability to bring clinical trials to oncologists practicing within the state. Many patients in Hawai'i would be limited to drug company trials for innovative cancer care or need to leave the state for their treatment in the future.

These are benefits that are derived from having an NCI designated Center with a breadth of services for investigators, state agencies, and clinical practitioners. These benefits would not happen with an underfunded and scaled back research center. Although these effects would take 2-5 years to play out fully, the most worrisome factor is that they will be irreversible, as no health system or state department of health can hold all these activities together. Receiving NCI designation again, should the state let it slip away, is unlikely to ever occur.

Q4. Number of researchers/faculty that are fully funded by extramural dollars and number of researchers/faculty funded by other sources and a breakdown of each source.

A4. We may not have any fully funded investigators, whether speaking of salaries or laboratory operations. The proportion of overall Cancer Center faculty FTE covered by extramural monies is shown in Exhibit 3. Note that tenured faculty members currently pay about 25% of their base salary on extramural funds, versus 33% for the more junior non-tenured faculty members. Those tenured prior to 2009 contribute to about 4% of their base salary with extramural funds (not shown in updated exhibit). This shows considerable room for improvement, given the magnitude of grants currently coming to the Cancer Center. Further, it demonstrates that productivity incentives for established investigators or alternative responsibilities (e.g., instructional duties) on behalf of UH Mānoa would be valuable.

Of course part of the current support is via the approximately \$4.3 M that a Cancer Center can only get with NCI designation. Thus, the average proportion of base salary covered by extramural funds would drop significantly with loss of the NCI designation. Breaking things

down by individual investigator is a false analysis as even the best-funded investigators rely upon others at the Center to make them competitive for the grants they receive.

Q5. Detailed breakdown of FY17 budget request, including the number of positions, descriptions for each position and justification for each position.

A5. Exhibit 4 shows the permanent positions currently being covered by cigarette tax reserves. The Business Plan that the UH Board of Regents will be reviewing provides the larger context. It will be the new Director's charge to do the deep dive into each of the Programs and into the administrative support personnel to justify the positions that are continued in the Center. Over the last year, we worked from natural attrition to find savings and to reduce redundancy in administrative support positions. More opportunity exists, but this all take time and requires that there be a full understanding of the synergies within the Center Programs & functions and those synergies that are evolving between the School of Medicine and the Cancer Center.

Q6. Any UH policies or requirements regarding funding of organized research units and/or self-sufficiency requirements for organized research units.

A6. Per UH Executive Policy 12.213, organized research units should have extramural funding that exceeds the state allocation it receives (excluding facilities and other infrastructure costs). The Cancer Center exceeds this sustainability threshold several fold.

Q7. Evaluation criteria for prioritization of the Board of Regents budget request, including the UH Cancer Center.

A7. Through extensive discussions that look at the impact of programs. In addition to direct impact upon students' educational experience at UH, other relevant factors include each program's contribution to the state's economy, to the reputation of UH, to enhancement of the health and well-being of the people of Hawai'i, and to the ability to contribute to unique workforce needs in Hawai'i. The Cancer Center measures very well on most of these metrics.

Q8. Status of consultant study on UH Cancer Center and business plan for UH Cancer Center.

A8. The consultants' study was incorporated into the business plan. Aspects of the consultants' study which were premature to implement at this point in time have been acknowledged and will be areas for further dialogue with key collaborators (including hospitals and unions). Given the need for additional ground work, a more complex plan based upon the more visionary aspects of the consultants will take up to five years mature, should the Regents choose such an approach. Thus completion of Phase 2 of the consultation will be delayed.

Q9. Agreements or contracts between UH and Consortium partners.

A9. Exhibit 5 is the action memo that was approved at the UH BOR regarding the Consortium. The Hospitals remain committed to provide their ongoing support.

Q10. Benefits of Consortium partnership to UH Cancer Center.

A 10. This information is in the UH BOR action memo. The NCI external advisory committee acknowledged in January 2016 that the 2012 NCI designation was awarded in part because of

the UH affiliation with the Consortium. Further, the Consortium strengthens the clinical translation of research at the Cancer Center.

Q.11. Clinical trials as a means to provide additional funding source.

A.11 Clinical cancer care (including imaging and laboratory testing) by itself does generate revenue for hospitals and clinics. Having clinical trials in Hawai'i does reduce the cost of Hawai'i residents having to leave the state for innovative treatments only available through clinical trials. Although most clinical trials do not generate any net revenue, the Center's provision of clinical trial support for local cancer providers encourages those providers to offer treatment trial opportunities to Hawai'i residents. The Center's network of cancer care providers who participate in research coordinated through the Center represents a portal for innovative treatments to come to Hawai'i. Without the Center's clinical trial infrastructure support, the offering of clinical trials would be too costly for most cancer care providers in terms of time and resources. This would force many to seek cancer care outside of Hawai'i, an outcome that divides families and creates enormous economic hardship for people in Hawai'i.

Exhibit 1 - Current balance in all funds relating to the UH Cancer Center

<u>Legal Authority</u>	<u>Fund Name</u>	<u>Total Balance at 31-Dec-15</u>	<u>Future Annual Allocation</u>
General Appropriations	General Appropriations	\$ 740,394	\$ 7,350,000
304A-2251 HRS	Commercial Enterprises Revolving Fund	\$ 3,415	n/a
304A-2253 HRS	Research & Training Revolving Fund	\$ 2,345,187	\$ 2,197,500
304A-2153 HRS	Tuition & Fees Special Fund	\$ 400,149	\$ 1,500,000
304A-2168 HRS	Hawaii Cancer Research Special Fund (CigTax)	\$ 23,941,079	\$ 14,507,000
304A-2167.5 HRS	University Revenue-Undertakings Fund (Deferred Maint.)	\$ 3,117,934	n/a

*Note: Balances included carryover from June 30, 2015 plus appropriations received to date, less expenditures to date.*

Exhibit 2 - Total amount of tuition and fees allocated to UH Cancer Center by year over the past 10 years.

<b>Fiscal Year</b>	<b>Special (Tuition)</b>
<b>2007</b>	\$ 1,269,005
<b>2008</b>	\$ 995,390
<b>2009</b>	\$ 536,451
<b>2010</b>	\$ 650,553
<b>2011</b>	\$ 721,609
<b>2012</b>	\$ 753,253
<b>2013</b>	\$ 755,240
<b>2014</b>	\$ 5,842
<b>2015</b>	\$ 754,442
<b>2016</b>	\$ 285,086

### Exhibit 3: Cancer Center Faculty Base Salary Support

Snapshot of the extramural funding summary as of 12-22-2015 per the PeopleSoft report.

Means of Funding	Faculty Tenured		Faculty Non Tenured	
	FTE	Base Salary	FTE	Base Salary
Extramural	4.20	\$ 817,281	9.27	\$ 1,025,205
Cigarette Tax	0.10	\$ 14,374	13.76	\$ 1,424,083
General Fund	11.80	\$ 2,474,079	3.92	\$ 636,733
Total	16.10	\$ 3,305,734	26.95	\$ 3,086,021

Tenured faculty cover:  $817,281/3,305,734 = 25\%$  of their base salary on extramural funds

Non-Tenured faculty cover:  $1,025,205/3,086,021 = 33\%$  of their base salary on extramural funds



Exhibit 4: Detailed breakdown of FY17 budget request, including the number of positions, descriptions for each position and justification for each position.

- a. For the University’s \$5 million request – The following table includes the Civil Service employees and tenured faculty, and the refilling of the physical plant management position. For the new hires to meet NCI designation and UHCC Director hire expectations there are an additional 6 faculty and 6 central administration positions.

<b>Bargaining Unit</b>	<b>Job Description / Program</b>	<b>FY17 \$</b>
<i>Existing Positions needing general funds</i>		
Bargaining Unit 1 - 10 FTEs	Janitorial, Building & Grounds	381,888
Bargaining Unit 3 - 1 FTE	Secretary - Administration	46,188
Bargaining Unit 3 - 1 FTE	Secretary - Cancer Biology	36,684
Bargaining Unit 8 - 1 FTE	Physical Plant Management	63,004
Bargaining Unit 7 - 7 FTEs	Faculty - Cancer Biology	1,458,252
Bargaining Unit 7 - 5 FTEs	Faculty - Epidemiology	936,084
<i>Vacant Positions to be Hired</i>		
Executive & Management - 2 FTEs	Dir/Assoc Dir - Administration	693,000
Bargaining Unit 8 - 3 FTEs	Institutional Support - Administration	270,000
Bargaining Unit 3 - 1 FTE	Secretary to Dir - Administration	54,900
Bargaining Unit 7 - 2 FTE	Faculty - Prevention & Control	350,000
Bargaining Unit 7 - 2 FTE	Faculty - Clinical & Translational Research	350,000
Bargaining Unit 7 - 1 FTE	Faculty - Epidemiology	180,000
Bargaining Unit 7 - 1 FTE	Faculty - Cancer Biology	180,000
		<b>5,000,000</b>

- b. Details for Governor Ige’s \$4M request. Please note that the \$5M list has higher salaries and more positions. To meet the Governor’s proposed budget, we needed to reduce the new hires salaries, and delete 4 new teaching/research faculty and an HR position.

<b>Bargaining Unit</b>	<b>Job Description / Program</b>	<b>FY17 \$</b>
<i>Existing Positions needing general funds</i>		
Bargaining Unit 1 - 10 FTEs	Janitorial, Building & Grounds	381,888
Bargaining Unit 3 - 1 FTE	Secretary - Administration	46,188
Bargaining Unit 3 - 1 FTE	Secretary - Cancer Biology	36,684
Bargaining Unit 8 - 1 FTE	Physical Plant Management	63,004
Bargaining Unit 7 - 7 FTEs	Faculty - Cancer Biology	1,458,252
Bargaining Unit 7 - 5 FTEs	Faculty - Epidemiology	936,084
<i>Vacant Positions to be Hired</i>		
Executive & Management - 2 FTEs	Dir/Assoc Dir - Administration	550,000
Bargaining Unit 8 - 2 FTEs	Institutional Support - Administration	140,000
Bargaining Unit 3 - 1 FTE	Secretary to Dir - Administration	47,900
Bargaining Unit 7 - 1 FTE	Faculty - Prevention & Control	170,000
Bargaining Unit 7 - 1 FTE	Faculty - Clinical & Translational Research	170,000
		<b>4,000,000</b>



UNIVERSITY OF HAWAI'I  
**CANCER CENTER**

February 14, 2011

**MEMORANDUM**

**TO:** Howard H. Karr  
Chairperson, Board of Regents

**VIA:** M.R.C. Greenwood  
President, UH System

**VIA:** Virginia S. Hinshaw  
Chancellor, UH Manoa

**VIA:** Gary K. Ostrander  
Vice Chancellor for Research and Graduate Education, UH Manoa

A handwritten signature in black ink, appearing to read "Michele Carbone".

**FROM:** Michele Carbone  
Director, University of Hawai'i Cancer Center, UH Manoa

**SUBJECT:** Authorization to Participate in Formation and Operation of Hawai'i Cancer Consortium, a Hawai'i Nonprofit Corporation, and for University Employees to Serve as Directors and Officers Thereof

**SPECIFIC ACTION REQUESTED:**

It is requested that the Board of Regents approve the University's participation in the formation and operation of Hawai'i Cancer Consortium (the "Consortium 501(c)(3)"), a Hawai'i nonprofit corporation intended to qualify for tax exemption under section 501(c)(3) of the Internal Revenue Code, and University employees' service as directors and officers of the Consortium 501(c)(3).

**ADDITIONAL COST:**

None at this time. Initial operation of the Consortium 501(c)(3) will be funded by The Queen's Health Systems ("Queen's"), Hawai'i Pacific Health ("HPH"), and Kuakini Medical Center ("Kuakini"; collectively, the "Hospitals"). Additional business and operational planning will be done before any future commitment of University funds is considered.

**RECOMMENDED EFFECTIVE DATE:**

Upon approval.

**PURPOSE:**

To establish an entity through which resources provided by the Hospitals can be expended for the benefit of the University of Hawai'i Cancer Center ("Cancer Center") and in connection with the joint efforts of the University and the Hospitals to advance cancer research and treatment in the State of Hawai'i, and to authorize University employees in the course and scope of their employment to participate in the governance and operation of that entity.

**BACKGROUND INFORMATION:**

The University and the Hospitals entered into a Consortium Membership Agreement ("Consortium Agreement") establishing the Hawai'i State Cancer Consortium effective February 1, 2010. The Consortium Agreement provides that the four parties will work together to ensure the continuation of the Cancer Center's National Cancer Institute ("NCI") designation, work toward NCI designation as a Comprehensive Cancer Center, and enhance the Cancer Center's position as a national, community, and regional resource for state of the art cancer research and treatment.

The Consortium Agreement established a Consortium Advisory Board comprised of the Chief Executive Officers of each Hospital; the University's President and the University of Hawai'i at Mānoa's Chancellor, Vice Chancellor for Research and Graduate Education, Director of the Cancer Center, and Dean of the John A. Burns School of Medicine; and one or more civic leaders. The purpose of the Consortium Advisory Board is to advise the Cancer Center and the University.

It also provides that each of the Hospitals will provide annual financial support to the Cancer Center, in the amounts of \$1,000,000 per year each from Queen's and HPH and \$200,000 per year from Kuakini, in accordance with terms to be set forth in an Addendum to be entered into between the University and each Hospital. The Addendums were negotiated and signed later in 2010. Each Addendum establishes specific provisions for how the Hospitals' financial support is to be provided, but all contemplate that it will flow to or for the benefit of the Cancer Center for purposes established by the Cancer Center and agreed upon with the Hospitals. The Queen's Addendum also addresses intellectual property matters.

During much of 2010, the University and the Hospitals worked to establish the specifics of how the Hospitals' financial support would be paid and expended. For a number of reasons, the parties were not able to establish a workable, mutually acceptable means of flowing the Hospitals' financial support through the University or an existing affiliate (e.g., RCUH or UH Foundation). After extensive discussion among the members of the

Consortium Advisory Board and other senior leadership in the University and the Hospitals, it was determined that the most viable approach was for the University and the Hospitals to work together to form a nonprofit, 501(c)(3) corporation to receive and expend the Hospitals' financial support to benefit the Cancer Center and related programs in the Hospitals. In particular, the Consortium 501(c)(3) would be able to facilitate recruitment of new faculty members who are badly needed to strengthen Cancer Center programs prior to NCI review of the Cancer Center, by hiring them to provide additional services outside their University duties for additional compensation and thereby enabling them to earn total compensation packages competitive with opportunities elsewhere.

It is also contemplated that the Consortium 501(c)(3) may be used to facilitate operations of the Cancer Center and collaboration between the Cancer Center and the Hospitals in other ways. A more extensive business plan for the Consortium 501(c)(3) is still under development at this time. In addition, an Affiliation Agreement between the Consortium 501(c)(3) and the University will be developed and submitted for approval in accordance with the Board of Regents' policies. All activities of the Consortium 501(c)(3) are intended to benefit the University and the Cancer Center by furthering the Cancer Center's cancer research and treatment mission and helping the Cancer Center to maintain its NCI designation and move toward designation as an NCI Comprehensive Cancer Center.

It is critical to move forward with establishment and initial operations of the Consortium 501(c)(3) immediately, so that the Hospitals' \$2.2 million in promised annual financial support can begin to be expended on faculty recruitments and other activities that are critically and immediately needed to position the Cancer Center for NCI review. Articles of Incorporation were filed in the Department of Commerce and Consumer Affairs on January 24, 2011, and proposed Bylaws have been reviewed and tentatively approved by the Board of Directors of the Consortium 501(c)(3). As set forth in the Articles of Incorporation, the initial Directors are M.R.C. Greenwood, Virginia Hinshaw, Gary Ostrander, Michele Carbone, and Jerris Hedges, who are University executives; and Arthur Ushijima, Charles Sted, and Gary Kajiwara, who are the CEOs of the Hospitals. Copies of the Articles and Bylaws are attached.

The Board's approval of the formation and operation of the Consortium 501(c)(3) is therefore requested at this time.

**ACTION RECOMMENDED:**

It is recommended that the Board of Regents:

1. Approve and ratify the establishment of the Consortium 501(c)(3); and
2. Authorize University employees, acting in the course and scope of their employment, to participate in the formation and operation of the 501(c)(3), including, without limitation, by serving as directors and officers thereof.