

Message from Harold Varmus

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To: zzPDL_MSKCC_Everyone

The President's New Year Letter for 2010

I sent my most recent New Year Letter to the MSKCC community just over a year ago, on December 12, 2008. That letter was written earlier than usual, in response to widespread concerns about the worsening economic recession and its effects on our finances and activities. At that point, we had already experienced a 20 percent loss of our endowment, placed holds on some important construction projects, tightened our budgetary plans for 2009, and anticipated the possibility of reduced revenues from several sources. Nevertheless, I emphasized my confidence that our institution would cope with the crisis as well or better than other places, based on our achievements over many years, including 2008, and on the careful steps we had already taken, with support of the MSKCC Board, to guard against the consequences of the fiscal situation.

A summary of 2009: Weathering the Economic Storm

At the start of 2010, I am pleased to report that 2009 has been a highly successful year for our Center. While we are not yet back to full sail, we are in much calmer waters.

As I reported to the MSKCC Board of Overseers and Managers last month, the Center has done well in many categories during these perilous financial times --- producing favorable balances in our budget, restoring much of our endowment, raising high levels of philanthropic support, and sustaining and enhancing our staff.

- Thanks to savings in many expense categories, sustained patient revenues, and increased income from research (including at least an additional \$32 million from NIH grants supported by the Recovery Act), our operating budget for the first ten months of the year was \$34.5 million better than projected.
- Thanks to a successful conservative strategy for investment, coupled with substantial recovery of the markets, we have done better than most investors in nurturing the re-growth our endowment (which, like all endowments, fell by about a quarter of its value in 2008 and early 2009), and we achieved a net increase of \$252 million in unrestricted assets by the end of the third quarter.
- Thanks to the continued generosity of our donors and the activities of our Board and development staff, we have maintained a strong record of philanthropy and have just exceeded the current goal of our Capital Campaign (\$2 billion), well in advance of schedule.
- Our assets have also been conserved by the planned slowing of our capital expenditures---by postponing the development of network sites for clinical care, the completion of shelled space at the Breast and Imaging Center (BAIC), and the interior build-out of the second component of the Zuckerman Research Center (ZRC-II).

- With these actions and successes, we have been able to continue to recruit new faculty (and have been highly successful in doing so), have avoided the furloughs and layoffs that occurred at many other places, and have maintained our commitment to the growth of our clinical and laboratory programs.

Taking advantage of financial stability: The challenges for 2010

Now, with some encouraging signs of steady if slow economic recovery in the nation and with our relative financial strength as an institution, we should be increasingly refocused on planning our future, not simply defending the status quo against fiscal threats. In particular, this will mean finding space for growth of our patient treatment programs and reactivating construction projects that were suspended at the end of 2008 in the midst of the economic turmoil.

- The greatest concern at the moment is the need to develop facilities that will allow expansion of our clinical operation in Manhattan before or soon after 2012. That is when we are projected to begin to lose the capacity to accommodate the number of new patients needed to promote innovation in our clinical programs. This issue has been the central concern of the many staff and Board members who have been energetically engaged in a difficult strategic planning effort over the past couple of years. As discussed at the December meeting of the MSKCC Board, we are considering the possibility of bidding in late January on the acquisition of a constellation of clinical facilities on East 19th Street, about 2.5 miles from our main campus blocks. We recognize that this new site would not be ideal. Appropriate renovation will require considerable planning, construction time, and resources. More important, the site is further from the main campus than any of us would like, certain to cause inconvenience and possibly serious schisms within our coherent community. For these reasons, we will continue for as long as possible to seek alternate, affordable solutions that are less disruptive to the integrity of our academic and clinical enterprises. Still, it would be perilous to reject outright the property under consideration without another viable plan, since our future as a clinical leader demands space for program development that the new site could provide.
- We also have an immediate and imperative need to ensure that our animal facilities are large enough to care for the rapidly expanding population of experimental mice used by our current and anticipated research faculty. We have developed plans to do this, although they will produce costs and inconvenience. Furthermore, we have been encouraged to believe that we will receive a substantial award from the NIH as part of its ARRA funding to permit the construction of the vivarium planned for ZRC-II.
- Additional critical needs over the next couple of years include completion of ZRC-II (to provide classrooms and auditorium, facilities for a cell therapy center, physicians' office space, permanent homes for the Gerstner Sloan-Kettering Graduate School and the Computational Biology Program, as well as the much needed vivarium); conversion of the shelled floors of the BAIC into offices; more institutional housing, especially for trainees and junior faculty; and expansion of our network sites in New Jersey and Westchester.

Some reasons for optimism

I am sanguine about our prospects for doing all of these things because of our intrinsic strengths as an institution and our continued success despite the potential financial difficulties of the past year. Our recent achievements, apart from the financial successes mentioned earlier, include the opening of the Evelyn Lauder Breast Center and the MSKCC Imaging Center at the BAIC; completion of a 36 -bed unit on the 18th floor of Memorial Hospital, continued construction of the Center for Image Guided Intervention (CIGI) and the Surgical Day Hospital suites (both to be completed in mid-2010); completed design of an Alternative Care Delivery Model in Brooklyn; several outstanding recruitments to our clinical and research staffs; acquisition of a site for future network expansion in Westchester; continued research productivity; growth of the enrollment and prestige of our graduate and other training programs; and the numerous accolades for staff members.

Still, we must recognize that the nation's economic turmoil is not fully resolved, that uncertainties about reimbursement for health care may create difficulties for us over the next several years, and that longer-term trends in the provision of care, although hard to predict, could have major financial consequences. In the short term, we do not anticipate significant unfavorable changes in reimbursement, based on readings of the health care bills that have been recently passed by the House and the Senate and are now being reconciled. On the contrary, we are encouraged that our long-term appeal to restore appropriate increases in our Medicare inpatient rates may soon prove successful and provide substantial additional funds in 2010 and subsequent years.

A transition in leadership

I began my tenure as President of MSKCC almost exactly a decade ago, on January 1, 2000, with the intention of serving for about ten years. I have greatly enjoyed this job, and I still do. But I also believe that institutional leaders should ordinarily not stay in place for greatly extended periods, and that our institution would now benefit from a fresh approach to the issues it will face in the decade ahead. As a result, I have asked the Board of Overseers and Managers to begin a search for my successor. Until a new President has been recruited, while recognizing that events are not completely predictable, I plan to continue to conduct the Center's affairs with the same energy and enthusiasm that I have brought to the job for the past ten years. In other words, this is not a time for farewells or for valedictories about the past decade---there will be a time for that. Instead, I hope that all of you will help the Board's search committee find the best possible new leader for the institution, while we continue to make progress against cancer as healers, scientists, and educators.

With best wishes for a productive new year,

Harold Varmus