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MINUTES
Audit Committee Meeting
August 6, 2019
9:00 am to 10:30am
Presiding Officer: David Sky, Chair, Audit Committee

A meeting of the Audit Committee of the Board of Directors of the New Hampshire Vaccine Association (NHVA) was held in person at the offices of the NH Department of Insurance in Concord, NH with a quorum present.

The meeting was called to order by Mr. Sky at 8:59am.

I. Welcome and Introductions

Attendance – The following individuals attended the meeting, including by phone (P) as indicated:

Committee Members:

David Sky, NHID, Chair
Susan Tenney, HPHC, Vice Chair
Elizabeth Daly, NH DHHS
Jason Margus, Anthem (P)

Other Attendees:

Patrick Miller, Helms & Company
Erin Meagher, Helms & Company
Keith Nix, Helms & Company
John Hastings, Helms & Company
Karen Carew, Carew & Wells
Arlene Folsom, Bank of New Hampshire
Dona Murray, Bank of New Hampshire

Mr. Miller announced he was recording the meeting.

II. Review and Accept April 11, 2019 Audit Committee Minutes

VOTE RECORDED: *On a motion by Ms. Tenney, seconded by Ms. Daly, it was unanimously*

VOTED: *To accept the April 11, 2019 Audit Committee minutes as presented.*

III. Review of FY2019 Draft Audit Report, Karen Carew, Carew & Wells, PLLC

Ms. Carew reviewed several documents provided to the Committee including the Governance Letter, Management Letter, and Draft Financial Statements. Ms. Carew explained there was one change last year in the Basis of Presentation and how assets are categorized – Net Assets *Without* Donor Restrictions, those currently available at the discretion of the Board for use in the Associations – currently \$250,000 designated and Net Assets *With* Donor Restrictions, all other funds. This is a minor change and simply rewording from Unrestricted Net Assets and Temporarily Restricted Net Assets.

Ms. Carew asked the group to turn to the Draft Financial Statements to the Independent Auditors' Report on page 10 in the meeting packet. This report states the statements are fairly presented and reliable, and the organization is not aware of any significant material departures from GAAP, and a clean opinion letter has been issued. Ms. Carew walked the committee members through the Balance Sheet and pointed out Net Assets at the bottom of the page. Ms. Carew explained \$250,000 is the amount designated by the RSA as working capital for the administration of the Association, thus it is listed as Net Assets Without Donor Restrictions. All other funds are listed under Net Assets With Donor Restrictions.

41
42 As the Board continues their discussion in September regarding the development of a \$5M reserve fund, once
43 designated, the Net Assets Without Donor Retractions would increase. The Board could designate whatever dollar
44 amount they choose and designate it for any purpose they choose. General discussion ensued and a few clarifying
45 questions were answered.

46
47 Ms. Carew continued to the Statement of Cash Flow highlighting the largest change noted in the Draft Financial
48 Statements during the past year was the increase in cash. This was a result primarily of the TRICARE settlement, the
49 Tufts recoupment, and the reduction of the remittance amount to the State of New Hampshire. Moving to the
50 Statement of Activities and Changes in Net Assets, Ms. Carew stated there was a large increase in Operating Expenses
51 over the past year, specifically attributed to the remittance to Washington Vaccine Association for the TRICARE work
52 and transitional costs while changing Administrators.

53
54 Moving to the Notes to Financial Statements Ms. Carew highlighted a change in the basis of presentation on page
55 16 which describes a new requirement for all Program Expenses, Management and General Expenses and Total
56 Expenses to be listed together in one place.

57
58 During Ms. Carew's presentation, the following questions and changes were outlined by the group:

- 59 ▪ Ms. Daly asked that wherever "Remittance to TRICARE – Washington" is listed in the report, that it be
60 changed to "Remittance to Washington Vaccine Association" to clarify the payments that were made to
61 WVA for the TRICARE project.
- 62 ▪ Mr. Miller mentioned a spelling error on page 12 of the packet whereby "Restrictions" needs correction
63 under "Net Assets Without Donor Restrictions".

64
65 Ms. Carew referred to a new disclosure on page 18 of the packet Section C Current Resources as it relates to the
66 Board's ongoing discussion of reserving \$5M in the future. This section of the audit report will specify the reserve
67 in the future. General discussion ensued regarding the need to provide stable assessment rates in the future. Mr.
68 Miller reminded the group that the discussions to reserve \$5M began at last September's Board meeting. It is
69 anticipated this will be included as a formal discussion and vote at the September 25, 2019 Board meeting.

70
71 Ms. Carew completed the review of the Notes to Financial Statements including brief comments on the TRICARE
72 Assessment and Minuteman Health, Inc.'s liquidation.

73
74 The Board of Director's letter (page 6 of the packet) was reviewed. Ms. Carew stated there were absolutely no
75 problems conducting the audit. Her team found Helms & Company enjoyable and very easy to work with. Carew &
76 Wells brought an onsite staff of three for the audit and due to Helms cooperation and the provision of written
77 controls prior to the audit they were able to complete testing and had very clean audit quickly. Ms. Carew stated
78 that for a first transition year as the new Administrator, Helms did a great job. Mr. Miller shared with the group
79 what a pleasure it was to work with Ms. Carew and her team through the audit process.

80
81 Ms. Carew reported there were no uncorrected or material misstatements. A few suggestions were made in the
82 Management Letter (page 21 of the packet) to the Administrator regarding: a review/revision of the late payment
83 interest policy for Board consideration, implementing trial balance account numbers, reviewing with the Board the
84 possible need for general liability insurance, and reviewing with the Board the possibility of granting check signing
85 authority up to a certain limit to management. General discussion ensued and Ms. Carew indicated Helms had
86 already reviewed and responded to all the recommendations less the check signing authority.

87
88 Mr. Miller stated a new Interest Policy will be proposed later in the meeting and that Helms has reached out to the
89 insurance Broker for review of the need for general liability insurance. The Committee discussed the check signing
90 authority recommendation made by Ms. Carew. It is a cumbersome process, but Mr. Miller shared that at this point

91 the controls are in place and he is comfortable with the current arrangement of Board members having signing
92 authority. Ms. Tenney agreed.

93
94 Mr. Sky proposed moving into Executive Session so the Audit Committee could have a brief discussion with Ms.
95 Carew.

96
97 **VOTE RECORDED:** *On a motion by Mr. Sky, seconded by Ms. Daly, by roll call it was*

98 **VOTED:** *To move into Executive Session at 9:23 am.*

	<u>Yes</u>	<u>No</u>
99		
100	X	
101	X	
102	X	
103	X	
104		

105 The Helms Team and invited guests from Bank of New Hampshire then left the meeting and were invited back into
106 the room at 9:25 am.

107
108 **VOTE RECORDED:** *On a motion by Ms. Tenney, seconded by Ms. Daly, it was unanimously*

109 **VOTED:** *To recommend to the Board of Directors at the next Board meeting scheduled for*
110 *September 25, 2019 to accept the FY2019 draft Audit Report by Carew & Wells*
111 *as amended above.*

112
113 Ms. Carew agreed to make the changes outlined above and return a draft copy to Mr. Miller for distribution to the
114 group (revised version is included in these minutes).

115
116 **IV. Investments Review, Dona Murray and Arlene Folsom, Bank of New Hampshire**

117
118 Mr. Miller provided a brief overview of the meetings he has had with the Bank of New Hampshire (BONH) to
119 understand how we can work to increase high rates of return on investment income as well as future investment
120 strategies for the anticipated creation of the \$5M reserve fund.

121
122 Ms. Folsom thanked the group for their time today. She acknowledged the long relationship the BONH has had with
123 the NH Vaccine Association. Given Ms. Folsom's relative newness to the relationship, she turned the presentation
124 over to Ms. Murray.

125
126 Ms. Murray provided a brief history outlining NHVA's investment relationship with BONH since 2005. The initial
127 investment strategy consisted of CDs and the eventual investment of ~\$15M in assets in over 120 laddered
128 securities.

129
130 In the spring of 2016, the former Administrator began depositing all cash in the lower-yielding Insured Cash Sweep
131 (ICS) account. Wealth Management representatives attempted to discuss better investment alternatives, but there
132 was no Administrator response, and most of the cash remained deposited in ICS.

133
134 Ms. Murray explained the ICS account is a courtesy account the BONH provides to their clients that require FDIC
135 insurance but have balances above the \$250,000 threshold. When Helms took over the Administration of NHVA the
136 rate was 0.01%. At the request of Helms, two rate increases were provided – in August 2018 the rate was increased
137 to 1.25% and then in November 2018 up to 2.00%. Ms. Murray stressed this was done to show the BONH's
138 commitment to NHVA. The BONH had hoped to move these funds back into Wealth Management to enable higher
139 returns and allow the BONH to earn fees. Because ICS is FDIC insured, the BONH is unable to lend these dollars to
140 earn interest, and as a result of the dollars sitting in this account, this has cost the BONH to provide the service to

141 NHVA. Ms. Murray pointed to page 27 of the meeting packet. She reviewed the NHVA Net Income vs. Fees table
142 which reflects the total income earned for NHVA and the fees received by the BONH.
143

144 Ms. Murray explained the BONH is committed to assisting the group with investment options. A few questions the
145 Board should consider answering include what is NHVA's risk tolerance; what changes to the investment policy
146 should be made to reflect specific goals and objectives; what will dictate investment parameters; and mandates will
147 there be for performance measurements. In summary, BONH recommended NHVA develop a return objective,
148 income objective, and liquidity objective. Ms. Murray walked the group through the next several slides of their
149 presentation explaining the higher the risk, the higher the returns, and outlined portfolio examples ranging from
150 very conservative to aggressive growth. On page 34 of the packet, Ms. Murray provided a sample investment policy
151 that outlined a time horizon, expected return, and risk profile. Ms. Murray pointed out that the current 2.00% rate
152 for the ICS account is planned to expire at the end of August, and that interest rates are changing.
153

154 Mr. Miller would like to draft the investment policy for review at the next Audit Committee meeting scheduled for
155 September 16, 2019, and then discuss it with the Board of Directors meeting on September 25, 2019. Once the
156 policy is approved, the BONH would be able to provide a detailed portfolio and set of investment options. General
157 discussion ensued regarding changes in rates.
158

159 Mr. Miller reminded the group that during the RFI process, each respondent was asked to provide comments on the
160 NHVA investment policy. These comments can be referenced while working through the development of the revised
161 investment policy.
162

163 **V. Administrator Updates**

- 164
- 165 ■ CY2020 Assessment Process Review and Discussion – Mr. Miller directed the group to page 50 of the
166 meeting packet and then walked the group through several slides providing background on the rate setting
167 process highlighting the timeline and re-design accomplishments of 2018 and a listing of significant income
168 and expense events in the past fiscal year. The intent is to bring the proposed assessment rate to the Audit
169 Committee for review and approval on September 16, 2019 and to the Board for review and approval on
170 September 25, 2019.
171

172 Mr. Miller referred to the Assessment History / Timeline table on page 56 of the packet. Last year the CDC
173 replacement credit was budgeted at \$3M but the actual was only \$1.8M. Helms is recommending that this
174 year's replacement credit be budgeted closer to the \$1.8M for conservative purposes. The Historical Trends
175 charts were reviewed summarizing the covered lives trend, the carrier percentage contributed to vaccine
176 expenditures trend, and the changes in investment interest income since Helms took over the
177 Administration of NHVA.
178

179 Mr. Miller reviewed the eleven CY2020 core rate assumptions on page 62 of the packet. He reminded the
180 group that last year's assessment rate setting process incorporated a lower remittance to the State of NH
181 to begin the process of recoupment of the NHVA funds held by NH DHHS as a result of prior year
182 replacement credits. This will continue again this year. The TRICARE rate cap is expected for now to remain
183 at \$12.47 for CY2020. If the TRICARE rate cap remains steady, it will take approximately 16 quarters to fully
184 recover the \$1,492,489. If the NHVA rate drops, this would accelerate the recoupment. Mr. Miller also
185 noted that TRICARE can change their cap rate and he has inquired with TRICARE that if this were to happen,
186 when and how would it occur.
187

188 The group discussed approximate funds still sitting with the DHHS that NVHA plans to recoup. General
189 discussion ensued about the intent to recoup these dollars over the next few years. Applying a lower CDC

190 credit amount to the rate process allows a conservative amount of dollars to be recouped without DHHS
191 falling short for vaccine expenditures.
192

193 Ms. Daly provided a brief account of historical credits provided by the CDC at the close of each fiscal year.
194 Prior year credit amounts were \$4.3M, \$3.5M, and \$4.2M with last year being \$1.8M, the lowest it has ever
195 been. Ms. Daly explained that much of this fluctuation has to do with purchases made between July 1 and
196 October 1 when the credit is received. The CDC wants each state vaccine program to have one quarter
197 worth of vaccines virtually available on their “shelf” and that is approximately the value of a quarter of
198 vaccines, averaging \$1.5M a month. Ms. Daly advised that the credit is used first for purchasing vaccines
199 when the new fiscal year begins, in this case October 1, 2018.
200

201 General discussion ensued surrounding the rate setting process and how the rates set in September of 2018
202 determined the anticipated payment to be made to DHHS in June 2020. The actual dollar amount to be
203 paid each June should be adjusted upon receipt of the actual CDC credit amount with an updated DHHS
204 payment amount voted upon at the June Board meeting similar to June 2019. Mr. Miller reported we are
205 on track to fully fund the \$5M reserve fund as of October 1, 2019 and any excess cash beyond the \$5M can
206 be used for rate stabilization in future years.
207

208 Finally, Mr. Miller explained that no assumptions were made for DHHS’ request for reimbursement for the
209 DHHS Immunization Section administrative costs. Mr. Miller directed the group to page 67 of the meeting
210 packet in which the DHHS provided table outlines their expense description and corresponding expense
211 amount. The total administrative costs were \$475,367.00 of which they have requested \$285,220.20 be
212 reimbursed by the NHVA. Ms. Daly explained that DHHS’ interpretation of the statute is different from
213 Attorney McCue’s response last year that these costs are not reimbursable to the State. DHHS would like
214 the Board to reconsider this decision.
215

216 ■ Late Payment Interest Policy Revisions – Mr. Miller reviewed a summary memo and the proposed changes
217 to the drafted Late Payment Interest Policy. This issue is being brought to the Audit Committee as a result
218 of the recent audit, whereby it was determined Helms’ interpretation of this policy differed from Carew &
219 Wells interpretation. When Tufts Health Plan voluntarily paid several years of late assessments, they were
220 also charged an interest penalty. Ms. Carew indicated her belief that interest should be calculated
221 beginning the 1st day of late payment (16th day of the due date month), and Helms interpreted this to be on
222 the 15th day after the due date. The policy also currently reads “two weeks” which might be 10 or 14 days
223 and business or calendar days. Helms also administers the assessment process for New Hampshire Health
224 Plan with many of the same carriers as NHVA, and there is a different policy in place for those carriers. Mr.
225 Miller pointed out that there have been no late assessments received since taking over as Administrator.
226

227 Helms proposed a revised policy for the Audit Committee’s consideration (page 73 of the packet). Key points
228 included:

- 229 □ Effective January 1, 2020
- 230 □ Existing lockbox contract will be canceled and checks will be sent directly to Helms (EFT is still
231 an option as well)
- 232 □ Late payment will be based on either the EFT date or the postmark date
- 233 □ NHVA will forego pursuit of any interest amount due under \$10 for either situation outlined
234 below:
235

236 Filed on Time, Late Payment – If the assessment is filed on time but the payment is received after
237 the due date (45 days after the end of each quarter), interest will be calculated per the Plan of
238 Operation by multiplying the number of days late by 0.000493 by the assessment amount due and
239 invoiced to the assessable entity. The determination of whether a payment is received beyond the

240 due date will be made either as the date payment was received electronically, or as of the
241 postmarked data for payments received via bank check.
242

243 Late Filing, Late Payment – If a filing is completed through the NHVA’s automated assessment
244 system after the due date (45 days after the end of each quarter), interest will automatically be
245 calculated between the due date and the filing date and will be included on the system generated
246 NHVA invoice. Upon receipt of the payment, NHVA will calculate any interest due between the
247 filing date and the payment received date. Per the Plan of Operation, interest will be calculated by
248 multiplying the number of days late by 0.000493 by the assessment amount due. This will ensure
249 that interest will be collected for all days the payment is late.
250

251 The policy changes will allow enough time for Helms to educate the carrier community. General discussion
252 ensued and a few clarifying questions were answered.
253

254 **VOTE RECORDED:** *On a motion by Ms. Tenney, seconded by Ms. Daly, it was unanimously*
255 **VOTED:** *To recommend to the Board of Directors at the next Board meeting scheduled for*
256 *September 25, 2019 to accept the proposed changes to the Late Payment Interest*
257 *Policy to become effective on January 1, 2020.*
258

259 **VI. New Business** – No new business was identified.

260 **VII. Adjournment**

261 **VOTE RECORDED:** *On a motion by Ms. Tenney, seconded by Ms. Daly, it was unanimously*
262 **VOTED:** *To adjourn the Audit Committee meeting at 10:37 am*
263
264
265
266

267
268 Respectfully submitted by
269 Patrick Miller, Helms & Company, Inc.
270 August 13, 2019
271

272
273 # # #