

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28  
29  
30  
31  
32  
33  
34  
35  
36  
37  
38  
39  
40

**MINUTES**  
**Audit Committee Meeting**  
**August 6, 2019**  
**9:00 am to 10:30 am**  
**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 8:59 am.

**I. Welcome and Introductions**

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

- |                                |                                      |
|--------------------------------|--------------------------------------|
| <b>Committee Members:</b>      | <b>Other Attendees:</b>              |
| David Sky, NHID, Chair         | Patrick Miller, Helms & Company      |
| Susan Tenney, HPHC, Vice Chair | Erin Meagher, Helms & Company        |
| Elizabeth Daly, NH DHHS        | Keith Nix, Helms & Company           |
| Jason Margus, Anthem (P)       | 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 

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

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

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 1<sup>st</sup> day of late payment (16<sup>th</sup> day of the due date month), and Helms interpreted this to be on  
222 the 15<sup>th</sup> 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  
261 **VII. Adjournment**

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

265  
266  
267  
268 Respectfully submitted by  
269 Patrick Miller, Helms & Company, Inc.  
270 August 13, 2019

271  
272  
273 # # #