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MINUTES
Audit Committee Meeting
August 20, 2020
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 via Zoom Meeting with a quorum present.

The meeting was held via audio/video conference and was called to order by Mr. Sky at 9:04 am.

1. Welcome and Introductions

Attendance – The following individuals attended the meeting:

Committee Members:	Members of the Public
David Sky, NHID, Chair	Sandy Baker, Londonderry
Susan Tenney, HPHC, Vice Chair	Cindy Bennett, Raymond
Beth Daly, NH DHHS	State Rep. Linda Camarota, Bedford
Jason Margus, Anthem	Anne Cobb, Derry
	Laura Condon, Bedford
Other Attendee & Administrative Staff:	Leah Cushman, Weare
Karen Carew, Carew & Wells, PLLC	Linda Gould, Bedford
Patrick Miller, Helms & Company	Wendy Grenier, Nashua
Erin Meagher, Helms & Company	Jessica Klinsky, Stratham
Keith Nix, Helms & Company	Jenny Larsen, Pelham
Tony Mendez, Helms & Company	Michelle McCartney, Concord
	Chris Monty, Derry
	Holly Ruocco, Weare
	Kristen Tanguay, Derry

Mr. Sky opened the meeting and turned it over to Mr. Miller to address public access to the meeting. Mr. Miller advised the group that if anyone experiences technical difficulties, they should contact the Helms & Company office either via email at info@nhvaccine.org or by calling 603-225-6633. He advised all participants were being muted upon entry into the meeting and requested all participants remain muted unless they are speaking. Roll call was then taken, and each participant stated if they were alone in the room, if they were recording the meeting and where they were participating from. Mr. Miller, Ms. Condon, and Ms. Ruocco all announced they were recording the meeting. Mr. Miller stated he will delete the recording once the minutes are completed.

1. Review and Acceptance of the FY2020 Audited Financials – Guest: Karen Carew, Carew & Wells, PLLC

Mr. Sky welcomed Ms. Carew to the meeting and directed the group to page two of the meeting packet. Ms. Carew reviewed the Board of Directors letter and explained it is required to provide to those charged with governance, the Board and in this case, and the Audit Committee before it goes to the Board. The second paragraph described a new accounting policy which was adopted in 2020. It has no impact on the financial statements, but the auditors are required to make the statement.

There are two significant estimates that might be sensitive to the financial statements. The first is the vaccine expense, which is based upon the projected and requested remittance by the State of New Hampshire. The audit determined it to be reasonable in relation to the financial statements, any estimate of the balance due or collectibles, and accounts receivable. This is based on the assumptions related to covered lives, which are self-reported by the

35 carriers. Ms. Carew stated everything is reasonable in relation to the financial statements taken as a whole.
 36 Regarding the section titled *Difficulties Encountered in Performing the Audit*, Ms. Carew reported there were none
 37 and expressed it was a pleasure to work with the organization and with the administrator. She stated there were
 38 no misstatements or adjustments that have not been posted. All adjustments that the firm proposed were
 39 immaterial to the financial statements and have been posted. Specifically, the adjustment related to recording the
 40 certificate of deposit investments has been discussed with Mr. Nix for ongoing consistency.

41
 42 There were no disagreements with management. Through the Management Representation Letter they understand
 43 they are ultimately responsible for the financial statements, that assumptions and estimates are reasonable, and to
 44 ensure accuracy. All recommendations made last year regarding internal controls have been appropriately
 45 addressed, and there were no new recommendations in the current audit. The Committee had no questions on the
 46 required communication or the governance information.

47
 48 Ms. Carew reviewed the financial statements directing the group to the Independent Auditors Report (page nine of
 49 the meeting packet) and stated there is a clean opinion and all statements are fairly presented. Ms. Carew stated
 50 the most significant changes are reflected in the funds moved from cash to long term investments. Ms. Carew noted
 51 a typo in the *Statements of Activities and Change in Net Assets* section: "Assessment income, less refunds of \$58,115
 52 and \$0 in 2019 and 2018" should read "2020" and "2019", respectively. This will be updated by Ms. Carew. The
 53 most significant change was the TRICARE settlement cost, which was settled in 2019. It is reflected under Donor
 54 Restrictions which reflects the decline to \$395,271 as the arrearage to be collected. Ms. Carew directed the group
 55 to the *Statement of Cash Flows* and reviewed the change in net assets due to the shift from cash to long term
 56 investments.

57
 58 Ms. Carew reviewed the *Notes to Financial Statements* and stated the indirect method of reporting cash flows has
 59 been used and there was no change for 2019 or 2020. The auditors have expanded their comments of the
 60 investments set aside for long term investing and that those are not included in the current resources for general
 61 expenditures. There is a note for the composition of investments in fixed income funds, negotiable CDs, and money
 62 markets.

63
 64 Ms. Carew moved to the *Subsequent Events* section and reported the Association has not experienced any disruption
 65 in operations nor volatility in the market as a result of the ongoing COVID-19 pandemic. It is very difficult to estimate
 66 the potential future disruptions or the effect, if any, this may have on operations going forward. Management is
 67 actively monitoring for potential disruptions. At this point, the auditors have not determined that there is any
 68 practical effect that the Association should consider or disclose in the financial statements at this time.

69
 70 Ms. Carew asked if any of the Committee members had any questions. There were none. Mr. Sky asked Mr. Miller
 71 if there was an option for the Committee to discuss the audit with Ms. Carew in a webinar breakout room. Mr. Miller
 72 explained we did not have technology at this point without signing off and into another meeting. After brief
 73 discussion, it was determined the webinar technology would be upgraded for the next meeting with the Auditor.

74
 75 Mr. Sky thanked Ms. Carew for her presentation and work on the audit.

76
 77 **VOTE RECORDED:** *On a motion by Ms. Tenney, seconded by Ms. Daly, by roll call it was*
 78 **VOTED:** *To accept the FY2020 Audited Financials as presented with a recommendation to*
 79 *the Board of Directors to accept them with one modification outlined above.*

80
 81

	<u>Yes</u>	<u>No</u>
Beth Daly	X	
Jason Margus	X	
David Sky	X	
Susan Tenney	X	

86 Mr. Miller advised the quarterly financial statements were included in the meeting packet for the Committee's
 87 information. They are required after the end of each fiscal year per the Plan of Operation and they align with the
 88 audit. As a reminder, money was transferred from the ICS Promontory account earlier this spring into a laddered
 89 CD portfolio. We continue to see many of the CDs being called as time goes forward and the disbursements are
 90 being reinvested primarily back into the ICS account. Given low interest rates due to the COVID-19 pandemic, we
 91 will see the ICS account grow again and the CD investment amounts will continue to shrink unless higher interest
 92 CDs are found.

93
 94 **4. Review and Acceptance of the June 5, 2020 Meeting Minutes**

95
 96 Mr. Sky reviewed the June 5, 2020 meeting minutes and asked the Committee if anyone had any questions or
 97 changes. Mr. Miller stated that on line 44, "counts" should read "accounts."

98
 99 **VOTE RECORDED:** *On a motion by Ms. Daly, seconded by Ms. Tenney, by roll call it was*
 100 **VOTED:** *To accept the June 5, 2020 Audit Committee meeting minutes as presented with*
 101 *the one correction outlined above.*

102
 103

	<u>Yes</u>	<u>No</u>
104 <i>Beth Daly</i>		<i>Abstained from vote as was not present at June 5, 2020 meeting.</i>
105 <i>Jason Margus</i>	<i>X</i>	
106 <i>David Sky</i>	<i>X</i>	
107 <i>Susan Tenney</i>	<i>X</i>	

108
 109 **5. CY2021 Assessment Rate Initial Assumptions Discussion**

110
 111 Mr. Miller introduced Mr. Mendez who joined Helms this spring and has been working with Mr. Miller on the rate
 112 setting process this year as Mr. Hastings is moving towards retirement. Mr. Miller reviewed the proposed rate
 113 setting presentation for calendar year 2021.

114
 115 Mr. Miller explained the intent today is not to set the rate, but to provide updated information from our June
 116 meeting and to have a conversation regarding the assumptions the Committee will use for the final rate setting given
 117 the number of unknowns and unpredictability regarding the total number of covered lives due to the COVID-19
 118 pandemic. Mr. Miller briefly reviewed the tasks and timeline for the rate assumption process. Mr. Miller stated that
 119 the Audit Committee meets again on September 9, 2020 to make a recommendation to the full Board of Directors
 120 when they meet on September 23, 2020. The plan is to take the input from today's session to inform our final
 121 assumptions. He then summarized the changes to the rate setting process over the past several years.

122
 123 Mr. Miller reported there were no extraordinary expenses to report in FY2020 leaving NHVA approximately \$374K
 124 ahead of budget. Those funds can be used to help with rate stabilization in the coming years.

125
 126 Mr. Miller reviewed a set of trend data. The historical covered lives and assessment rate trends were shown first.
 127 There is a more recent decline in covered lives due to COVID-19. Last year, the total state expenditures were slightly
 128 below the prior year at \$26.13M. The carrier proportion was 58.4% last year and the 14-year trend is 59.2%, which
 129 reflects about a 60/40 split. Interest income and wealth management account returns have increased steadily in
 130 the past two years but given interest rates and conversations with the account managers at the Bank of New
 131 Hampshire, we project 0.5% rate of return going forward this year. New Hampshire's seasonally adjusted
 132 unemployment rates were reviewed, and the numbers have started to drop off in the last few months from the
 133 17.1% high in April to 8.1% in July. Since February, Medicaid child enrollment has increased by 4,765 children in the
 134 traditional Medicaid population. While we cannot say for sure that losses of commercial coverage are driving
 135 Medicaid enrollment, it was agreed to be a reasonable assumption.

136

137 Prior to the meeting Ms. Daly’s team provided Mr. Miller with data on vaccine orders during the pandemic. Similar
138 to every other state, fewer orders for vaccines were placed as the country started to close down during the
139 pandemic. Now that the country is starting to open, orders are starting to trend up much closer to where they were
140 a year ago. Practices have resumed ordering as they re-book well child visits and prepare for back-to-school. If there
141 is a resurgence of COVID-19, the NH Department of Health and Human Services (NH DHHS) would anticipate another
142 decrease in orders. Because of the way NH DHHS purchases vaccines three months ahead, it has been somewhat
143 stable. Mr. Miller reviewed a list of the ongoing efforts and actions the NH DHHS immunization program has taken
144 since the COVID-19 pandemic began.

145
146 Mr. Miller asked the Committee members what they are seeing and forecasting for the next couple of years for total
147 membership due to COVID-19. Mr. Sky stated the Insurance Department has not seen any swings in the information
148 that it receives from the carriers. Ms. Tenney stated that Harvard Pilgrim Health Care has seen a very slight decrease
149 in commercial membership and a very slight increase in the individual market. It is a big unknown at this point. Mr.
150 Margus indicated it is the same for Anthem Blue Cross Blue Shield, with very minimal impact so far, but it may too
151 early to see the impact. Mr. Miller stated that on Monday we closed the most recent assessment quarter (reporting
152 for April, May, June) and found approximately 2,500 fewer covered lives reported than we did in May (reporting for
153 January, February, March). This results in an overall drop of 1.5% for the year, which is larger than the 0.1% historic
154 decline. Mr. Miller consulted with the NH Health Plan for a review of covered lives for the same period and it was
155 negligible.

156
157 Mr. Miller reviewed the data the DHHS provides to the NHVA each year regarding utilization and spending and the
158 requested amount for the next payment to DHHS. Mr. Miller then reviewed the Rate Setting Assumptions slide and
159 there was discussion on a number of items, primarily the assumptions for covered lives. To address the COVID-19
160 pandemic and the uncertainties surrounding it, two models have been built for today’s meeting – one is “business
161 as usual” and the second considers a significant drop in covered lives due to COVID-19. Mr. Miller asked the
162 Committee members for feedback on the covered lives assumptions.

163
164 Mr. Sky asked the difference between the two assumptions and how that would affect the reserve dollars. Mr. Miller
165 explained that there was a strong performance of the investments and additional funds have been received from
166 TRICARE. He believes we should be able to keep the rate stable or maybe even drop it slightly and preserve the
167 majority of the reserve funded at the end of the five-year period. Mr. Miller reminded the group about the
168 unexpected credit that is being held by the State.

169
170 Committee members asked to see the impact of the reduced covered live assumptions on the model and rate setting.
171 There was discussion related to a COVID-19 vaccine – who would pay for it – Federal or state government – and
172 when it might be available. Ms. Daly indicated that she does not have any information related to an anticipated
173 COVID-19 vaccine. Ms. Tenney then mentioned reading that many states have mandated flu shots for children
174 returning to school and asked if NH has any intention of putting this requirement in place. Ms. Daly advised that NH
175 was not considering this at this point. If NH were to institute this and the vaccination rates went from 70% to 90%-
176 95% for influenza vaccinations, then costs would increase as the cost of flu vaccine is approximately \$18 a dose.

177
178 Mr. Sky asked what timeframe would we expect if NH decided to mandate this? Ms. Daly stated that under normal
179 operating procedures it takes about six months to go through the administrative rules process to add a new vaccine.
180 However, in relation to a COVID-19 vaccine, the Governor could issue an Executive Order which could take effect
181 much sooner than the usual rulemaking process.

182
183 Mr. Miller reviewed the two rate setting models. The primary difference between them is the covered lives
184 assumptions and rate assumptions. The first model shows the impact of the historical drop in lives. The second
185 assumes a steeper drop and then a gradual rise over the next four-year time period. Both models provide a cash
186 reserve of at least \$5M at the end of the four years. Covered lives and the annual CDC credit are large factors in the
187 model. After reviewing the model, Ms. Tenney remarked that if there were to be a COVID-19 vaccine that the NHVA

188 would be responsible for funding vs. the Federal government, NHVA does likely have the cash to do so based upon
 189 what has been put away in reserve for major events. Ms. Daly stated that if there is a decrease in privately insured
 190 covered lives because people are becoming uninsured and move to Medicaid coverage or uninsured, that there
 191 should be a proportional decrease in the carrier contributions to purchasing vaccines because Medicaid/uninsured
 192 lives will then be picked up by the VFC program. Mr. Miller stated that over the next few weeks, assumptions will
 193 be finalized, and the administrator will bring this back to the Audit Committee on September 9, 2020, with final rate
 194 recommendations. The intention is to provide guidance to the Board so they can make the final determination on
 195 the assessment rate.

196
 197 **6. Other Business**
 198

199 Mr. Sky opened it up for comments from members of the Public.
 200

201 Ms. Condon asked to speak. She thanked the Committee for the opportunity for the public to observe the meeting
 202 and participate in the comment period. She thanked Mr. Miller for his very thorough and diligent work and for being
 203 particular with details and accuracy of the information being presented. She stated that she appreciated that no
 204 assumptions were made to fund the DHHS request for administrative costs and NHVA's continued reliance on the
 205 written legal opinion from their attorney. She expressed concern with the DHHS's request for the funding and stated
 206 she would be discussing the request for funds from NHVA with the Executive Council. She stated that these costs
 207 should not be borne by taxpayers as they are a cost of private business and private entities and is where these
 208 business costs really should be appropriated.
 209

210 **7. Adjournment**
 211

212 **VOTE RECORDED:** *On a motion by Ms. Tenney, seconded by Mr. Sky, by roll call it was unanimously*
 213 **VOTED:** *To adjourn the Audit Committee meeting at 10:34 am*
 214

	<u>Yes</u>	<u>No</u>
Beth Daly		Left meeting at 10:29am.
Jason Margus	X	
David Sky	X	
Susan Tenney	X	

220
 221
 222 Respectfully submitted by
 223 Patrick Miller, Helms & Company, Inc.
 224 August 25, 2020
 225

226 # # #