

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
41

MINUTES
Audit Committee Meeting
August 24, 2022
9:00 a.m.
Via Zoom Webinar
Presiding Officer: Jason Margus, Chair, Audit Committee

A meeting of the Audit Committee of the Board of Directors of the New Hampshire Vaccine Association (NHVA) with a quorum present was held via Zoom Webinar.

Mr. Margus, Chair, called the meeting to order at 9:01 a.m.

1. Welcome and Introductions

Attendance – The following individuals attended the meeting:

Committee Members:	Members of the Public
Jason Margus, Anthem, Chair	Phyllis Brown
Susan Tenney, HPHC, Vice Chair	Laura Condon
Anne Marie Mercuri, NH DHHS	Rachel Paluch
Administrative Staff & Invited Guests:	Tanya Robinson
Patrick Miller, Helms & Company	Larisa Trexler
Erin Meagher, Helms & Company	
Keith Nix, Helms & Company	
Karen Carew, Carew & Wells	
Leslie Walker, Mason+Rich	

Mr. Margus stated that the meeting was being recorded for the sole purpose of preparing the minutes, and that the recording would be deleted once the minutes were approved. Mr. Margus asked that any member of the public who are recording the meeting to please raise their hand in Zoom. At 9:07 Ms. Condon indicated she was recording the meeting.

Mr. Margus opened the meeting by reciting NHVA’s statement regarding meetings held by videoconference and a statement regarding public commentary during meetings. He welcomed the members of the public that joined the meeting.

Mr. Margus asked Mr. Miller to take roll call for attendance purposes.

Committee Member	Present	Excused
Jason Margus	X	
Anne Marie Mercuri	X	
Susan Tenney	X	

2. Review and Acceptance of April 20, 2022, Meeting Minutes

Mr. Margus asked the Committee if any members had any questions or changes to the April 20, 2022, meeting minutes. No questions or changes were identified.

VOTE RECORDED: *On a motion by Ms. Tenney, seconded by Mr. Margus, by roll call vote, it was*
VOTED: *To accept the April 20, 2022, Audit Committee meeting minutes as presented.*

42
43
44
45
46
47
48
49
50
51
52
53
54
55
56
57
58
59
60
61
62
63
64
65
66
67
68
69
70
71
72
73
74
75
76
77
78
79
80
81
82
83
84
85
86
87
88
89
90
91
92

<u>Committee Member</u>	<u>Yes</u>	<u>No</u>
Jason Margus	X	
Anne Marie Mercuri	<i>Abstain (was not present at meeting)</i>	
Susan Tenney	X	

3. Review and Vote to Recommend Acceptance of FY2022 Audited Financials

Mr. Margus welcomed Karen Carew from Carew & Wells to review the audited financials. Ms. Carew began by stating that the enclosed Governance Letter is the required communication each year from the auditor to the Board and Audit Committee to advise of accounting practices, any accounting estimates, etc. that might be sensitive or significant in nature. As in past years, there was nothing unusual to report. There were no accounting policy changes during the year and the accounting estimates are the same as they have been consistently which generally relate to the estimate of the vaccine expense based on the annual projections of what will be requested from the State of New Hampshire. There is an additional estimate of the balance due and collectible in accounts receivable this year, representing overpayments by insurers which were subsequently refunded. Ms. Carew stated that the financial statement disclosures are neutral, consistent, and clear. Ms. Carew reported there were no difficulties encountered working with management in performing or completing the audit and communication with management and members of the Board were pleasant and everyone was forthcoming and helpful.

There were two adjustments identified this year under *Corrected and Uncorrected Misstatements*; one of which was posted and one was not. The first entry which is unposted accrued unbilled legal expenses. Secondly, there were unbilled expenses in June that were not posted in June 2022 due to timing. Had the amount been significant, it would have been recommended to post, however, Ms. Carew found the amounts to be immaterial. The other adjustment identified was made by management for financial statement presentation purposes to reclassify the refundable overpayments to insurers as a liability rather than as part of accounts receivable in the financial statements.

Ms. Carew advised that she is not aware of management having consulted with any other auditors and there were no other findings. She stated that several years ago there were a few suggestions made to improve internal controls and all suggestions were adopted at that point. This year, Ms. Carew and management had general conversations regarding the potential future development of an additional report from the assessment database as well as the possible future transition from the existing, locally housed general ledger software to an online version. Ms. Carew stated that these discussions were general conversations and that no further action is required.

Ms. Carew reviewed the Audited Financials beginning with the *Independent Auditors Report*, which reflects a clean report. She pointed out that in the Statement of Financial Position cash has declined to \$5.3M compared to \$11.5M last year. This is consistent with NHVA’s expectations given the completion of the TRICARE settlement and the reduced assessment rate in FY2022. The \$63.9K of refundable overpayments to insurers is reflected under Current Liabilities. The *Net Assets with Donor Restrictions* reflects all assessment income inclusive of the TRICARE settlement income. The payment to the State is shown as \$17.7M on the Statements of Activities which is \$5M more than the assessment income of \$12.3M. This reflects the planned reduction of cash which is detailed in the *Statement of Cash Flow*.

Ms. Carew stated that in *Section B Liquidity Management* a note was added this year to emphasize that the TRICARE settlement was paid in full in 2022 and that the Association anticipates a portion of the cash reserves is expected to be used for future rate stability.

Mr. Margus asked if the Audit Committee wished to move to Executive Session with Ms. Carew.

VOTE RECORDED: *On a motion by Mr. Margus, seconded by Ms. Tenney, by roll call, it was unanimously*
VOTED: *To move into Executive Session with Ms. Carew at 9:23 a.m.*

93
94
95
96
97
98

<u>Committee Member</u>	<u>Yes</u>	<u>No</u>
Jason Margus	X	
Anne Marie Mercuri	X	
Susan Tenney	X	

99 The Executive Session ended at 9:33 a.m.

100
101 **VOTE RECORDED:** *On a motion by Ms. Tenney, seconded by Mr. Margus, by roll call, it was unanimously*
102 **VOTED:** *To accept the 2022 Audited Financial Statements as presented by Ms. Carew of*
103 *Carew & Wells and recommend that they be adopted by the Board on September*
104 *21, 2022.*
105

106
107
108
109
110

<u>Committee Member</u>	<u>Yes</u>	<u>No</u>
Jason Margus	X	
Anne Marie Mercuri	X	
Susan Tenney	X	

111 **4. CY2023 Assessment Rate Initial Assumptions Work Session**

112
113 Mr. Miller welcomed Ms. Walker from Mason+Rich who has been working again this year with the Administrator on
114 the assessment rate development process. Mr. Miller proceeded to review the CY2023 rate setting process
115 presentation. This is the second year the new rate setting model has been used. From a summary perspective, since
116 last year when the NHVA concluded the collection of additional TRICARE funds, it has seen a continued decline in
117 covered lives while the vaccine funding request from the NH Department of Health and Human Services (NH DHHS)
118 continues to increase. In terms of the covered lives decline, it is anticipated that when the Public Health Emergency
119 ends that many of the children that have been enrolled in Medicaid will return to commercial insurance products
120 which would result in an increase in NHVA covered child lives.
121

122 Mr. Miller and Ms. Walker received the three spreadsheets from NH DHHS on August 7, 2022 and proceeded to
123 update the model. The carrier notifications of the CY2023 rate will be sent on or before October 7, 2022. Mr. Miller
124 proceeded to review the historical trends portion of the presentation:

- 125
- The historical covered lives trend continues to decline and saw a more rapid decline since the COVID-19 pandemic began.
 - The historical assessment rate trend has remained steady over the past several years after having periods of variability prior to 2017.
 - The proportion of carrier funds and state funds show an eight-year trend average of 40.6% state funding and 59.4% carrier funding. The assessment rate model assumes a 60/40 split for the next three years.
 - The ICS account has had highly variable interest rates in recent years. Prior to the pandemic the rate was 200bps and dropped to a low of 30bps during the pandemic. Recently the rate was increased to 60bps. The laddered CD portfolio currently has \$5.452M invested and due dates are between 2022 and 2027.
 - Unemployment is back to the historic lows seen pre-pandemic.
 - Child covered Medicaid lives continue to increase and the expectation is that a proportion of the 14K children added since the pandemic began will be covered by commercial insurance once the public health emergency (PHE) ends.
- 136
137
138

139 Mr. Miller proceeded to review key points from the spreadsheets received by NH DHHS this month that are
140 responsible for driving the assessment rate model:

- 141
- *Tab D* reflects the historical vaccine expenditure according to state appropriations of the NH DHHS vaccine fund and breaks down the contribution sources and annual CDC credit. Ms. Mercuri noted that there was an underpayment in FY2021 of \$2,043,813 that was caught up and paid by NHVA in FY2022. She noted that
- 142
143

- 144 the actual expenditures are slightly different from when the vaccine was actually purchased. She further
 145 clarified the figure of 57.75% is the amount applied to the vaccine invoices versus the 60.11% listed.
- 146 • *Tab C* shows the vaccine units purchased and their related costs for FY2022 and projections for FY2023.
 - 147 Mr. Miller stated that there is approximately a 29% savings by purchasing the vaccines through the NHVA
 - 148 model versus the providers having to purchase them directly on the private market.
 - 149 • The projected contributions for FY2023 are broken out by VFC, State, CDC credit, and the carriers. The NH
 - 150 DHHS' administrative cost request of \$522,506 is not considered in the assessment rate model based upon
 - 151 historic precedence. Details supporting this request are found in *Tab E*.

152

153 Mr. Miller reviewed five factors driving the projected increase in NH DHHS' vaccine purchase from \$29.1M in FY2022
 154 to \$32.6M in FY2023:

- 155 • The state has seen an increase in New Hampshire residents due to the pandemic effect; families have
 156 migrated from other states and in 2021 and the state experienced a 7% increase in birth rate, its first
 157 increase in birth rate in 7 years.
- 158 • The formula for calculating the projected cost is estimated on the prior year's order, as such, the SFY23
 159 projection accounts for the pandemic rebound in vaccination as providers continue to catch children up to
 160 date with vaccination.
- 161 • The CDC credit is anticipated to be lower than it has been historically as a result of the NHVA's "claw back"
 162 of funds held at the DHHS.
- 163 • The cost of vaccine continues to increase each year with an increase of 3-8% per each dose of vaccine over
 164 the last several years.
- 165 • The increased use of combination vaccines which are more widely accepted by parents due to fewer
 166 injections, but these vaccines are also more expensive than the previously used formulas.

167

168 Mr. Miller briefly reviewed the *FY2023 Administrative Budget* which was approved at the June Board meeting and
 169 remains relatively unchanged.

170

171 Mr. Miller reviewed the *CY2023 Rate Assessment Goals*:

- 172 • Address Historical Swings in Payments to NH DHHS
- 173 • Incorporate Concept of Zero Funds Held at NH DHHS
- 174 • Address Conclusion of TRICARE Specific Assessments
- 175 • Address Continued Covered Lives Decline
- 176 • Address Reserves.

177

178 Mr. Miller reviewed the *CY2023 Model Rate Assumptions* which shared similarities with the prior year's model:

- 179 1. Board commitment to keeping rates stable in future years
- 180 2. No NHVA funds will be held by NH DHHS to recover in June CY2023
- 181 3. No reimbursement of NH DHHS Immunization Section administrative cost request of \$522,506 (Tabs C &
 182 E)
- 183 4. The TRICARE specific assessment recovery has been completed
- 184 5. Two reserves:
 - 185 ○ 10% reserve of the total non-Federal program cost for the succeeding year (RSA 126-Q:4 II.(c))
 - 186 ○ \$5M assessment reserve fund; can be used for rate stabilization as needed
- 187 6. The percentage paid by the carriers is 60.0% for CY2023 based on NH DHHS/Federal fund source split
- 188 7. Interest rate assumptions for cash on hand assume 60bps for ICS and 125bps (net of fees) for CDs with an
 189 assumed rate of 60bps due to potential cash constraints
- 190 8. Total assessed lives have declined 5.5% between CY2014 Q2 and CY2021 Q4 with quarter-to-quarter
 191 declines of 0.2% per quarter; model assumes continuation in FY2023
- 192 9. FY2023 CDC credit estimated at \$1.1M (State estimate Tab C)
- 193 10. Annual 2% administrative budget increase

- 194 11. No late payment interest assessments
 195 12. The NHVA’s payers benefit from a 28.9% discount from the open market by leveraging CDC pricing through
 196 DHHS.
 197

198 Mr. Miller then reviewed the *SFY2023 Rate Model*. The cells highlighted in green relate the model assumptions and
 199 allow the Audit Committee or the Board to make adjustments to the model. Mr. Miller made several points regarding
 200 the model’s assumptions:

- 201 • Covered lives are projected to decrease in FY2023 and FY2024 and be flat in FY2025.
- 202 • In order to support the assessment rates of \$8.50, \$9.85, and \$9.85 for FY2023, FY2024, and FY2025,
 203 respectively, the model shows a reduction in NHVA’s reserves in each of the three years in order to support
 204 the proposed rates.
- 205 • While the NH DHHS’ total expenses increased from \$29.1M in FY2022 and are projected to be \$32.6M in
 206 FY2023, FY2024 and FY2025 are projected based upon FY2022 vs. FY2023 as the expectation is FY2023 is
 207 the catch-up year for vaccinations missed during the pandemic. FY2024 assumes a 3% increase from FY2022
 208 and FY2025 assume a 3% increase from FY2024.
- 209 • Investment income is projected from an assumed 60bps.
- 210 • Mr. Miller stated that while the proposed rate is increasing from \$6.85 to \$8.50 that it is well below the
 211 historically high rate of \$12.96 in 2015.
 212

213 Ms. Tenney asked with the increase to Medicaid lives who is paying for the vaccines under the Medicaid program –
 214 is it VFC or other federal funding? Mr. Miller replied that the increase is part of the 40% contribution comprised of
 215 state and federal funds. The NHVA saw a drop to 57% which we believe is the adjustment for more lives under
 216 Medicaid. Ms. Tenney asked whether there is an increase in funding from VFC in concert with the increase in
 217 Medicaid lives? Ms. Mercuri advised that the VFC funding remains pretty stable, and that NH DHHS expends its
 218 proportional share as the budget that fluctuates.
 219

220 Mr. Margus asked if there were any other questions. Hearing none, he asked for a motion.
 221

222 **VOTE RECORDED:** *On a motion by Ms. Tenney, seconded by Ms. Mercuri, by roll call, it was unanimously*
 223 **VOTED:** *To recommend to the full Board of Directors at the September 21, 2022 Board*
 224 *meeting to adopt the proposed assessment rate of \$8.50 for CY2023.*
 225

<u>Committee Member</u>	<u>Yes</u>	<u>No</u>
227 Jason Margus	X	
228 Anne Marie Mercuri	X	
229 Susan Tenney	X	

231 Given the Audit Committee vote to recommend the proposed assessment rate to the Board in September, after brief
 232 discussion it was determined there was no need for the scheduled September 7, 2022 Audit Committee meeting.
 233

234 Mr. Miller and Mr. Margus thanked Ms. Walker for her work on the assessment rate setting process and for joining
 235 the meeting.
 236

237 **5. Other Business**
 238

239 Mr. Margus asked the Committee if anyone had any other business to discuss. There was no further business.
 240

241 **6. Public Comment**
 242

243 Mr. Margus invited anyone from the public to speak. Mr. Margus opened the floor to Ms. Condon per her request
 244 to speak. Ms. Condon thanked the Committee for the opportunity to speak. Ms. Condon stated that she was

245 perplexed as to how, with the reduction in covered lives and immunization rates in recent years, the NH DHHS'
 246 request for vaccine purchases in the past two years increased. Ms. Condon asked that any further explanation that
 247 could be provided would be helpful.

248
 249 Mr. Margus thanked Ms. Condon and reminded her that this is not an interactive session with the Audit Committee
 250 and that she was welcome to direct any questions she had to NHVA's Executive Director.

251
 252 **7. Adjournment**

253
 254 Having no other business, Mr. Margus asked for a motion to adjourn.

255
 256 **VOTE RECORDED:** *On a motion by Ms. Tenney, seconded by Mr. Margus, by roll call, it was unanimously*
 257 **VOTED:** *To adjourn the Audit Committee meeting at 10:16 a.m.*

258

	<u>Committee Member</u>	<u>Yes</u>	<u>No</u>
259	<i>Jason Margus</i>	X	
260	<i>Anne Marie Mercuri</i>	X	
261	<i>Susan Tenney</i>	X	
262			

263
 264
 265 Respectfully submitted by
 266 Patrick Miller, Helms & Company, Inc.
 267 August 31, 2022

268
 269 # # #