

**MINUTES**  
**Audit Committee Meeting**  
**August 23, 2023**  
**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 9:00 a.m.

**1. Welcome and Introductions**

**Attendance** – The following individuals attended the meeting:

<b>Committee Members:</b>	<b>Administrative Staff &amp; Invited Guests:</b>
Jason Margus, Anthem, Chair	Patrick Miller, Helms & Company
Susan Tenney, HPHC, Vice Chair	Erin Meagher, Helms & Company
Anne Marie Mercuri, NH DHHS	Keith Nix, Helms & Company
<b>Members of the Public:</b>	Karen Carew, Carew & Wells, PLLC
Inneke Carmola, Sanofi	Leslie Walker, Mason+Rich, PA
Elizabeth Manley, Sanofi	
Laura Condon, Bedford, NH	

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 if any member of the public was recording the meeting to please raise their hand in Zoom. Ms. Condon indicated she was recording the meeting. Mr. Margus opened the meeting by reciting NHVA’s statement regarding public commentary during meetings.

Mr. Margus took roll call for attendance purposes.

<u>Committee Member</u>	<u>Present</u>	<u>Excused</u>
Jason Margus	X	
Anne Marie Mercuri	X	
Susan Tenney	X	

**2. Review and Acceptance of April 19, 2023, Meeting Minutes**

Mr. Margus asked the Committee if any members had any questions or comments about the April 19, 2023, meeting minutes. Hearing no questions, he asked for a motion.

**VOTE RECORDED:** *On a motion by Ms. Tenney, seconded by Ms. Mercuri, by roll call vote, it was unanimously VOTED: To accept the April 19, 2023, Audit Committee meeting minutes as presented.*

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

44 **3. Review and Vote to Recommend to the Board Acceptance of the FY2023 Audited Financials**

45  
46 Mr. Margus welcomed Ms. Carew from Carew & Wells, PLLC, NHVA’s auditor, to review the audited financials. Ms.  
47 Carew explained that the governance letter is a required communication between the auditor and the Board of  
48 Directors. It is a chance to provide information directly to the Board about the accounting practices and experience  
49 of the audit. Ms. Carew stated as part of the audit process, they look at estimates made, primarily the estimate of  
50 the vaccine expense. The assumptions for the estimated expenses based on the amount projected by the state were  
51 found to be reasonable. There are no accounts receivable due at this time.

52  
53 Ms. Carew reported they had no difficulties in performing the audit, stating it is a pleasure to work with this  
54 organization and that the care and diligence everybody takes is very much appreciated and noticed.

55  
56 There were no misstatements identified during the audit. There will be one journal entry which is immaterial related  
57 to the \$2,200 of legal expense that technically could be accrued in FY2023 but will be paid in FY2024 similar to prior  
58 years. This is a normal timing difference that happens every year.

59  
60 Ms. Carew indicated that they had no disagreements with management. Per usual practice, a representation letter  
61 has been requested from both Mr. Miller and from Mr. Margus. The letter states that everything that should have  
62 been disclosed has been to ensure that the financial statements are fairly stated. Carew & Wells, PLLC is not aware  
63 of any consultations with other accounting or auditing firms.

64  
65 To the audit also reviewed accounting policies, procedures, and internal controls specifically regarding the custody  
66 of assets and segregation of duties. There are significant mitigating controls in place regarding payment deposits  
67 and the recording of deposits. There were no changes from last year, and Carew and Wells, PLLC will not issue a  
68 formal recommendation letter to management.

69  
70 Ms. Carew referenced the opinion letter. She stated it is a “clean opinion”, meaning the auditors are unaware of  
71 anything that should be changed in the financial statements for them to be fairly presented in accordance with  
72 generally accepted accounting principles. On the *State of Financial Position* she highlighted the decrease in cash of  
73 ~\$3M. This decrease was planned, using reserve dollars to help keep the assessment rate stable. Via the assessment  
74 rate, the organization should be able to maintain a reserve between \$2-\$5M depending on the quarter or the year.

75  
76 Ms. Carew indicated that there are no changes to notes or note disclosures and that there were no subsequent  
77 events that needed to be disclosed. She then offered to answer any questions or provide further details.

78  
79 Hearing no questions, Mr. Margus asked for a motion to move to an Executive Session with Ms. Carew in attendance  
80 in line with good governance practice.

81  
82 **VOTE RECORDED:** *On a motion by Ms. Tenney, seconded by Ms. Mercuri, by roll call, it was unanimously*  
83 **VOTED:** *At 9:14 a.m. to move to Executive Session with Ms. Carew for further discussion*  
84 *on the FY2023 audit.*

85

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

90  
91 The Executive Session ended at 9:25 a.m.

92  
93 **VOTE RECORDED:** *On a motion by Ms. Tenney, seconded by Ms. Mercuri, by roll call, it was unanimously*

94 **VOTED:** *To recommend to the full Board of Directors at the September 20, 2023 Board*  
 95 *Meeting to accept the FY2023 Financial Audit as presented.*  
 96

	<u>Committee Member</u>	<u>Yes</u>	<u>No</u>
97	<i>Jason Margus</i>	X	
98	<i>Anne Marie Mercuri</i>	X	
99	<i>Susan Tenney</i>	X	
100			

101  
 102 **4. CY2024 Assessment Rate Initial Assumptions Work Session**  
 103

104 Mr. Miller introduced Ms. Walker from Mason+Rich, PA who has been working with him on the rate assessment rate  
 105 model again this year. He thanked Ms. Mercuri for her contributions to the discussions around the model over the  
 106 past few weeks.  
 107

108 Mr. Miller advised the Committee that he anticipates, due to several outstanding questions, that there will not be a  
 109 vote on the CY2024 assessment rate at the meeting today and that the tentative Audit Committee meeting  
 110 scheduled for September 6, 2023, will need to occur.  
 111

112 Mr. Miller provided a brief review of the assessment rate setting process from CY2019 through the present year and  
 113 provided a timeline of actions associated with the rate setting process. He proceeded to show several trended  
 114 charts:

- 115 • Assessed child lives have continued to decline except for the last two quarters which show an uptick and  
 116 ideally stabilization post-COVID,
- 117 • Vaccine costs have increased between two and seven percent in the past five years,
- 118 • The fund source split has been steady in recent years with 60% attributed to NHVA,
- 119 • ICS investment rates have steadily increased this year,
- 120 • Unemployment rates have decreased below pre-COVID levels, and
- 121 • Medicaid enrollment has dropped to close to pre-COVID levels.  
 122

123 Mr. Miller reviewed the inputs to the assessment model provided by the NH Department of Health and Human  
 124 Services (NH DHHS). *Tab D* provides a historic view of vaccine costs and funding while *Tab C* contains the prior fiscal  
 125 years' vaccine utilization and cost information along with the current fiscal year's projections. The total vaccine cost,  
 126 highlighted in yellow, is \$39,965,365.50. This number excludes the influenza vaccine, the COVID vaccines, and the  
 127 RSV monoclonal antibody nirsevimab which was recently approved by the CDC's ACIP body. While NHVA's portion  
 128 of the influenza vaccine is ~\$1.4M, addition that is primarily driving the overall, increased request is \$7.8M of COVID  
 129 vaccines. In total, the NH DHHS request to NHVA from DHHS is \$23.9M which is a significant increase. The non-  
 130 COVID and RSV portion of the DHHS request has decreased from the prior year. *Tab E* contains the DHHS  
 131 administrative cost request of \$551,571. As in prior years, this request was not factored into the model due to a  
 132 prior determination made by NHVA's legal counsel.  
 133

- 134 In addition to COVID vaccines being added, other factors driving cost include:
- 135 • The 2.7% population growth in 2023 for children 0-18 years of age,
  - 136 • the CDC credits removal from the model as it is not a financial transaction but the cash value of New  
 137 Hampshire's vaccine inventory at the CDC depot at the close of the Federal fiscal year,
  - 138 • the price of vaccines continuing to grow by 3-8% annually, and
  - 139 • the increased use of combo vaccines which are more expensive than the vaccines they are replacing.  
 140

141 Mr. Miller asked Ms. Mercuri if she would like to comment on *Tab E*. Ms. Mercuri advised the group that 60% of the  
 142 vaccine that NH DHHS's administrative operations processes is for the commercially insured children. DHHS has  
 143 tight vaccine distribution and maintenance controls that must be monitored and staffing those positions is

144 expensive. The CDC has continued to provide level funding to NH DHHS, and has recently cut funding for the  
145 Immunization Information System (IIS). NH DHHS continues to seek the administrative funding assistance of the  
146 Association to preserve the insured investment. Mr. Miller then reviewed the board-approved FY2024 Association  
147 administrative budget as the budget is a key component in the rate setting model.  
148

149 Mr. Miller explained that he is not presenting a final proposal for the CY2024 assessment rate today due to the  
150 numerous outstanding questions surrounding the RSV monoclonal antibody nirsevimab (Beyfortus™). On August 3,  
151 2023 the CDC's ACIP body voted to recommend nirsevimab for two age groups and unanimously approved including  
152 it in the VFC program, however, it is not a vaccine but a monoclonal antibody. With ACIP's approval, it became part  
153 of the VFC program and requires coverage by ACA plans. Monoclonal antibodies are not included in the NHVA's  
154 statutory definition, therefore, NHVA cannot assess the payers nor provide funding to the state. Mr. Miller is working  
155 with NHVA's legal counsel to determine what changes are needed in the definition of vaccine. There do not appear  
156 to be any supply issues from Sanofi (the manufacturer) and providers may be able to order it as of October if the  
157 CDC adds it to their September VFC price list. It is expected that possibly half of the doses will be given at birth in the  
158 inpatient setting and may be covered under medical benefits for the inpatient stay so state supplied vaccine would  
159 not be needed except on the outpatient side. Nirsevimab is expected to cost \$495 on the private market and \$395  
160 on the VFC price list. If it is not supplied via the VFC program, providers may have difficulties paying for the vaccine  
161 and they would need to bill the payers separately. The NH DHHS has estimated 2,100 doses at potentially \$395 per  
162 dose totaling \$829,000, but it has not formally been asked for by the Department and is not currently included in  
163 the model. With so many moving parts and unknowns surrounding this, we are hoping some questions are answered  
164 over the next few weeks to be able to have a recommendation for this Committee at the September 6 meeting that  
165 would then go to the full board at the September 20, 2023 meeting.  
166

167 Ms. Mercuri stated that the nirsevimab costs discussed are initial anticipated costs and have not been finalized or  
168 included in the NH DHHS request. There is great concern as to the impact on providers if nirsevimab is not provided  
169 through the VFC program. Providers would be faced with large upfront costs and would need to implement systems  
170 to bill and separately manage their inventory.  
171

172 Mr. Miller proceeded to review the assumptions in the rate setting model:

- 173 1. Board commitment to keep rates stable in future years
- 174 2. No NHVA funds will be held by NH DHHS to recover in June CY2024
- 175 3. No reimbursement of NH DHHS Immunization Section administrative cost request of \$551,571 (Tabs C & E)
- 176 4. Two reserves:
  - 177 1. 10% reserve of the total non-Federal program cost for the succeeding year (RSA 126-Q:4 II.(c))
  - 178 2. \$5M assessment reserve fund; can be used for rate stabilization as needed
- 179 5. The percentage paid by the carriers is 60.0% for CY2024 based on NH DHHS/Federal fund source split
- 180 6. Interest rate assumptions for cash on hand assume 450bps for ICS and 125bps (net of fees) for CDs with an  
181 assumed rate of 60bps due to potential cash constraints
- 182 7. Total assessed lives assumed to level out at 481,000
- 183 8. 2.1% FY2024 administrative budget increase
- 184 9. \$4.7M (60% share) of COVID vaccines is included
- 185 10. Beyfortus™ RSV monoclonal antibody is not included
- 186 11. No late payment interest assessments included
- 187 12. The NHVA's payers benefit from a 29% discount from the open market by leveraging CDC pricing through  
188 DHHS  
189

190 Encompassing these assumptions, two different models were run with different assumptions of the assessment rate.  
191 Example A has a stepped assessment rate beginning with a \$12 rate in, a \$13 rate in CY2025, and a \$14 rate in  
192 CY2026. Example A only provides reserves of \$685K in SFY24 and negative amounts in SFY25 and SFY26. Example B  
193 assumes a rate of \$14 across all three years which provides reserves of \$1.6M, \$3.7M, and \$5M over the three SFYs.  
194

195 Mr. Miller explained that while overall non-COVID vaccine costs were less than the prior year, the addition of \$4.7M  
196 of COVID vaccine is driving the majority of the rate increase. NH DHHS projects a 38% uptake rate. Depending upon  
197 what the uptake rate is – higher or lower – the costs could fluctuate significantly. Information obtained from some  
198 payers indicates 38% might be closer to 10%.

199  
200 Mr. Miller solicited feedback from the Committee regarding these projections and the conservative proposal in  
201 Example B. Mr. Margus wondered if we are underestimating the number of assessed child lives given the uptick of  
202 coverage in the individual market.

203  
204 Ms. Tenney asked what effect the RSV monoclonal antibody will have on the proposed rate. Ms. Walker added RSV  
205 into the model and demonstrated that it would take longer to meet reserve targets in Example B. Ms. Tenney  
206 reflected on last year’s rate increase from \$6.85 to \$8.50 and the thought of the Board at that time was the increase  
207 would hold flat for a few years. However, we are contemplating an increase to \$14, which is a large jump. Mr. Miller  
208 referenced the historical trend of assessment rates chart and stated that over the past decade or so, the highest rate  
209 was \$12.95. The success in the rate stability of the past few years was due to the NH DHHS claw back and the  
210 additional funds from TRICARE; both of which artificially lowered the rates below those of medical and insurance  
211 premium inflation. A higher rate would have been set last September had the information regarding COVID been  
212 known then.

213  
214 Ms. Tenney observed that while the rate may need to be \$14 next year, additional increases might be required in  
215 CY2025 and CY2026 to cover nirsevimab and other vaccines in development. Mr. Miller advised the Committee that  
216 while the rate may be increasing, the program has access to CDC pricing at nearly 30% less than retail which is a  
217 sizable savings for the system. Additionally, the COVID uptake rate will be one of the largest factors on FY2023 spend.  
218 Ms. Walker added that this illustrates the need that the Board identified a few years ago of having the \$5M reserve  
219 and how important those dollars are to help with rate stability and the ability to absorb new vaccines.

220  
221 Ms. Tenney asked what percent of children receive the influenza vaccine. Ms. Mercuri advised that she does not  
222 have the actual uptake percent but for last year, the actual orders totaled \$1,397,852.90 and for this year DHHS is  
223 holding the projection close to last year at 93,100 doses totaling \$1,398,769.00. Ms. Tenney proceeded to ask why  
224 DHHS believes COVID doses might be higher than influenza. Ms. Mercuri identified that the 93,100 doses do not  
225 account for all children and this should be updated to reflect 60% for only the NHVA portion. She will send this  
226 correction to Mr. Miller to update the model. With this correction, Ms. Tenney asked if COVID figures were built  
227 into the model, and Mr. Miller indicated they were.

228  
229 Mr. Miller again stressed to the Committee that COVID utilization will have the biggest impact on what is spent this  
230 year. He stated that the conservative approach funding the full COVID request has a worst-case scenario of having  
231 more money left over to either use for reserves, use for potentially another new vaccine that enters the market or  
232 use for rate relief in subsequent years. Finally, given how quickly it is coming to market, our attorney is investigating  
233 how best to consider assessments for nirsevimab under the current statute.

234  
235 Ms. Tenney thanked Mr. Miller for his presentation, commenting on its comprehensiveness and the need for the  
236 board to consider many issues. Mr. Miller expressed his gratitude to Ms. Mercuri and Ms. Walker for all their work  
237 to date.

238  
239 **5. Other Business**

240  
241 Mr. Miller briefly reviewed the unaudited financial statements on pages 50 to 53 in the meeting packet. The  
242 assessment income budget figures are not yet aligned in the financial statements because the budget numbers tie  
243 back to the assessment model. Until the model is finalized, the budgetary figures will be inaccurate. The *Statement*  
244 *of Financial Position* reports a total of \$3.8M in checking and savings as of the end of July and almost \$4.5M in short-  
245 term investments. The estimated payment to DHHS due June 2024 is listed as \$23,912,371 which will be updated

246 once the board meets in September and sets the CY 2024 rate. With only one month into the new fiscal year, the  
 247 administrative budget is running ahead of the budget by \$15,337, but this does not consider unbilled expenses that  
 248 will be due in August and September (e.g., legal fees).

249  
 250 Mr. Miller received a request from the Bank of New Hampshire to see if there are any suggested changes to the  
 251 organization’s *Investment Policy Statement*. A substantial rewrite of the policy occurred in September 2019. After  
 252 review and consideration, Mr. Miller recommends leaving the policy in place as it is a conservative approach with  
 253 limited risk. Ms. Tenney agreed, stating a conservative approach is required. Mr. Margus and Ms. Mercuri agreed.  
 254 Mr. Miller will let the Bank of New Hampshire know that changes will not be made at this time.

255  
 256 **6. Public Comment**

257  
 258 Mr. Margus asked if any member of the public would like to speak, and reminded the public that any questions they  
 259 have should be directed to Mr. Miller as this is not an interactive session Ms. Condon indicated she would like to  
 260 speak. She thanked Mr. Miller for his presentation and stated her opinion that both the RSV monoclonal antibody  
 261 and the COVID vaccines do not fall under the statutory definition of a vaccine. Ms. Condon expressed interest in the  
 262 NH DHHS’ process to determine their annual vaccine purchases. She then stated that any reserve funds should be  
 263 returned to the insurers. Ms. Condon thanked the Committee for the opportunity to speak.

264  
 265 Mr. Miller confirmed that the other two members of the public did not desire to address the Committee. Mr. Margus  
 266 then asked for a motion.

267  
 268 **7. Adjournment**

269  
 270 Having no other business, Mr. Margus asked for a motion to adjourn.

271  
 272 **VOTE RECORDED:** *On a motion by Ms. Tenney, seconded by Ms. Mercuri, by roll call, it was unanimously*  
 273 **VOTED:** *To adjourn the Audit Committee meeting at 10:30 a.m.*

274  
 275

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

279  
 280 Respectfully submitted by  
 281 Patrick Miller, Helms & Company, Inc.  
 282 August 30, 2023

283  
 284 # # #