



Finance Committee Meeting Minutes May 5, 2016

A meeting of the Finance Committee of the Board of Directors of New Hampshire Health Plan was held on Thursday May 5, 2016 at 1:30 PM at the New London Hospital.

Attending the meeting were the following individuals:

Finance Committee Members

Bruce King, Chairman
David Ellis - by teleconference
David Sky – by teleconference
Brandy Millen – by teleconference

Other Parties

Michael Degnan – Helms & Co
John Hastings – Helms & Co
Andrew Luce – Mason & Rich
Mark McCue – HAS – by teleconference
Richard Patterson – by teleconference

Mr. King welcomed the Committee members, staff, Attorney McCue, and Andrew Luce, auditor. Mr. King asked Committee members if there were any changes proposed to minutes of May 8, 2015 Finance Committee meeting. There being none, *Mr. King declared the minutes were approved as written.*

Mr. King asked the auditors if they would report on the results of the 2014 audit. Mr. Luce reviewed the significant aspects of the audit:

The financial statements received an “unqualified” opinion.

The single audit contained an “unqualified” opinion.

Mr. Luce continued, noting that there were no questioned costs identified in relation to federal awards program audit, and no required communications. Mr. Luce reviewed the significant transactions in 2015 which included the completion of the High Risk Pool and Subsidy Mechanism activity and the completion of the first and second Consumer Assistance Partnership Exchange Grants. The third Consumer Assistance Partnership Exchange Grant was nearly completed and is to be completed by June 30, 2016.

Mr. Luce noted that there were no internal control material weaknesses to be reported and the auditors found that procedures implemented as a result of prior year issues were put in place and no exceptions were found.

Mr. Hastings suggested that a “subsequent events” footnote be drafted by Mr. McCue to briefly describe the effects of House Bill 1696 on NHHP and the expected amendment of NHHP’s plan of termination to continue the Association. *All were in favor.*

Mr. Luce reviewed the Form 990 tax return with the Committee. *Mr. McCue recommended some changes in the wording of certain statements in the tax return to which the auditors agreed.*

Mr. Luce noted that the Single Audit report would be filed electronically with the Fed by Helms following acceptance by the Board, and the Form 990 tax return had been put on extension since it is due May 15th. It will be filed electronically by Mason & Rich following approval by the Board and signature on the electronic filing authority by Ms. Roberts.

Mr. Luce also noted that NHHP's tax exempt status would likely need to change given the completion of the High Risk Pool, Subsidy Mechanism, and Consumer Assistance Grant work in 2016. Mr. Degnan asked Mr. McCue to briefly inform the Committee of the results of the tax research completed on this subject. McCue described the history of NHHP's current 501(c) 26 exemption and the exemptions that might be available while NHHP is performing assessment administration to fund the continuation of the Medicaid expansion funding. He recommended changing the exemption to be based on Code Section 115, in part because NHHP would no longer be required to file a tax return.

Finally, Mr. Luce reviewed plans for the 2016 audit which would focus on the activity of the Consumer Assistance Grant transactions as well as Single Audit compliance, if required. Mr. Luce noted that the Single Audit threshold amount has been increased to \$750,000 in 2016 so it is possible that a Single Audit may not be required. Discussion followed concerning the suggestion by Mr. Hastings that the auditors perform interim work and possibly "special procedures" related to the closing of the NHHP's High Risk Pool, Subsidy Mechanism, and Consumer Assistance grants as of 6/30/2016 to provide assurances that the cash and investments remaining at 6/30/2016 are accurate. Mr. King made a motion to support this proposal and all were in favor.

The Finance Committee then went into executive session.

Following executive session, Mr. King made a motion to: *accept the audit report (subject to the receipt of Mr. McCue's drafting of a subsequent events statement for the audit report explaining House Bill 1696) including the Single Audit report and the Management Letter, and the Form 990 and proposing that the Finance Committee recommend to the Board of Directors its approval of these reports and the Form 990 tax return. Ms. Millen seconded and all were in favor.*

Mr. King also asked for a motion to allow him to sign the Representation Letter which was made, seconded and approved by all.

Mr. King excused Mr. Luce from the meeting and asked Mr. Hastings to briefly review the financial statements for March, 2016. Mr. Hastings noted that cash and investments were at \$2.8 million at March 31, down just slightly from December, as a result of some claims refunds that were received. The liabilities for the Mass Policy Commission of \$27,000 which is due June 2016 and the audit bill remaining of \$20,000 which was paid this past April represent most of the liabilities outstanding and these will be paid by the end of June. Mr. Hastings pointed out the

cash forecast to the end of the program reflects an excess balance of \$2.6M, very close to previous estimates.

Briefly discussed was the negative Net Assets of \$614k of the Subsidy Mechanism. Mr. McCue suggested that the Board could approve the transfer of excess Net Assets of the High Risk Pool to the Subsidy Mechanism to bring the Subsidy Mechanism to zero. *Mr. King asked if the Committee had any objections to this plan and all were in favor.*

Mr. Hastings spoke to the Consumer Assistance Grants. The first grant of \$5.7M has been completed and closed. All of the grant funds were spent. The second grant of \$3.2M is now completed and closed and all of the grant funds were spent. And the third grant of \$3.39M is nearly complete with just \$263k remaining to be spent. This third grant expires June 16, 2016. Mr. Degnan spoke briefly about efforts to transfer the assets related to the Consumer Assistance Grant, chiefly the website and graphic arts. Mr. Degnan noted that the people interested in continuing the website were not interested unless they could receive grant funds to maintain the website. Mr. Degnan noted that his discussions with CMS led him to realize that CMS would require the continuation of NHHP, including oversight of the entity taking over the website, which is not practical in his view. Mr. Hastings noted that approximately \$50,000 in unused grant funds would remain in the third grant when NHHP planned to close the grant at June 30, 2016. *Mr. King asked the Committee if there were any objections to this plan and all were in favor.*

There being no further business, the meeting was adjourned at 2:25PM.

Respectfully submitted,
J. Michael Degnan