



Finance Committee Meeting Minutes May 13, 2020

The Finance Committee of the New Hampshire Health Plan Board of Directors was held on Wednesday May 13, 2020 at 9:30 AM via Zoom videoconference.

Meeting attendees were:

Finance Committee Members

Bruce King, Chairman
Dave Ellis
Gerri Vaughan
David Sky

Other Parties

Michael Degnan – Helms & Co
Kevin Stone – Helms & Co
John Hastings – Helms & Co
Andrew Luce – Mason & Rich
Mark McCue – Hinckley Allen

Mr. King welcomed the Committee members, staff, and Andrew Luce, Mason & Rich auditor. Mr. King noted that a quorum was present and asked Committee members for any changes to the proposed May 9, 2019 Finance Committee meeting minutes. There being none, *Mr. King declared the minutes approved as written.*

Mr. King noted discussions with Mr. Luce concerning Executive Session while online with Zoom and it was agreed that he would speak to Mr. Luce privately after the meeting and would report back to the Finance Committee if there were comments that needed to be shared.

Mr. King asked Mr. Luce to report on the results of the 2019 audit. Mr. Luce reviewed the significant aspects of the audit:

- The financial statements received an “unqualified” opinion.
- The auditors found no internal control deficiencies that might be considered material weaknesses.
- The statements are modified this year due to adopting FASB’s ASU No. 2018-08 for Not-for-Profits which provides guidance on reporting Contributions Received and Contributions Made, including the following:
 - Changes in reporting are effective prospectively (for the year ended December 31, 2019, but not for the year ended December 31, 2018)3
 - Net Assets have been adjusted to \$0.00 as of December 31, 2019.
 - Assessments collected are only recognized as Program Expenses-including Management and General Administrative Expenses- are incurred.
 - Deferred Assessments are now reflected as the difference between Assessment collections and Program / Administrative expenses rather than in Net Assets.

This shows as a liability on the balance sheet until NHHP incurs offsetting Program Administrative Expenses.

- Footnotes are added to explain these changes.
- Prepaid Expenses increased by \$3.9M to \$5.3M reflecting \$1.8M additional excess funds identified by DHHS related to the NH Health Protection Program (total at December 31, 2019 for this program increased to more than \$3.9M) and \$2.088M related to the Granite Advantage Program.
- The Liquidity Disclosure footnote reflected \$9.2M in financial assets suggesting that NHHP finished 2019 in a strong liquidity position.
- Mr. Luce reminded the Committee that no Form 990 tax return will be filed for 2019 and that the IRS is behind in responding to our filings in response to their comments regarding the Section 115 justification for not filing.

There was considerable discussion regarding proposed wording changes by Counselor McCue, who indicated the changes were not material but would “tighten up” some specific statements relative to the intent of the legislation related to the Waiver Application for the Reinsurance Program beginning in 2021.

Mr. King asked for a motion to forward the report on to the Board recommending approval. Mr. Sky moved the motion and suggested that the motion include words that “the Finance Committee approved the Audit Report in substance subject to the modifications proposed by Counselor McCue, when completed.” The motion was unanimously approved with Mr. Sky’s changes.

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

Mr. Hastings asked if Finance Committee action was needed to allow use of the \$500,000 Reserve Fund to finance the preparation and filing of the Waiver Application and the Reinsurance Program start-up until that program receives funding from the Federal Government and/or State Assessment collections (planned to be made quarterly with the 1st Quarter 2021 assessment to be collected by May 15, 2021). Counselor McCue noted that the language establishing the Reserve Fund included provision that the funds could be used to pay for the Waiver Application and start-up of the Reinsurance program if necessary, thus no further Committee action is needed.

Mr. King excused Mr. Luce from the meeting and asked Mr. Hastings to briefly review the financial statements for March 2020.

- Mr. Hastings noted that the financials were presented in the historical format with Net Assets and Assessments being recognized as revenue when received. Mr. Hastings proposed that the quarterly statements for June 30, 2020 and thereafter would be presented in the new format.
- Mr. Hastings pointed out that cash and cash equivalents were \$1.67M and Receivables were \$4,375M reflecting assessments collectible for Q1-2020 for estimated assessable

lives of 492,000 at \$2.96 per assessable lives. Prepaid Expenses remained at \$5.2M from December 31, 2019.

- The Income Statement for the three months ending March 31, 2020 reflected a surplus of \$.947M resulting primarily from the assessments revenue collectible for Q1-2020 at \$2.96/per member less the payment of \$3.290M to DHHS in March 2020. Other administrative expenses were on budget.

Mr. Degnan discussed the likelihood of future assessment revenue declines as a result of the widespread self-quarantine and growing unemployment. NHHP's management reviewed likely scenarios and has concluded that existing cash reserves should cover any anticipated 2020 shortfalls; but more significant concerns exist for 2021. Mr. Hastings reviewed two dashboard scenarios – one with a steady drop to 385,000 assessable lives across the remainder of 2020 and the other with a precipitous drop to 385,000 lives beginning with the 2nd quarter of 2020 (reported and collected in August 2020). In both cases an important assumption is that DHHS will pay NHHP approximately \$2.0M it holds as the wind-down of the NH Health Protection Program is completed (DHHS has stated it expects to pay these funds before the end of June this year). Further, it was noted that DHHS has the legislative authority to request NHHP pay to DHHS its “maximum” share of Remainder Amount which DHHS has estimated could be \$18.0M. This represents an additional \$1.5M, therefore, the Prepaid assessments related to the Granite Advantage program that DHHS is holding should be adequate to meet that request.

There being no further business, the meeting was adjourned at 11:00 AM.

Respectfully submitted,

J. Michael Degnan