



Finance Committee Meeting Minutes September 23, 2021

The Finance Committee of the New Hampshire Health Plan Board of Directors was held on Thursday, September 23, 2021 at 10:30 a.m. via Zoom videoconference.

Meeting attendees were:

Finance Committee Members

Bruce King, Chairman
Dave Ellis
David Sky

Other Parties

Michael Degnan – Helms & Co.
Kevin Stone – Helms & Co.
John Hastings – Helms & Co.

Mr. King welcomed the Committee members and staff and asked Committee members for any changes to the proposed May 26, 2021 Finance Committee meeting minutes. There being none, *Mr. King declared the minutes approved as written.*

Mr. King asked Mr. Hastings to review the June 30, 2021 financial statements. Mr. Hastings noted that the financials were presented in the updated format consistent with the FASB ASU No. 2018-08 adopted as of January 1, 2019. Deferred Assessments at December 31, 2020 were \$10,014,155 and were adjusted to \$17,995,202 including \$7,235,422 for Reinsurance at June 30, 2021 and Net Assets were nil.

Mr. Hastings briefly reviewed the Balance Sheet and noted that \$8.878M in cash. 1st quarter assessments collected for Granite Advantage (Granite) were at the new rate of \$3.60 on or about May 15, 2021, NHHP is committed to pay \$4.12M to DHHS before the end of September. NHHP continues to hold budget reserves and program reserves totaling \$1.259M contemplated for possible contingencies as well as for the eventual wind-down period and dissolution of NHHP. Granite advanced \$198,000 to the Reinsurance Program (Reinsurance) in the first six months to fund their cash requirements until their assessment collections began in May this year. These advances will be repaid by Reinsurance before the end of 2021. Granite remains favorable (\$19K) to budget for expenses and to date has experienced only small reductions in assessable lives despite the widespread impact of the corona virus. Reinsurance expenses through June were in line with budget. Edge Server fees exceeded budget, but legal fees were favorable and offset the Edge Serve overage.

Mr. King asked Mr. Degnan to review progress with the Reinsurance. Mr. Degnan and Mr. Stone pointed out NHHP's Award Letter was received from CMS reflecting \$22.7M as granted, and a second letter was received notifying NHID and NHHP that an additional award of \$8.8M was approved for NHHP related to the American Rescue Plan (ARP). The new total

of federal funds for 2021 is now \$31.5M. Leif Associates estimate of 2021 State funding as of April 2021 was \$13.59M.

Mr. King requested staff discuss the assessment calculations for calendar year 2022. Mr. Hastings reviewed the Remainder Amount Letter dated August 9, 2021 for Granite which provides worst case funding for NHHP as follows: \$18.9M in SFY 2021, \$20.9M in SFY 2022, and \$18.1M in SFY2023. Mr. Hastings reviewed the calculation of the rate for CY2021, which was \$3.60/month/covered life. Mr. Hastings also reviewed the cash flow quarterly outlook through May 15, 2023 which suggests the \$3.5M refund received from DHHS at the end of 2020 will hold. Mr. Degnan spoke that staff was proposing a rate for CY 2022 of \$3.15 and that the \$3.5M refund could be considered reserve funds.

Relative to the assessment for Reinsurance, the assessment rate is driven formulaically per the Second Amendment to the Amended and Restated Plan of Operations of the New Hampshire Health Plan. The rate is 60 basis points of the prior plan year second lowest cost silver plan (SLCSP). For 2022 the SLCSP was \$386.72 that equates to an assessment rate of \$2.22.

Mr. King asked for a vote on the proposed assessment rates. *Mr. Sky proposed and Mr. Ellis seconded the vote that the \$3.15 proposed Granite assessment rate and the Reinsurance assessment rate of \$2.22 for CY 2022 be approved and to recommend approval by the Board. All in favor.*

(Subsequent to the Finance Committee meeting new information relative to both rates became available. At the October 7, 2021 board meeting and at the October 29, 2021 board meeting the new information was presented to the board and the full board voted to set the 2022 Granite assessment rate at \$3.35 and the 2022 Reinsurance assessment rate at \$2.32. These rates were approved by the Commissioner of Insurance on October 29, 2011 and all carriers were notified by November 1, 2021 of the 2022 rates.)

Mr. King asked Mr. Hastings to review the proposed budget for 2022, including projected budget expenses for the balance of 2021. The budget incorporates planned expenditures for the Reinsurance and the Granite programs and projected Assessment collections and payments to DHHS. The Granite expenses totaling \$258K included a 2.5% increase for Helms and modest increases expected for Accounting and Legal expense. Other Granite expenses were largely flat, and overall proposed budget expenses for Granite were lower than expected expenses in 2021 by \$8,000. The Reinsurance expenses reflect a full year of activity with the program going live on January 1, 2021. Helms fees are flat in 2022 while additional costs are provided for actuarial services, CMS's Edge Server expenses, and continued use of PCG on a limited basis during the year. Overall, the Reinsurance Budget proposed for 2022 is equal to the approved budget for 2021.

Mr. King asked for a vote on the Budgets:

Motion by Mr. Ellis, second by Mr. Sky to accept the CY2022 Budgets as presented and to recommend approval to the Board – All in favor.

Mr. King then asked Mr. Hastings to briefly review the preparation for a “Single Audit” which is required by any entity accepting \$750,000 or more in federal government funds. NHHP will attain this level in 2022.

Mr. Hastings briefly reviewed the history of the Single Audit requirement, which was initiated in 1984. Many updates were done by Congress, most importantly in 2013 when a Catalog of Federal Domestic Assistance (CFDA) was issued, which applies a unique number to each Federal Program. Our number is 93.423 (Waivers for State Innovation for Section 1332 of Patient Protection and Affordable Care Act (PPACA) and each CFDA number has an audit program specially tailored for it. There are 14 areas of compliance requirements and in 2019 Congress reduced the maximum for any one CFDA number would be six. Our six are as follows:

- A. Activities Allowed or Unallowed
- B. Allowable Costs and Cost Principles
- C. Cash Management
- I. Procurement Suspension & Debarment
- L. Reporting
- M. Subrecipient Monitoring

Mr. Hastings closed with observations that our assessment collections are running ahead of forecast, and we are working to find a way to improve our interest yield on the cash funds we are holding and expect to hold. We will be talking to our bank (Bank of NH) and others, with some guidance from Mr. King.

There being no further business, Mr. King adjourned the meeting at 12:05 p.m.

Respectfully submitted,

J. Michael Degnan