

Washington Vaccine Association - Board of Directors Meeting

July 21, 2011, 1:30 - 3:30 PM

Location: Law office of Ellis, Li & McKinstry PLLC, Market Place Tower, PH-A

- I. **Attendance.** Participating in all or part of the meeting in person (P) or by telephone (T) were the following individuals:

Directors:

Brian Ancell
Dr. Joe Gifford
Phil Haas
Dr. Beth Harvey
Dr. Ed Marcuse
Allene Mares (T)
Laura McMillan

Vaccine Association:

Margaret Lane, acting Deputy ED (CML)
Fred L. Potter, ED (CML)
Claire Roberge, Controller, (CML) (T)
Peter Smith, Financial Analyst (CML)

Others:

Janna Bardi (DOH)
Jan Hicks-Thomson (DOH) (T)
Sarah Michaels, Sanofi-Pasteur
Chris Schattenkerk, GSK
Chris Brewer, Sanofi-Pasteur

II. Summary of Actions Taken and / or Recommended

A. Actions Taken (votes adopted)

1. To adopt the WVA Board meeting minutes from the June 16, 2011 Board Meeting.
2. To ratify Phil Haas's action of signing the auditor's engagement letter.
3. To authorize the Audit Committee Chairperson to sign further letters.
4. To approve the short-term Investment Policy and Key Bank Structure.
5. To approve the WVA Management Goals under the new executed Administrative Services Agreement, as amended at the meeting.
6. To approve the designation of Margaret Lane as Deputy Executive Director under the provisions of the CML contract, subject only to Margaret's acceptance of the position from CML.

III. Minutes

At 1:30, a quorum having been established, Brian Ancell, Chairman of the Vaccine Association, convened the meeting of the Washington Vaccine Association.

Vaccine Selection Process Update

Jan Hicks-Thomson reported that DOH was able to successfully implement the selection process on July 1st with minimal adjustments. Only about 4-5 providers have reported that their order set did not match their orders. There was a response rate of 92% to the selection survey. Two default order sets were created based on discussion at the Vaccine Committee. DOH is continuing to manage the process, budget, and vaccine projections. The next step will be to provide a full report to the Vaccine Committee in September, including how often to do the selection process. Jan is working with an IT vendor on automating the vaccine ordering and selection process. There are about 300 providers who order on-line. By October there should be about 600 providers ordering online. We need a statement of work to bring to the board for approval of WVA's payment for the work to automate this process, not to exceed \$80,000. Fred Potter clarified that WVA will

have no role in the software selection and that this is a one-time request with WVA acting only as a payment guarantor. WVA may cover the cost of this systems upgrade to DOH because it is directly supportive of WVA's mission and could save funds through automating the selection process instead of paying the annual costs for the work each year.

Upon motions duly made and seconded, it was unanimously

VOTED:

To adopt the WVA Board meeting minutes from the June 16, 2011 Board Meeting.

VOTED:

To ratify Phil Haas's action of signing the auditor's engagement letter.

VOTED:

To authorize the Audit Committee Chairperson to sign further letters.

Executive Director Report

Fred Potter reported that the assessment rate is now below the CDC contract rate; WVA pays the state treasurer the CDC rate plus the state's modest administrative charge. It is below the CDC rate because the CDC rate is a projection based on country-wide averages, and compliance is up while costs of administering the program are down. WVA intentionally set the rate lower than CDC's with the goal to burn down cash but so far we are not. The reason for our continued strong financial performance is two-fold: the federal government projects the amount of private payment for vaccines and they project slightly lower than may be the actual percentage so that produces some margin for us and, second, overall operations have been very positive with expenses going down and compliance increasing. Also our cash collection has benefited from several non-recurring factors, generally positive with the exception of Pediatrics Associates billing directly for vaccines due to a billing error. This was self-reported and is in the process of correction. WVA's financial analysis suggests that it will probably take a year (2011-2012 fiscal year) to get to a normalized baseline for cash flow. Despite the reduction in the assessment grid that was rolled-out on June 1, WVA is still gaining cash. Fred Potter expects that even at the low assessment rate, it is possible that cash may still build up this year.

CML has terminated all of the old contracts and re-engaged them under the new CML umbrella contract. On the project milestones, most of the work that has been pending has now been completed.

Mr. Potter reported that with respect to TriWest/TriCare, matters are more complicated than initially thought. We hope to have a strategy report to you by the September meeting.

There was a question about hospital compliance. Margaret said that there was a hospital that had been receiving vaccine payments directly (MultiCare). Also, the Operations team is helping to pull reports to determine whether hospitals that said that they will comply actually have complied. Hospital vaccine administration represents a very small percentage of vaccine volume, only .05%.

There was a suggestion that if following July and August (peak vaccine months) we are still running ahead of schedule, we might consider another downward adjustment to the assessment grid. DOH advised that we know that the state will not be awarded another grant. There is an expected reduction of about 23% to the federal Section 317 program for 2012 (discretionary funding source used to cover the children in state sponsored programs). Chair Ancell asked that by the October meeting, CML present a recommendation about assessment levels in order to implement a change for 1/1/2012.

Investment Policy

Chairman Ancell and Mr. Kirkpatrick gave directions to Mr. Potter that we should consider engaging an investment advisor even though we are only dealing with short-term funds. We know we can do better than the overnight Treasury repo purchases we have now. We are looking at hiring an investment manager to more actively manage our funds and avoid loss. In the interim, the recommendation is to adopt the proposal from KeyBank, which takes our collection account to a zero-interest basis and eliminates the repo

agreements. We would then be 100% insured and eliminate the bank insurance fund limits with respect to the \$18 million in our account. KeyBank has agreed to give us a credit against the fees they are charging in exchange for our agreement to leave the funds in the bank overnight. The credit will be at the same rate we are receiving on the current overnight arrangement.

By September, Fred should have an investment policy and recommendation on an advisor. This should be a net gain to Washington Vaccine Association. The Board noted that if an investment advisor is hired this cost would be paid directly by WVA.

Upon motions duly made and seconded, it was unanimously

VOTED:

To approve the short-term Investment Policy and Key Bank Structure.

Budget

To allow board members sufficient time for review, the budget will be discussed but not voted on until the September meeting. Fred explained how the sheet is organized and what the column letters refer to. A = Actual for the fiscal year just closed per management reports; B= Estimate of what the budget needs to be for next year. The budget has been compressed dramatically. Next year, we are projecting to be -\$2.1 million because we are planning to refund on the net assessment margin; however we are running favorable to this. General administration is fixed at \$380,000. Investment income will be higher. Legal should be lower; audit should be slightly lower; there will most likely not be a tax return. WVA pays for special projects subject to prior board approval. Bank fees should be slightly higher due to our assessment volume increasing; the investment manager amount is unknown. If we do nothing else, investment income would pay a portion of our bank fees. Total expenses are dramatically down. At all times Fred suggests we have 2 – 3 months assessment volume in the bank plus the flu vaccine cost, which is a spring purchase for a fall assessment. Fred suggests that the budgetary process be two steps: (1) the expense budget and (2) the revenue section including the vaccine assessment-setting process. It may be better to have the two parts on two different pages. Brian suggests that we combine the lines on vaccine assessment (lines 1 – 3) with vaccine revenue and expense (lines 91 and 92) on a separate analysis page.

Board member Laura McMillan suggested including the IT work for the state under Special Projects and Chair Ancell suggested including a separate line for the potential operational bonus.

New Board appointment

Allene Mares reported she had spoken to Dorothy Teeter, who recommended getting a self-insured employer to participate on the board. Allene has followed up with Mary McWilliams from the Puget Sound Health Alliance. Currently, they have narrowed the list of nominees down to the current CFO at Alaska Airlines, who is on vacation and may be moving to a different position. Premera will be following up with the potential candidate. Hopefully, we will have a new board member for review and appointment by the September meeting.

There was no public comment.

Executive Session

The first item is final approval of the CML Management Goals, which were reviewed during the last meeting and revised according to the comments received. First section is core operating statistics, which may be reported as the Board meets. The next section is provider/payer compliance: the goal is to achieve 95% physician compliance and sustain 100% payer compliance, which we have right now except for TriCare. The other item is to finalize the TriCare strategy by the November board meeting and have resolution of it by June 1, 2012. The board clarified that it understands that everything is not under CML's control and is simply asking that CML develop a good plan and execute that plan. Regarding the vaccine selection process, CML should make sure that the vaccine selection process is implemented on a timely basis. Next is a long term solution for the assessment process; we need to bring closure to this issue and determine whether the system we have is

the right one. The Operations Group should help determine whether the current system is the right system. Fred stated that the question is whether we true up every assessment and reconcile it like a normal claims system – but this isn't inexpensive.

Lastly, CML should develop an automated monitoring process because without a closed system, we don't know when there is a compliance problem. The board wants energy directed at 3.c., which is the monitoring process of reconciliation. The board determined to delete 3.b. (alternative long-term solution) and make 3.c. (audit and monitoring process) into 3.b. The date of the monitoring goal will be relaxed slightly to the March 2012 Board of Directors meeting. 4.a. will simply be updating the Plan of Operation. Regarding 5, we have already discussed the investment and cash management policy.

After considerable discussion, the Board concluded that it prefers attention be concentrated on the other items of the goals and that we not revisit the long-range solution at this point in time. This was not intended to rule that out indefinitely but intended to focus efforts during the next operational phase on improvements and further normalization of the existing operating mechanism.

The Board met in executive session with Mr. Potter excluded to finalize and confirm its thinking with regard to CML management goals for 2011/12. He was then invited to return to the meeting.

Upon motions duly made and seconded, it was unanimously

VOTED:

To approve the WVA Management Goals under the new executed Administrative Services Agreement, as amended

Several of the Board commended CML on its effort to enjoin Margaret Lane as Deputy Executive Director. They expressed their appreciation of her work through the WVA startup year.

Upon motions duly made and seconded, it was unanimously and enthusiastically

VOTED:

To approve the designation of Margaret Lane as Deputy Executive Director under the provisions of the CML contract, subject only to Margaret's acceptance of the position from CML.

There being no further business, the meeting was adjourned at 3:20 pm.

[Mr. Ancell advised Mr. Potter that there were no formal actions taken by the Board during that portion of the Executive Session when all of the staff and Mr. Potter had been excused.]

Secretary
Washington Vaccine Association

Date of Approval