

Washington Vaccine Association – Board of Directors Meeting

May 17, 2012, 2:00 – 4:00 PM

Location: Law Office of Ellis, Li & McKinstry PLLC

I. **Attendance.** Participating in the meeting were the following individuals:

Directors:

Brian Ancell  
Jason Farber (T)  
Dr. Joe Gifford  
Dr. Beth Harvey  
Dennis Kirkpatrick  
Laura McMillan  
Dr. Mary Kay O'Neill  
Norman Seabrooks

KidsVax.org™:

Fred Potter  
Claire Roberge (T)  
Norman Roberge (T)  
Peter Smith (T)  
Emily McKenna (T)

WVA:

Margaret Lane

Others:

Janna Bardi  
Jeffrey Gombosky  
Anne Redman  
Polly Sidwell (T)  
Mark Thomas

II. **Summary of Actions Taken and / or Recommended**

**A. Actions Taken (votes adopted)**

1. Voted to approve the January 19, 2012 WVA Board meeting minutes, as submitted.
2. Voted to approve the April 11, 2012 WVA Executive Committee meeting minutes, as submitted.
3. Voted to approve the WVA Investment Policy as presented (which reflects changes suggested at the January 19, 2012 WVA Board Meeting).
4. Voted to approve the authorizations supportive of federal tax exemption filing, as submitted.
5. Voted to approve the WVA expense budget for the calendar year 2012-2013 reflecting changes suggested at the May 17, 2012 WVA Board Meeting.
6. Voted to approve a new Dosage Based Assessment Refund Policy.
7. Voted to confirm that no conflict exists which prohibits any board member of WVA, or any other person whose form was submitted, from serving WVA at this time in her or his respective position.
8. Voted to ratify the appointment of WVA Board Member Laura McMillan as Chair of the Audit Committee.

### III. Minutes

#### Welcome and Introduction

At 2:00 p.m., a quorum having been established, Brian Ancell, Chairman of the Vaccine Association, called the meeting of the Board of Directors to order.

#### Consent Calendar Items

A motion was made to approve the Consent Calendar Items as written.

#### **Upon motion duly made and seconded, it was unanimously**

**VOTED:** To approve the minutes of the January 19, 2012 WVA Board Meeting.

#### **Upon motion duly made and seconded, it was unanimously**

**VOTED:** To approve the minutes of the April 11, 2012 WVA Executive Committee Meeting.

#### **Upon motion duly made and seconded, it was unanimously**

**VOTED:** To approve the WVA Investment Policy as presented (which reflects changes suggested at the January 19, 2012 WVA Board Meeting).

#### **Upon motion duly made and seconded, it was unanimously**

**VOTED:** To authorize the WVA to file such application(s) for exemptions from federal income tax under § 501(c)(3) of the Internal Revenue Code of 1986, as amended, and from annual Form 990 filings, as may be determined to be applicable by WVA's outside auditor.

To authorize the officers of the WVA to pay any user fee(s) required to file any such application(s) for tax exemption.

To authorize and direct the officers of the WVA to execute and file all such documents and to take such other actions as they deem necessary or desirable in order to submit application(s).

#### Executive Director Updates

Mr. Potter indicated that the 2012/2013 Budget item was added to the agenda in the event that a June WVA Board meeting is not held. The budget is fairly straightforward because after the contract was negotiated with KidsVax.org™, essentially all of the expenses were rolled into the master agreement and have already been set. There are now complete and more robust financial reporting tools, including two financial reports that are part of the quarterly reporting. As the association becomes more mature and on a regular quarterly cycle, the Board as a whole will most likely interact with the quarterly summary packet, which provides the first of those two reports. The April financials are included this time as well due to the timing of the meeting. This reporting packet is the first time that the Board has been provided with a management summary as a result of investment activities. The Investment Policy revisions were briefly discussed and an overview of

WVA's current investments was given. These tools are intended to provide the Board with an indication of when there will be a need to make assessment decisions and will constantly monitor how the investments are doing against the planning assumptions that went into the last set of assessment decisions by the Board.

Mr. Smith presented a brief overview of his liquidity analysis, which is based on a much more complex analysis of assumptions and data points that support and go into the cash flow trends. This information helps to determine the suggestions for cash flow reserve and price setting in the future and timing of cash. The new rates that became effective February 1, 2012 have, as planned, not only stopped but also have begun to reverse the build-up of cash reserves. We are on target to reduce the cash reserves to the desired levels in one year as corresponded to the sensitivity analysis table entry selected by the Board at the November 2011 meeting. The cash is burning down and will continue to do so through the next 11-12 months at approximately \$1 million/month. The first few months are not indicative of that \$1 million/month because it takes some time to uptake new rates into the system and there is still cash coming in at the old levels from doses administered at those points in time before the rate change.

The target reserve level is \$17.6 million and with the cash reserves continuing to decline, reserves are projected to hit the target level sometime in March or April of 2013. Mr. Smith will continue to monitor and advise of any significant changes, but the Board may want to consider raising the assessment rates this October so that the rates could be effective in February 2013 at a higher rate estimated to be a 25-40% increase from the current rates. A brief discussion ensued concerning this calculation. At a projected 32% increase from current prices, the WVA would be in a maintenance position with the cash that is keeping the reserve stable. This calculation would put the resultant WVA assessment rate at roughly 60% of the CDC wholesale cost. Mention was made of previous discussions to get on an annual cycle for increases for rate adjustments. Discussion ensued regarding the optimal timing of the cycle. Mr. Potter commended Mr. Smith on his preparation of the liquidity report and his work in strengthening the forecasting tools used for WVA.

The WVA expense budget was discussed. By previous agreement, the CML/KidsVax.org™ contract goes down each year over the first three years and hits next year what is believed to be a normal operating year level of \$353,290 that was set during contract negotiations last summer. Per Board invitation last year, a 10% variable compensation amount is reflected for budgeting purposes, but the Board is under no obligation to pay that amount. There are placeholders for legal and audit. The audit is based upon a quote from the engagement letter. There are also estimates on special communications.

The Executive Committee previously considered a \$9,500 budget for a proposed WVA Founders Recognition event, but preferred that the Board as a whole act on it. The event would be held in Olympia in September. Further discussion ensued regarding the event. It was the sense of the Board to host a lower cost event but not to have a separate line item for this event now. When a specific number of guests can be determined, a proposed budget amount can be presented to the Executive Committee. There is also a placeholder for other special projects of which none are currently known. The add-ons are insurance, bank fees, and the investment advisor fee. The investment manager is charging a fee only on the assets that are managed and those that are in money market funds are not being charged a fee. Morgan Stanley currently has \$20 million under management. At all times at least \$5 million is in money markets, so at the very most a full investment would be a fee on \$15 million.

## Board Development

The conflicts summary was reviewed briefly. There is nothing remarkable. As a matter of NAIC Insurance Regulation, Board members generally look through the conflicts. The conflicts have been summarized and outside counsel Anne Redman has also reviewed our findings, the individual reports, as well as the summary presented to the board. The conflict statements in full are posted on the SharePoint site. Mr. Potter indicated that he saw nothing that requires these statements be made public. Unless the Board advises differently, the summary memo will be made public, but not individual reports.

After review and brief discussion concerning the Conflict of Interest Statements, it was the sense of the Board to move forward.

### **Upon motion duly made and seconded, it was unanimously**

**VOTED:** To confirm, after review of the annual individual conflict forms submitted and the summary prepared by Deputy Executive Director Margaret Lane, reflecting changes suggested at the May 17, 2012 WVA Board Meeting, following review of all forms with outside counsel, that no conflict exists which prohibits any board member of WVA, or any other person whose form was submitted, from serving WVA at this time in her or his respective position.

Ms. Sidwell, from Morgan Stanley Smith Barney, provided a brief update on the quarterly investments. On February 1, 2012, \$20 million came in and by the end of that first month Morgan Stanley Smith Barney was able to put roughly \$10 million to work. Net returns were approximately 41 basis points by the end of the first month and 49 by the end of March. As it stands now, at the end of April, it is up to 53 basis points. That is an overall \$20 million portfolio, which includes the \$5 million that is held in reserve and money market funds. The money market funds are yielding 20 basis points. Institutional share class money market funds are being used. The core portfolio, which is the actual invested assets, is 70 basis points. It is expected that the Fed will keep interest rates will be kept very low for another two years, perhaps longer. Five years is the longest maturity for WVA investments. No more than 20% or one-fifth of the investments can be any longer than three years. Currently, 80% of the investments are shorter than three years. Due to sizeable cash liquidity, the portfolio has been implemented so that there is currently approximately \$7 million in cash funds and about \$13 million out of the \$15 million that can be invested is invested at this point.

The updated Board calendar was reviewed. A teleconference is currently planned for the June meeting. Unless there is a need, the July meeting will not be held. The next in-person meeting is scheduled for Friday morning, September 7th in Olympia and the recognition event will take place either right before or right after the Board meeting. A brief discussion ensued.

## Other Board Matters

The updated Plan of Operation was presented and reviewed in detail. After considerable discussion, it was the sense of the Board to have additional review by attorney Board members as to whether or not to include the recommended Article X, Board Policies section. A recommendation will be brought back to the Board in June prior to submitting the revised Plan to the Secretary.

There was Board discussion regarding the DBA Refund Policy. An earlier version of this policy related only to the first lowering and it was specifically created as a one-time policy. The new refund policy is considered to be an ongoing policy to hold payers accountable for paying the

appropriate rates on the website grid and they have all agreed to this as long as they have the 60 days notice.

**Upon motion duly made and seconded, it was unanimously**

**VOTED:** To approve a new Dosage Based Assessment Refund Policy.

The Department of Health provided a brief update regarding the process allowing providers to choose the brand of vaccine. Two systems have been used to support this process. The first is the state's direct order registry system and the other is an electronic online survey. There was some concern that there may have been difficulty for some users, so the period for choosing the vaccines has been extended through May 25<sup>th</sup> to complete the process. To date about 10% of the providers have made a change to the products, but the statistics on the number of providers who have completed the process are not currently available.

TriWest Update

A letter regarding payment was sent to TriWest with a copy going to the Board when it was sent out. The TriWest representative indicated that he is the nominal head of the market, but has no authority with respect to this topic. Therefore the WVA's letter has been referred to the appropriate people. A telephone response received by Mr. Potter indicated that WVA would be hearing about payment or not. Mr. Potter would like to send out a communication that indicates that under the Board policy, the Board is prepared to waive interest prior to the date that they received notice of this overdue payment and remind them that under the Plan of Operation interest is accruing at a rate of \$5,000 day. Lengthy discussion ensued. It was the sense of the Board to review the matter further with WVA attorneys prior to taking additional action, reserving all options to the WVA at this time.

Audit Committee

Laura McMillan has agreed to be the Audit Committee Chair.

**Upon motion duly made and seconded, it was unanimously**

**VOTED:** To ratify the appointment of WVA Board Member Laura McMillan as Chair of the Audit Committee.

There being no further business, the meeting was adjourned at 3:30 pm.

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Secretary  
Washington Vaccine Association

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Date of Approval