



Financial Statements

As of and For the Years Ended December 31, 2021 and 2020

with Independent Auditor's Report

ALASKA VACCINE ASSESSMENT PROGRAM
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INDEPENDENT AUDITOR'S REPORT

To the Council Members
Alaska Vaccine Assessment Program
Anchorage, Alaska

Report on Audit of the Financial Statements

Opinion

I have audited the accompanying financial statements of the Alaska Vaccine Assessment Program, which comprise the statements of net assets-regulatory basis as of December 31, 2021 and 2020, and the related statements of activities-regulatory basis and cash flows-regulatory basis for the years then ended, and the related notes to the financial statements.

In my opinion, the financial statements referred to above present fairly, in all material respects, the net assets of the Alaska Vaccine Assessment Program as of December 31, 2021, and the changes in its net assets and its cash flows for the year then ended, in accordance with the financial reporting provisions of the Alaska Vaccine Assessment Program as described in Note 2.

Basis for Opinion

I conducted my audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am required to be independent of the Alaska Vaccine Assessment Program and to meet my other ethical responsibilities, in accordance with relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Emphasis of Matter – Basis of Accounting

I draw attention to Note 2 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the basis of the financial reporting provisions, defined by the Council, of the Alaska Vaccine Assessment Program, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to comply with the requirements of the Alaska Vaccine Assessment Program. As a result, the financial statements may not be suitable for another purpose. My opinion is not modified with respect to that matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of the Alaska Vaccine Assessment Program, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Alaska Vaccine Assessment Program's ability to continue as a going concern for one year after the date the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, I

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Alaska Vaccine Assessment Program's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Alaska Vaccine Assessment Program's ability to continue as a going concern for a reasonable period of time.

I am required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that I identified during the audit.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, I have also issued a report dated April 25, 2022, on my consideration of Alaska Vaccine Assessment Program's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is solely to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Alaska Vaccine Assessment Program's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Alaska Vaccine Assessment Program's internal control over financial reporting and compliance.

Restrictions on Use

Because the financial statements are prepared on the basis of the financial reporting provisions, as defined by the Council of the Alaska Vaccine Assessment Program, which is a basis of accounting other than accounting principles generally accepted in the United States of America, this report is intended solely for the information and use of the Council Members, State of Alaska, and management of the Alaska Vaccine Assessment Program and is not intended to be and should not be used by anyone other than those specified parties.

April 25, 2022

A handwritten signature in blue ink that reads "Laura Lindal CPA". The signature is written in a cursive style.

Blaine, Washington

ALASKA VACCINE ASSESSMENT PROGRAM
 Statements of Net Assets - Regulatory Basis
 December 31, 2021 and 2020

	2021	2020
ASSETS		
Cash		
Held by the State of Alaska	\$ 18,967,872	\$ 18,542,028
Held by KidsVax® LLC	67,893	25,817
	19,035,765	18,567,845
Assessments receivable		
Payers	467,117	418,472
Providers	71,395	3,600
Total assessments receivable	538,512	422,072
Allowance for uncollectible assessments	(418,245)	(407,134)
Net assessments receivable	120,267	14,938
Total assets	\$ 19,156,032	\$ 18,582,783
LIABILITIES		
Accounts payable		
Vaccines	-	1,353,294
KidsVax®	15,686	60,111
Professional fees	-	11,000
On behalf of Department of Health & Social Services	21,183	64
Refunds due to payers/providers	40,556	812
	77,425	1,425,281
Assessments collected in excess of vaccine funding and administrative activities	10,742,060	9,020,353
Total liabilities	10,819,485	10,445,634
NET ASSETS		
Restricted funds due to Department of Health & Social Services	8,336,547	8,137,149
Total liabilities and net assets	\$ 19,156,032	\$ 18,582,783

The accompanying notes should be read with these financial statements.

ALASKA VACCINE ASSESSMENT PROGRAM
Statement of Activities - Regulatory Basis
For the Year Ended December 31, 2021

	Assessments Collected in Excess of Vaccine Funding and Administrative Activities	Restricted funds Due to DHSS	2021
	<u> </u>	<u> </u>	<u> </u>
Assessments			
Payer assessments - children	\$ 8,461,914	\$ -	\$ 8,461,914
Payer assessments - adults	3,659,341	-	3,659,341
Provider assessments	484,770	-	484,770
	<u>12,606,025</u>	<u>-</u>	<u>12,606,025</u>
Investment loss	(26,514)	-	(26,514)
Total revenue	12,579,511	-	12,579,511
Allowance for doubtful collections	(11,111)	-	(11,111)
Net revenue	<u>12,568,400</u>	<u>-</u>	<u>12,568,400</u>
Program expense			
Vaccines	10,237,532	-	10,237,532
DHSS administrative fee	315,152	-	315,152
Servicing agent	272,593	-	272,593
	<u>10,825,277</u>	<u>-</u>	<u>10,825,277</u>
Administrative costs	21,416	-	21,416
Total expenses	<u>10,846,693</u>	<u>-</u>	<u>10,846,693</u>
Net activity	1,721,707	-	1,721,707
Changes in restricted funds			
Investment loss - AK state pooled investments		(19,654)	(19,654)
DHSS administrative fee earned		315,152	315,152
Authorized DHHS expenditures		(96,100)	(96,100)
Balance, beginning of year	<u>9,020,353</u>	<u>8,137,149</u>	<u>17,157,502</u>
Balance, end of year	<u>\$ 10,742,060</u>	<u>\$ 8,336,547</u>	<u>\$ 19,078,607</u>

The accompanying notes should be read with these financial statements.

ALASKA VACCINE ASSESSMENT PROGRAM
Statement of Activities - Regulatory Basis
For the Year Ended December 31, 2020

	Assessments Collected in Excess of Vaccine Funding and Administrative Activities	Restricted funds Due to DHSS	2020 Total
Assessments			
Payer assessments - children	\$ 7,792,866	\$ -	\$ 7,792,866
Payer assessments - adults	1,500,407	-	1,500,407
Provider assessments	251,441	-	251,441
	<u>9,544,714</u>	-	<u>9,544,714</u>
Investment income	181,186	-	181,186
Total revenue	9,725,900	-	9,725,900
Allowance for doubtful collections	(407,134)	-	(407,134)
Net revenue	<u>9,318,766</u>	-	<u>9,318,766</u>
Program expense			
Vaccines	11,132,546	-	11,132,546
DHSS administrative fee	238,618	-	238,618
Servicing agent	263,375	-	263,375
	<u>11,634,539</u>	-	<u>11,634,539</u>
Administrative costs	20,581	-	20,581
Total expenses	<u>11,655,120</u>	-	<u>11,655,120</u>
Change in net assessments collected	(2,336,354)	-	(2,336,354)
Changes in restricted funds			
Investment income - AK state pooled investments		138,157	138,157
DHSS administrative fee earned		238,618	238,618
Authorized DHHS expenditures		(848,710)	(848,710)
Balance, beginning of year	<u>11,356,707</u>	<u>8,609,084</u>	<u>19,965,791</u>
Balance, end of year	<u>\$ 9,020,353</u>	<u>\$ 8,137,149</u>	<u>\$ 17,157,502</u>

The accompanying notes should be read with these financial statements.

ALASKA VACCINE ASSESSMENT PROGRAM
 Statements of Cash Flows - Regulatory Basis
 For the Years Ended December 31, 2021 and 2020

	2021	2020
Cash receipts of assessments	\$ 12,529,329	\$ 9,532,130
Cash receipts of interest	(46,168)	319,343
Cash disbursements for vaccines	(11,590,826)	(11,503,587)
Cash disbursements for other costs	<u>(424,415)</u>	<u>(1,077,645)</u>
 Cash flows from operating activities	 <u>\$ 467,920</u>	 <u>\$ (2,729,759)</u>
 Cash Flows from Operating Activities:		
Change in net assessments collected	\$ 1,721,707	\$ (2,336,354)
Net transfer to (from) restricted funds	219,052	(610,092)
Restricted portion of investment income (loss)	(19,654)	138,157
Adjustments to reconcile change in net assessments collected to net cash from operating activities:		
Changes in assets and liabilities		
Assessments receivable	(116,440)	(12,995)
Allowance for uncollectible assessments	11,111	407,134
Accounts payable - vaccines	(1,353,294)	(371,041)
Accounts payable - nonvaccine purchases	(34,306)	55,021
Refunds due	<u>39,744</u>	<u>411</u>
Cash flows from operating activities	<u>467,920</u>	<u>(2,729,759)</u>
 Net change in cash	 467,920	 (2,729,759)
 Cash, beginning of year	 <u>18,567,845</u>	 <u>21,297,604</u>
 Cash, ending of year	 <u>\$ 19,035,765</u>	 <u>\$ 18,567,845</u>

The accompanying notes should be read with these financial statements.

ALASKA VACCINE ASSESSMENT PROGRAM
Notes to the Financial Statements
For the Years Ended December 31, 2021 and 2020

NOTE 1 – NATURE AND PURPOSE OF THE PROGRAM

The Alaska Vaccine Assessment Program (AVAP) (the Program) is a program enacted by the State of Alaska legislature in June 2014 and authorized under Alaska Statute 18.09.200 to establish a vaccine assessment account that will enable the Alaska Department of Health and Social Services (DHSS) to purchase all pediatric and most adult vaccines at costs below those of private purchase alternatives.

AVAP facilitates the universal purchase of vaccines in Alaska. It provides funding for all vaccines federally recommended for insured children and for certain adult vaccines selected by the DHSS. By collecting payments from health plans, insurers, and other responsible entities and remitting those funds to the State of Alaska, AVAP ensures

- Alaskans gain improved access to vaccines;
- Health care providers receive state-supplied vaccines at no charge; and
- Payers benefit from cost savings through the State’s bulk vaccine purchase and distribution.

DHSS contracted with KidsVax, LLC based in New Hampshire as the servicing agent for administrative support services, including collection of payments from health plans, insurance companies, and other payers and providers.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The accompanying financial statements are prepared from the activities provided for under the Alaska Vaccine Assessment Program, and represent a basis of accounting other than accounting principles generally accepted in the United States of America. The financial statements include the assessments billed to participating payers and providers, as determined by the provisions of the Program, and the expenses that are allowed to be paid from the Program, including vaccines and the costs for administering the program. Vaccines are considered to be an expense of the Program when ordered and an inventory balance is not recognized.

Cash and cash equivalents

Cash represents funds held by the State of Alaska and KidsVax for the benefit of the Alaska Vaccine Assessment Program.

Assessments receivable

Assessments receivable are stated at the amounts management expects to collect from outstanding balances. Management provides for doubtful receivables through an allowance based on its consideration of the current status of individual receivables.

ALASKA VACCINE ASSESSMENT PROGRAM
Notes to the Financial Statements
For the Years Ended December 31, 2021 and 2020

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Assessments collected in excess of vaccine funding and administrative activities

AVAP has collected assessments in excess of amounts required to fund Childhood and Adult vaccines and associated administrative costs. Net assessments collected accumulate and will be used for timely funding of (i) future vaccine funding obligations of the program and (ii) reasonable and necessary operating costs of AVAP.

Restricted funds due to Department of Health & Social Services

Alaska Vaccine Assessment Program owes DHSS for vaccines paid for at the inception of the program, assessments collected on behalf of DHSS, and for the annual administrative fee payable to DHSS. Alaska Vaccine Assessment Program has paid costs as authorized by DHSS, on their behalf, and these amounts have been deducted from amounts owed to DHSS. All funds due to DHSS are not available to AVAP.

Revenue recognition

Assessments are recognized when billed to participating payers and providers based on the number of covered lives. Assessments are billed to payers on a quarterly basis and to providers on an annual basis. Assessment rates per covered life are recommended by the State Vaccine Assessment Council and approved by the Commissioner of the State of Alaska Department of Health and Social Services on an annual basis.

Investment income earned (or losses incurred) on funds pooled with the State of Alaska funds has been allocated between restricted funds due to DHSS and AVAP based on pro-rata balances on a monthly basis.

Expenses

The terms of the Program allow for DHSS to charge an administrative fee of two and one-half percent (2.5%) of total revenue less credits approved by the Council. This fee is for direct and indirect costs incurred by DHSS in its administration of the Program.

The servicing agent earns its fee on a monthly basis in accordance with services provided to the Program. Amounts outstanding to KidsVax, LLC at December 31, 2021 and 2020 totaled \$15,686 and \$60,111, respectively.

Use of estimates in preparation of financial statements

The preparation of financial statements in conformity with regulatory basis of accounting requires management to make estimates and assumptions that affect reported amounts and disclosure of assets and liabilities. Actual results could differ from those estimates.

ALASKA VACCINE ASSESSMENT PROGRAM
Notes to the Financial Statements
For the Years Ended December 31, 2021 and 2020

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Subsequent events

Subsequent events have been evaluated through April 25, 2022, which approximates the date the financial statements were available to be issued.

NOTE 3 – CONCENTRATIONS OF RISK

For the years ended December 31, 2021 and 2020, two payers represented a total of 45% and 45% of the assessment revenue, respectively.

For the year ended December 31, 2021, one payer plus two providers represented 76% the accounts receivable. For the year ended December 31, 2020, one payer represented 75% of the accounts receivable.

NOTE 4 – COLLECTION OF ASSESSMENTS IN ARREARS

Through its administrator, KidsVax, LLC (KV), AVAP has been pursuing collection from the federal Defense Health Agency (DHA) assessments for TRICARE beneficiaries residing in the State of Alaska. AVAP has benefitted from KV's multistate efforts to secure supportive federal legislation. Effective December 23, 2016, Congress adopted Section 719 of the 2017 National Defense Authorization Act (NDAA) which authorized the DHA to make payments to AVAP and certain other state vaccine programs. The 2017 NDAA provides for reimbursement of the amount assessed by AVAP generally but with certain limits. Section 718 of the 2018 NDAA made such DHA payments mandatory. Commencing in May of 2018, TRICARE started making regular AVAP assessment payments going forward. Amounts due AVAP as of December 31, 2021 and 2020 were \$418,245 and \$407,134, respectively.

KV is actively negotiating with the DHA about arrearage assessments due from AVAP's inception to May 2018. It also seeks to protect AVAP's interests with respect to both TRICARE'S limitation methodology and beneficiary counts. During 2018, \$1.5 million of arrearages were collected and DHA has to date acknowledged liability for an additional \$1 million. KV has received information from AVAP providers which suggests that DHA's liability may be higher. At this point it is uncertain what final amount will be agreed to resolve the TRICARE arrearage with DHA or when any additional payments will be received. AVAP and KV disagree with TRICARE's ongoing assessment reduction methodologies and reserve all legal rights to pursue recovery of these sums. However, since the amount remains uncollected after one year, an allowance has been recorded for the receivable in its entirety, in accordance with accounting principles.

To help maintain payer equity in the past, DHSS had advanced funds to AVAP to provide for TRICARE and other non-participating payer beneficiaries. Accordingly, TRICARE arrearage collections are deemed DHSS restricted funds as collected.



INDEPENDENT AUDITOR'S REPORT
ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Council Members
Alaska Vaccine Assessment Program
Anchorage, Alaska

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Alaska Vaccine Assessment Program which comprise the statement of net assets-regulatory basis as of December 31, 2021 and 2020, and the related statements of activities-regulatory basis and cash flows-regulatory basis for the years then ended, and the related notes to the financial statements, and have issued my report thereon dated April 25, 2022.

Report on Internal Control over Financial Reporting

In planning and performing my audit, I considered Alaska Vaccine Assessment Program's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Alaska Vaccine Assessment Program's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of Alaska Vaccine Assessment Program's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be a material weakness. However, material weaknesses or significant deficiencies may exist that have not been identified.

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Page 2

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Alaska Vaccine Assessment Program's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

April 25, 2022

A handwritten signature in blue ink that reads "Laura Lindal CPA". The signature is written in a cursive style.

Blaine, Washington