

**FLORIDA BIRTH-RELATED NEUROLOGICAL INJURY
COMPENSATION ASSOCIATION
BOARD MEETING AGENDA**

March 10, 2023

2:00 p.m.

1. Call to Order and Introduction of New Board Member
2. Minutes.....A
3. Report on Executive Director Search
4. Executive Director Report/Legislative Update
5. Investment Update.....B
6. Reserve Review/Update.....C
7. Cash Flow Review/Update.....D
8. Public Testimony
9. Board Votes

Agenda Item # 2 (Tab A)

Minutes

MINUTES OF THE MEETING
THE FLORIDA BIRTH-RELATED
NEUROLOGICAL INJURY COMPENSATION ASSOCIATION

December 1, 2022
Virtual Meeting via Zoom Video and Zoom Conference Call

The December 1, 2022 meeting of the Board of Directors of the Florida Birth-Related Neurological Injury Compensation Association was called to order by Chair, Jim DeBeaugrine.

Board members present and constituting a quorum were:

Jim DeBeaugrine, MPA
Renee Oliver
Robert A. London, M.D.
Narendra Dereddy, M.D.
Julie Ann Zemaitis DeCesare, MD

Also present:

Melissa Jaacks, NICA Interim Executive Director
Tim Daughtry, NICA Deputy Director
Steve Ecenia, NICA General Counsel
Tana Storey, NICA General Counsel's Office
Matt Dufek, Kikoda/NICA's IT Contractor
Felicia Bennett, Wilshire Consulting
Katy Wojciechowski, NICA Investment Consultant
Mark Crawshaw Ph.D., Madison Consulting
Russell Perkins, Thomas Howell Ferguson
Robert Ridenour, Florida Office of Insurance Regulation
Sheryl Parker, Florida Office of Insurance Regulation
Linda Nelson, NICA Compliance
Ashley Hammer
Ann Goshorn
Avaline Chenier
Barbara Lopez Avila
C Everett
Carol Taylor
Cathy Siciak
Christina Okesson
Daniel Bookhout
Fatima Cruz
Jacqueline Moody
Kim Hagerstrom
Michelle Glisar

Michelle Perez
Nicole Snipes
Paul Whitfield
Robert Hagerstrom
Robert okesson
Sabrina Jostes
Shaymaa Alansi
Tricia Parrish

**Attendees who did not provide full names, were only logged in briefly or who did not identify themselves are not included on this list.

The Chair recognized NICA's General Counsel, Steve Ecenia. Mr. Ecenia announced that there would be no need for an executive session at the meeting. He requested an executive session at the next meeting. The request was granted.

MINUTES

The Chair asked for a motion to approve the minutes of the August 25, 2022 and November 8, 2022 Board meetings.

A motion was made to approve the minutes as drafted. The motion passed unanimously.

DISCUSSION OF RATE INCREASE

In September 2022, the Agency for Health Care Administration published Medicaid rate increases for Personal Care Services and Private Duty Nursing. The rate changes were effective retroactively to July 1, 2022. The CNA rate increased from \$15 per hour to \$17.32 per hour and the LPN and RN rates increased slightly. NICA immediately adjusted all payments to parents and other caregivers to reflect this change both prospectively and retroactively to July 1.

The Chair acknowledged that he was aware that many NICA families as well as Board members were disappointed that there had not been time for a discussion on rate increases at the August meeting. In allowing every person the opportunity to address the Board, time ran short as the Board needed to meet in Executive Session.

The Chair also acknowledged the frustration that families had experienced with regard to the length of time between rate increases. He proposed that the Board schedule regular, annual discussions of rates. He and the Executive Director had discussed using the annual cost of living increase in social security benefits as the most appropriate index. Those rates are published in October with an effective date the following January. Possible rate increases as well as an estimate of the fiscal impact on reserves could be discussed at December Board meetings.

The Chair asked that parents provide feedback on this during the public testimony portion of the meeting and asked for comments from other Board members. The other Board members were very supportive of an annual discussion of rate increases for payments to parents as well as an annual discussion of assessment increases.

REPORT ON EXECUTIVE DIRECTOR SEARCH

Members for the executive director search committee had been identified. Several highly qualified candidates had already expressed interest in the position. The Chair asked Board members as well as others at the meeting to bring forward any qualified candidates who were interested in the job.

EXECUTIVE DIRECTOR'S REPORT

Ms. Jaacks had been meeting with NICA staff over the past several months to review what had been accomplished in the previous year. Staff was happy with the direction NICA was headed.

The focus over the previous year had been on benefits provided to NICA participants with extensive conversations at every board meeting.

Some of the changes made in the Benefit Handbook:

- Eliminated the requirement for a Letter of Medical Necessity for many items
- Empowered staff to make decisions
- Monetary limits had been tied to published sources
- Revamped the reliable transportation benefit
- Eliminated the requirement for parents to obtain 3 quotes for van insurance
- Removed the limit on reimbursement of van insurance premiums
- Increased the amount requiring pre-approval of van repairs
- Removed restrictions on the annual special benefit
- Clarified the policy on dental services
- The Benefit Handbook is available in several languages on the NICA website and additional translations are occurring on demand as needed
- The retroactive parental awards for parents of deceased children had been processed
- Mental health benefits for parents of deceased children were also being processed
- Significant improvements had been made in the administration of the Family Care benefit. The Board had previously approved moving all Family Care providers to the same rate as well as removing the 10 hour per day limit.
- The Board had previously approved retroactive payments for Family Care to compensate for the disparate treatment families had received in prior years
- Payments to families who were covered by the Class Action were also being reviewed
- Implemented the Medicaid rate changes and automatically generated the retroactive payments back to July 1.

Changes made in internal staffing:

- Added clerical staff to allow nurses to focus more on participants
- Added two new physician experts
- Reduced nursing caseloads by hiring additional nurse case managers
- In negotiations with a Medical Director

Improvements in internal operations:

- Improvements had been made to CARES to document benefit requests, denials and time to process
- Workflows were streamlined
- Explanation of Benefits in development for NICA participants
- Improvements in assessment collection process by adding an online portal for physicians to look up the amount due
- Initiatives around IT security including multifactor authentication and security awareness training for staff
- Contracts with providers
- Revisions to the Plan of Operation were approved by the Office of Insurance Regulation
- Implemented a Parent Advisory Committee
- Settled Medicaid litigation

Upcoming focus:

- Legislative agenda
- Online parent portal to give parents the ability to log on and upload claim requests
- More internal policies and procedures to work on including a claims manual
- Continue to clarify the Benefit Handbook
- Home visits
- Peer to peer orientation of new families
- Medicaid transition

Dr. London congratulated and thanked Ms. Jaacks for an amazing summary of accomplishments. It was a testament to her leadership and commitment to compare where the organization was before she started to where it is now.

Ms. Oliver thanked Ms. Jaacks on behalf of all the NICA families who had been impacted by the things she had done. With Ms. Jaacks and the new Board, the previous year had seen more changes in the benefits available to families than in the previous thirty years of the program.

PROPOSED LEGISLATIVE AGENDA

Ms. Jaacks discussed the proposed legislative agenda which was broken down into three parts.

1. Benefits that the Board has already approved and were contemplated in NICA's reserves including some technical changes should be solidified in statute. For example:
 - Removing the 10 hour limit on Family Care
 - Removing the two different rates for Family Care
 - Coverage for guardianships
 - Coverage for dental services
 - Rewording psychotherapeutic benefits to make clear that they are available to parents of deceased children
 - Revise the reliable transportation language to comport with current practice
 - Add language that NICA will compensate a parent at their licensure level when that license level is needed
 - Revise statute to remove references to child since many of NICA's participants are adults
2. Legislative staff had requested a list of benefits that parents had requested that would have a fiscal impact as well as changes that do not have a clear fix. Some examples:
 - Cost of living adjustments on the housing and death benefits
 - Reimbursement of whole house generators
 - Recurring housing benefits rather than one time
 - Transitional family care – parents lose their income if they can no longer provide this care or if the participant passes away
 - Impacts of families who have left the workforce to care for the NICA participant – no social security, health insurance, disability insurance, and limited opportunities to rejoin the workforce.
 - The costs of food and housing related to adult participants who remain in their parents' homes.
 - Whether to include in statute the requirements around the duties and qualifications of the executive director.
 - Whether or not a medical director be required in statute.
3. Legislative changes related to Medicaid that could lessen the impact of NICA paying as primary to Medicaid.

Ms. Jaacks asked the Board to approve moving forward with proposed legislation that does not have additional financial impact.

The Chair summarized his understanding of the proposed legislative agenda. NICA would ask the legislature to incorporate the benefit changes that the Board has already made and update references to “child”. NICA would not ask the legislature to make any changes that would exacerbate the financial deficit. Since there was not specific language for the Board to consider, basic guardrails would be established for Ms. Jaacks to use to work with NICA’s governmental relations consultants to develop specific legislative proposals. These proposals would be available to all Board members to review.

The Chair asked for comments or questions from other Board members. There were none. The Chair also asked for input from other attendees at the meeting during public testimony.

The Chair asked Mr. Ecenia if a motion was needed or if staff could proceed based on the consensus and support by the Board of the direction Ms. Jaacks had outlined. Mr. Ecenia felt that as long as the Board was supportive of the direction outlined, no motion was needed. It was important for the Board to understand that Ms. Jaacks was working with the government affairs team to develop a legislative package.

INVESTMENT UPDATE

Katy Wojciechowski followed with presentation of overall economic fundamentals as well as NICA’s investment results.

In the overall economy, all asset classes had underperformed so far during 2022. The Federal Reserve had been aggressive in its efforts to bring down inflation by raising interest rates. It was anticipated that higher inflation would continue globally.

For the period ending September 30, 2022, the overall NICA fund had underperformed its benchmark. As of October 31, 2022, the overall fund was invested in 65% fixed income, 20 % in US equity, 15% in international equity and less than 1% in cash.

Felicia Bennett followed with a summary of the process involved in an asset allocation study.

Wilshire recommends that plans conduct asset allocation studies every three to five years or more frequently with significant changes in the capital markets or in fund liabilities. NICA’s asset allocation had been reviewed in 2020 but the study was postponed due to the unknown impacts of pending litigation. Prior studies had been completed in 2013 and 2016. The study would provide an opportunity for the Board to express its tolerance for the level of risk in the portfolio.

NICA staff was working with the actuaries on the projected cash flows to be included by Wilshire in the asset allocation study. It was anticipated that at the next Board meeting, recommendations would be presented to the Board for consideration.

Ms. Bennett then presented an analysis of the investment fees paid by NICA. Wilshire believed that the portfolio’s overall manager fees were competitive. Aggregate investment management fees were 20 basis points. The four managers with 52% of the portfolio’s assets

were in the lowest fee quartile of their respective peer group. None of NICA's managers were in the highest fee quartile of their peer groups.

RESERVE REVIEW/UPDATE

As had been discussed at the August meeting, NICA's unreserved assets at June 30, 2022 had been negative \$31 million. Between 9/30/2021 and 6/30/2022 NICA's investments had lost value of approximately \$275 million. Since 6/30/2022, NICA had paid the Medicaid settlement of approximately \$53 million, the estimated increase in the reserve liability related to the increase in Medicaid care rates was approximately \$100 million and investments had lost an additional \$99 million in value. This resulted in a negative estimated unreserved asset value of approximately -\$283 million. This was an estimate as NICA's claims reserves for 9/30/2022 were still being reviewed. Ms. Jaacks stressed that over \$150 million of the estimated deficit was related to the impact of Medicaid.

CASH FLOW REVIEW/UPDATE

** The original electronic copy of the Board materials had the Reserve Review/Update slide duplicated. The correct Cash Flow slide was presented at the meeting.**

At the August 2022 meeting, a summary of historical cash flows for the past three fiscal years as well as projections for the upcoming year had been presented. An updated version of this summary was presented to account for refinements in the estimates as well as the increases in the Medicaid rates for CNAs, LPNs and RNs discussed earlier in the meeting. The August 2022 projections had included an estimate of the impact of NICA paying primary to Medicaid of \$15 million annually. This estimate did not include any offsets for the assumption that NICA would purchase individual insurance policies for participants. NICA staff is awaiting updated payment data from the Agency for Health Care Administration in order to more accurately estimate the impact of the loss of Medicaid.

Ms. Jaacks reminded the Board that for the fiscal year 6/30/2020, NICA had collected more in assessments than it paid out in benefits. However, in the two most recent fiscal years, NICA had paid out more than it collected and this trend would continue for the foreseeable future.

ACTUARIAL RESERVE EVALUATION AND THRESHOLD CALCULATIONS

June 30, 2022 Final Actuarial Report

Mark Crawshaw reminded that Board that at the August 25, 2022 meeting, draft exhibits from the June 30, 2022 actuarial reserve evaluation had been presented. There was no change in the final report which was included in the meeting materials.

Threshold Calculations

The Threshold Calculation is required by Florida Statutes. It is a threshold that NICA must meet to be able to continue to accept claims. It is a minimum funding level that serves as a guardrail if the financial condition deteriorates significantly. It compares 80% of the funds on hand and funds available in the next 12 months to the claims reserves, excluding family care. Threshold calculations were presented for 12/31/2021 and 6/30/2022 with NICA exceeding the minimum threshold by \$494 million and \$182 million respectively.

A motion was made to accept the June 30, 2022 final actuarial report and the threshold calculations for December 31, 2021 and June 30, 2022. The motion passed unanimously.

JUNE 30, 2022 FINAL AUDITED FINANCIAL STATEMENTS AND AUDIT REPORT

Russell Perkins of Thomas Howell Ferguson reminded the Board that a draft of the June 30, 2022 financial statements had been presented at the August 25, 2022 Board meeting. Since that time, Thomas Howell Ferguson had completed the financial statement audit and there had been no change in the results of operations. The audit was dated October 24, 2022.

The opinion issued was that the financial statements presented fairly, in all material respects, the financial position, results of operations and cash flows for the organization the year ended June 30, 2022. An emphasis of matter paragraph had been added to the audit report with respect to the deficit of approximately \$31 million. Mr. Perkins reminded the Board that the deficit as of June 30, 2022 did not take into account the Medicaid settlement that had been reached.

A motion was made to accept the audited financial statements and the audit report. The motion passed unanimously.

PUBLIC TESTIMONY

Parents of NICA participants addressed the Board.

Some of the issues that were raised included:

A parent requested a seat on the Parent Advisory Committee.

The time between rate increases for parents was too long.

Support was express for the proposal to review rates annually.

Support was expressed for the proposed legislative agenda.

Appreciation was expressed for Ms. Jaacks tireless work. She had gone above and beyond for the participants and the parents.

Assessments should be increased.

NICA's caseworkers are amazing and very patient

NICA is very different than it was before.

ADJOURN

There being no further business before the Association, the meeting was adjourned.

DRAFT

Agenda Item # 5 (Tab B)

Investment Update



SUPPORTIVE SERVICES FOR
FAMILIES & PHYSICIANS

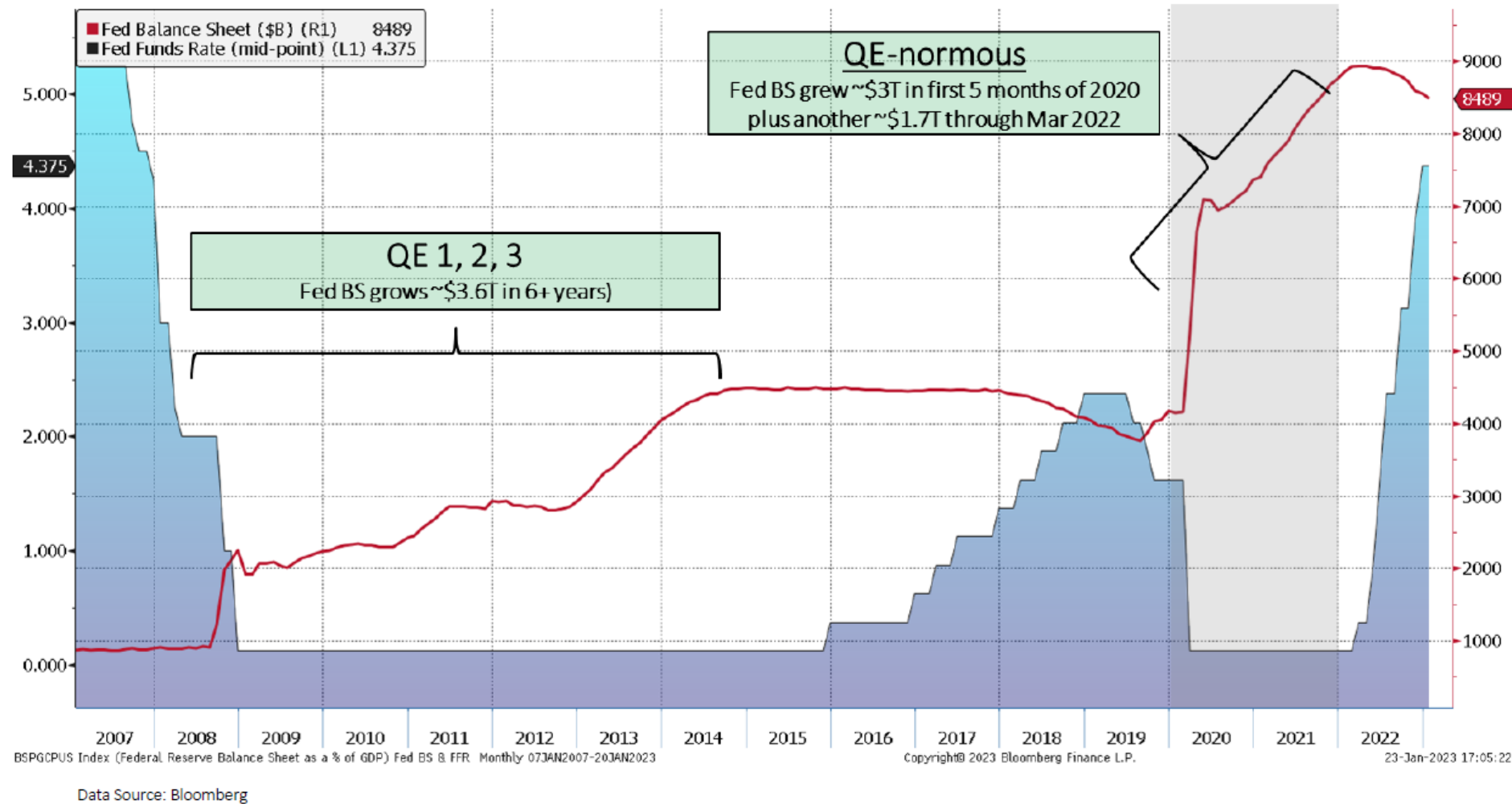
- Katy Wojciechowski/Independent Investment Consultant
- Felicia Bennett/Wilshire Advisors LLC

NICA
Investment
Summary
March 2023

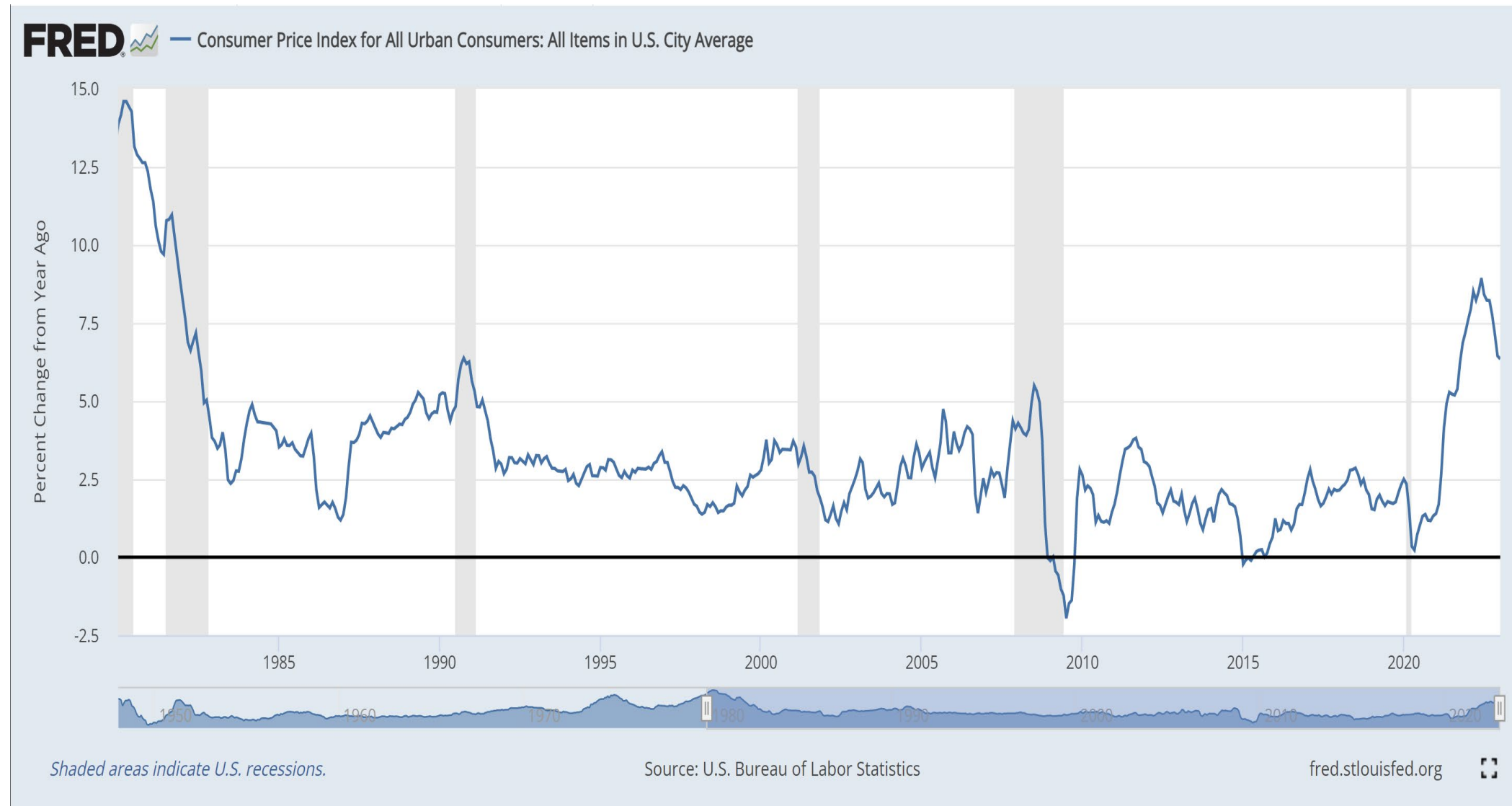
Performance Drivers

- Equity returns improved in the 4th quarter and January 2023.
- Federal Reserve continued their Federal Funds rate hikes, increasing the upper bound target increased to 4.75%.
Expectations for future hikes top out between 5 – 5.5%
- Discussions about recession are fading, but inflation is still a concern.
- Risk assets had better performance as volatility receded.

The Fed continues to aggressively hike interest rates in an effort to reduce inflation and return to price stability



Inflation in the US continues at levels above the Federal Reserves 2% target



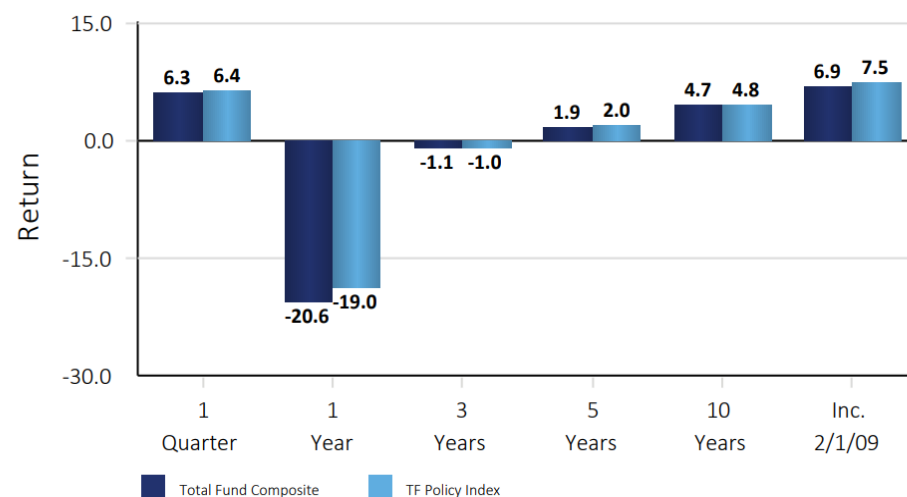
NICA Performance vs. Benchmark as of December 31, 2022

Composite Performance Summary

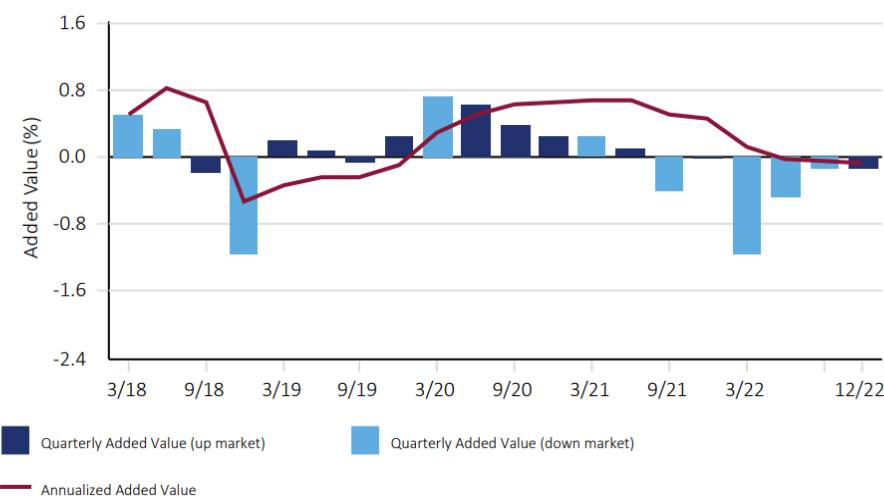
Total Fund Composite

Periods Ended December 31, 2022

Comparative Performance



Added Value History

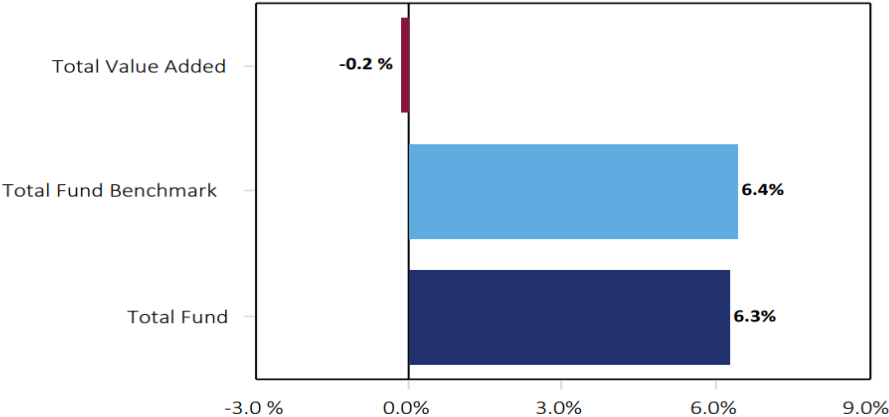


Total Fund Attribution

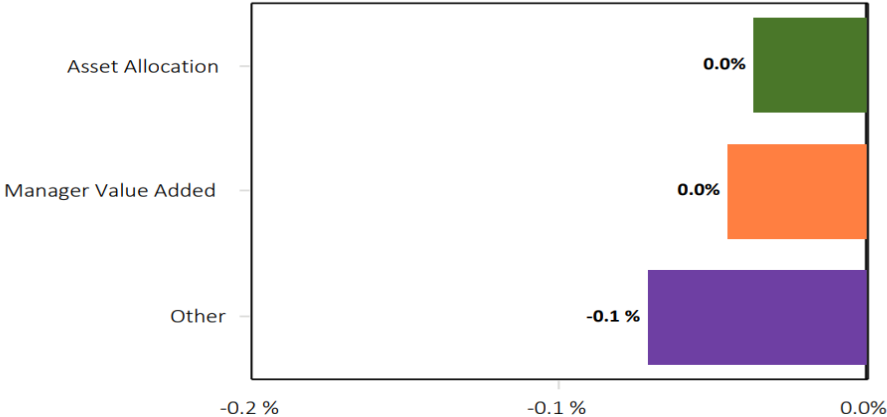
Total Fund Composite

Periods Ended 1 Quarter Ending December 31, 2022

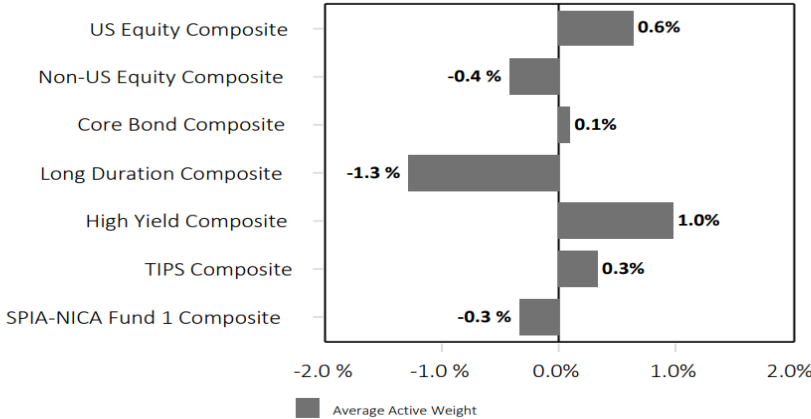
Total Fund Performance



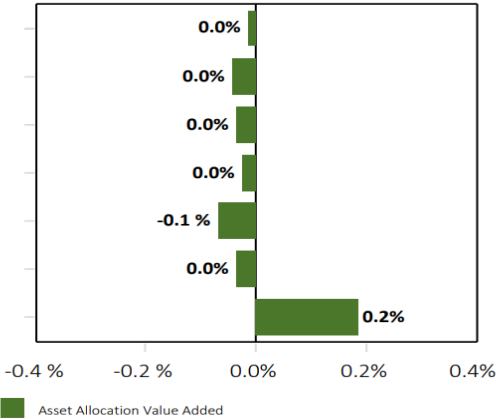
Total Value Added:-0.2 %



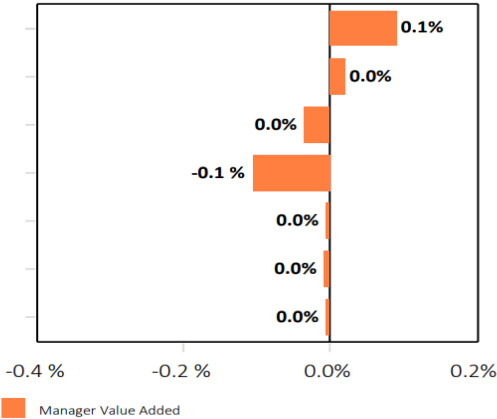
Total Asset Allocation:0.0%



Asset Allocation Value Added:0.0%

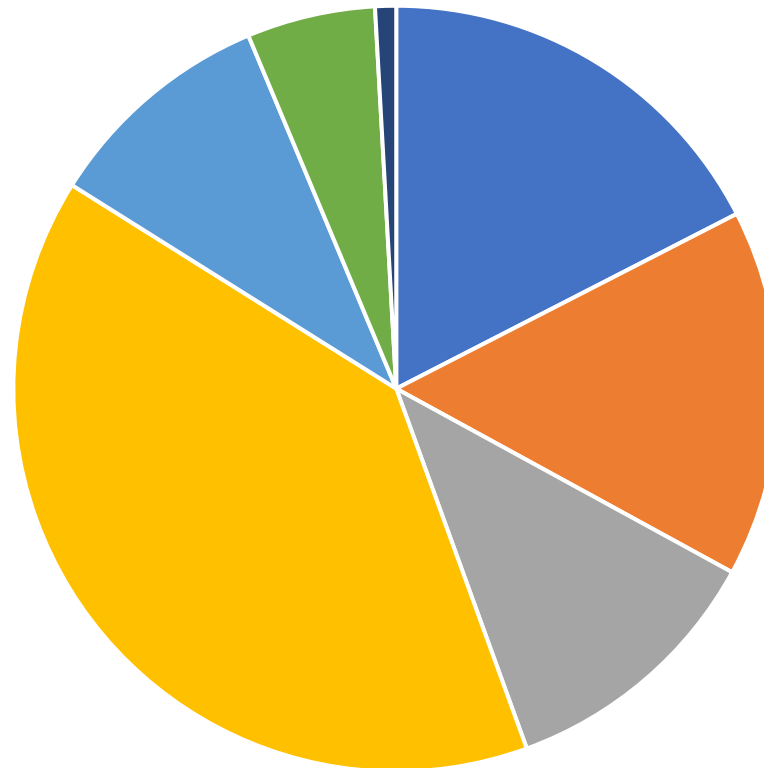


Total Manager Value Added:0.0%



Plan Assets – January 31, 2023

Asset Allocation
1/31/2023

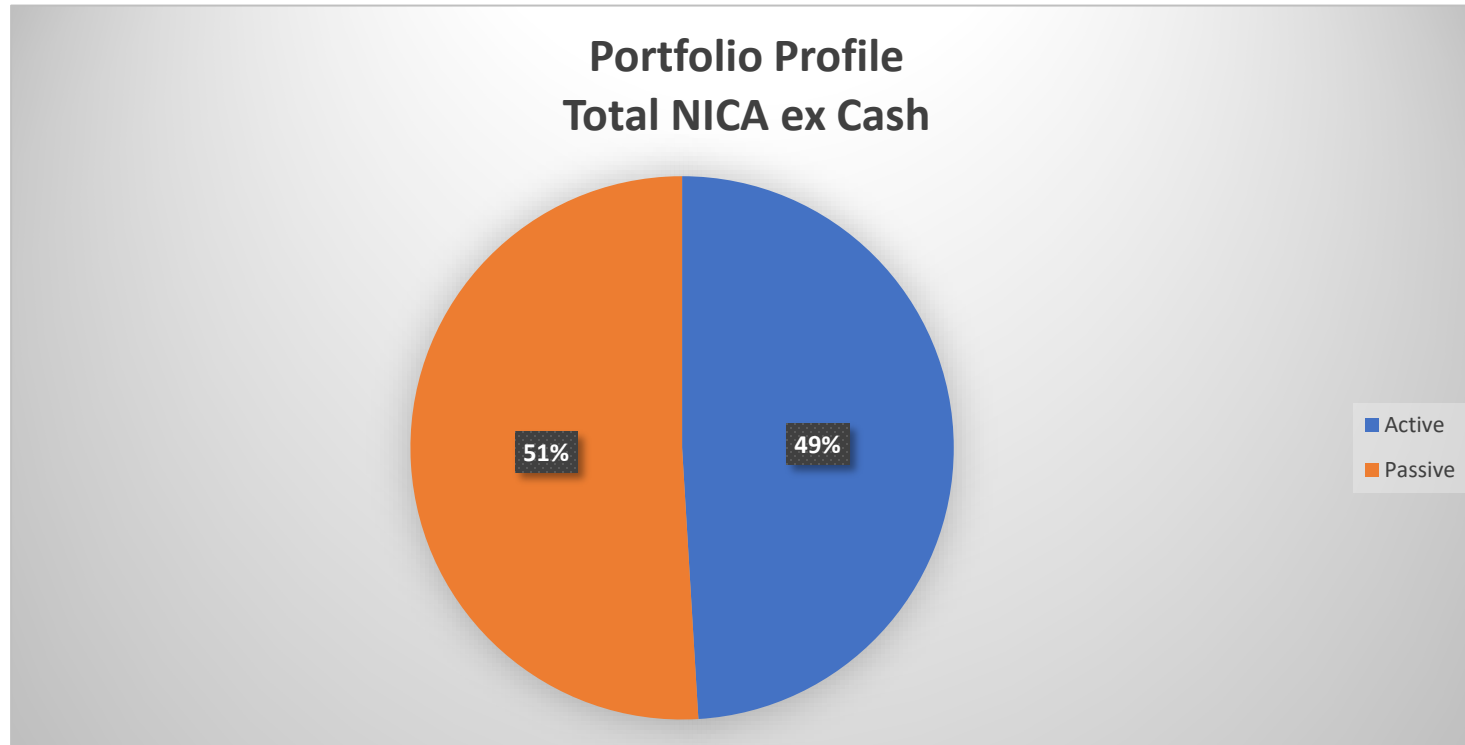


■ U.S. Equity ■ Non-U.S. Equity ■ Core Bond ■ Long Duration Bond ■ High Yield ■ TIPS ■ Cash

Market Value 6/30/2022	1,317,519,548
Capital Apprec/Deprec	(10,749,110)
Market Value 1/31/2023	1,306,770,138

Cash	0.44%
Fixed Income	65%
US Equity	18%
Intl Equity	17%
	100%

Active / Passive Allocation



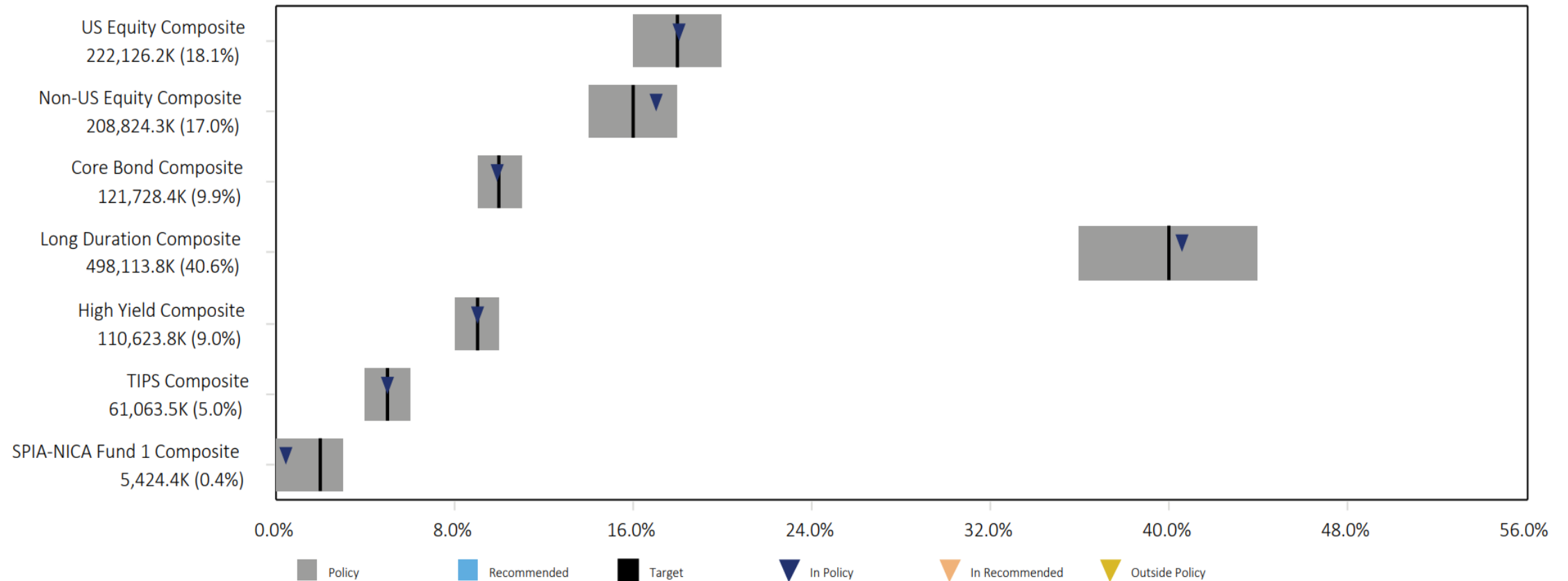
- Overall, the fund is invested slightly more passively via index funds.
- The US Equity and Fixed Income Composites are more passive, and the Non-US Equity composite is 100% actively managed

Asset Allocation Compliance

Total Fund Composite

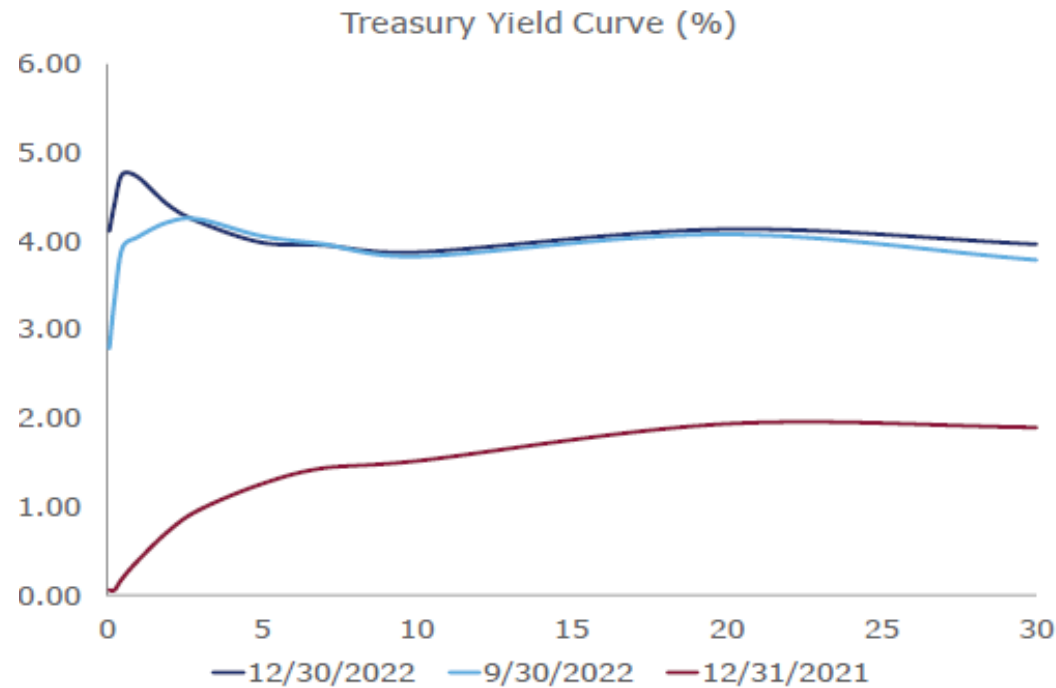
Periods Ended As of December 31, 2022

Executive Summary

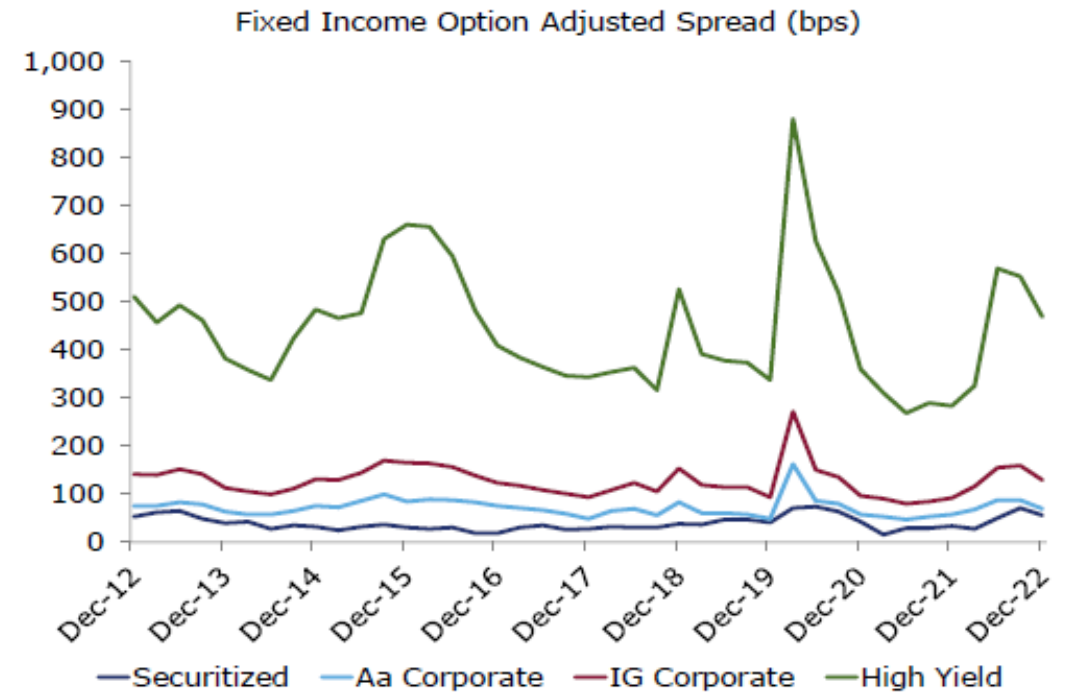


Significant change in the yield environment over the past twelve months

Treasury yield curve meaningfully higher and flatter, offering twice the return from yield



Investors demanding more return premium for taking credit risk, particularly for high yield bonds



Data source: Bloomberg

Looking Forward

- The markets may remain volatile for the upcoming year as the Federal Reserve continues to tighten monetary policy in their fight to return inflation to a “2% average” target
- There are signs of slowing in the economy, but unemployment remains very low. There is a possibility we will enter a recession in the coming year, but predicted to be shallow and brief
- In the NICA fund, we are near completion of an asset allocation study which should be completed before fiscal year end. Given our change in liquidity needs, we feel there will be a change in our asset allocation and are creating a plan to make that transition.

Steps for Implementing Results of Asset/Liability Study in the Fund

- ✓ Assess risk tolerance and liquidity needs
- Develop realistic target portfolio within NICA constraints based on Wilshire Optimization model
- Discuss output of Target portfolio
 - Ability to achieve required return
 - Ability to provide necessary liquidity
- Finalize plan to implement
- Execute to achieve target portfolio
 - Adjust allocations between investments
 - Adjust managers as needed and recommended by Wilshire

Asset/Liability Study Themes to Date

- Opportunity to **reduce risk** and **increase liquidity** while maintaining a **similar expected return**
 - Bonds are attractive, equity risk premium has declined
 - Shift a portion of market weighted global equities to low volatility equities
 - Add a short-duration bond allocation, maintain a cash allocation
- Long duration credit no longer compelling relative to core bonds given dramatic change in yields over the last 12 months and “flatness” of the yield curve
 - Transition away from long credit towards aggregate duration bonds
- Transition costs will be considered in final policy recommendation

Agenda Item # 6 (Tab C)

Reserve Review/Update

in millions

	6/30/2021	6/30/2022	SFY change
Assets	1,699	1,345	(354)
Liabilities	1,190	1,376	186
Net Assets	509	(31)	(540)
Asset summary:			
Change in Investments			(303)
Use of cash			(51)
			(354)
Liability summary:			
Medicaid no longer primary			152
One-time family care retroactive payments			17
Other benefit changes			17
			186
<i>Impacts on Net Assets since 6/30/2022:</i>			
Use of cash - Medicaid settlement			(53)
Use of cash - remaining authority from March 2021 BoD meeting			(18)
Claims reserve - Medicaid rate increase			(100)
Change in investment value thru 1/31/2023			60
			(111)
<i>Estimated current Unreserved Asset value</i>			(142)
<i>% Funded</i>	142.8%	97.7%	90.4%

**** Note that reserve was already increased \$125m from 12/31/2020 to 3/31/2021 for SB 1786 changes**

Agenda Item # 7 (Tab D)

Cash Flow Review/Update

	June 30, 2020	June 30, 2021	June 30, 2022	Est for SFY 2022-2023**
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash Received from Hospitals and Physicians	27,956,902	31,675,137	35,559,098	36,000,000
Cash Received from Reinsurance	15,990,545	-	-	
Cash Payments to Claimants and Vendors				
Parent Award	(2,068,834)	(28,249,604)	(34,172,593)	(5,172,085)
Custodial Care	(13,902,790)	(17,055,905)	(21,736,643)	(25,580,738)
Death Benefits	(110,000)	(290,000)	(8,469,795)	-
Housing	(162,431)	(278,341)	(4,559,863)	(918,524)
Transportation	(1,200,648)	(1,425,231)	(4,321,922)	(2,962,529)
All Other Benefits	(2,032,943)	(1,829,745)	(3,271,010)	(4,061,907)
Initial Claim Related (medical exams, attorney fees)	(643,806)	(632,832)	(791,062)	(821,673)
Cash Payments to Claimants and Vendors - Total	(20,121,452)	(49,761,658)	(77,322,888)	(39,517,456)
Cash Paid for Administration	(3,229,251)	(3,308,742)	(4,212,618)	(4,088,858)
Net Cash Provided by Operating Activities	20,596,744	(21,395,263)	(45,976,408)	(7,606,314)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchase of Property and Equipment (Administration)	(778,795)	(862,783)	(806,468)	(806,468)
Net Cash Used in Capital and Related Financing Activities	(778,795)	(862,783)	(806,468)	(806,468)
CASH FLOWS FROM INVESTING ACTIVITIES				
Net Cash Used in Investing Activities	(19,700,771)	22,592,603	47,092,425	8,412,782
Net Increase In Cash and Cash Equivalents	117,178	334,557	309,549	-

** impact when Medicaid transition complete currently estimated at additional \$7m but awaiting updated data from AHCA

	Annual BUD	% of Total	6 MO BUD	ACT Jul - Dec	Adj	Net for Comp	Variance	Note
Parent Award	5,172,085	13.1%	2,586,043	4,288,965	(1,868,901)	2,420,064	165,979	(1)
Custodial Care	25,580,738	64.7%	12,790,369	26,037,132	(11,309,174)	14,727,958	(1,937,589)	(2)
Death Benefits	-		-	-	-	-	-	
Housing	918,524	2.3%	459,262	1,433,998		1,433,998	(974,736)	(3)
Transportation	2,962,529	7.5%	1,481,265	2,442,174		2,442,174	(960,910)	
All Other Benefits	4,061,907	10.3%	2,030,954	1,557,232		1,557,232	473,722	
Initial Claim Related (medical exams, attorney fees)	821,673	2.1%	410,837	436,840		436,840	(26,004)	
	39,517,456	100.0%	19,758,728	36,196,341	(13,178,075)	23,018,266	(3,259,538)	

(1) Remaining parent award payments authorized during 2022 session

(2) Retro family care payments approved by BoD

(3) One time benefit limited to \$100k per family

Explanation of variances:

Custodial Care	1,294,184	families entering program in 2022 - cash flow estimate accounted for families in program at 12/31/2021
	312,766	families in program @ 12/31/2021 but who were not receiving custodial care
	(330,639)	remaining variance - primarily increases in care based on new policy approved by BoD 4/1/2022
	-2.6%	
Transportation	32	expected annual number of vans
	62,323	avg cost
	1,994,336	total annual vehicle purchase budget
	968,193	total non-vehicle transportation budget
	2,962,529	total above
	997,168	6 mo vehicle purchase budget
	484,097	6 mo non-vehicle transportation budget
	1,945,970	6 mo actual vehicle purchase
	496,204	6 mo actual non-vehicle transportation costs
	(948,802)	vehicle variance
	(12,108)	non-vehicle variance
	27	vehicles purchased
	72,073	average cost
	16	expected number of vehicles for 6 months
	(11)	volume variance - all were 1st time vehicles for families who had been in program prior to 12/31/2021
		were able to receive "reliable transportation" benefit refined by BoD