IDAHO HEALTH INSURANCE EXCHANGE
DBA YOUR HEALTH IDAHO

FINANCE COMMITTEE MINUTES
FRIDAY, FEBRUARY 26, 2021

1. COMMITTEE MEMBERS PRESENT

- Mr. Kevin Settles, Chair (via videoconference)
- Dr. John Livingston (via videoconference)
- Mr. Greg Donaca (via videoconference)
- Ms. Tara Malek (via videoconference)
- Ms. Lori Wolff for Director Jeppesen (via videoconference)

2. OTHERS PRESENT

- Mr. Pat Kelly, Your Health Idaho
- Ms. Heidi Stockert, Your Health Idaho (via videoconference)
- Mr. Kevin Reddish, Your Health Idaho
- Ms. Stacey Porter, Your Health Idaho (via videoconference)
- Mr. Marty Alsip, Your Health Idaho
- Ms. Cheryl Fulton, Your Health Idaho
- Ms. Alanee Thomas, Your Health Idaho (via videoconference)
- Ms. Meghan McMartin, Your Health Idaho (via videoconference)
- Ms. Frances Nagashima, Your Health Idaho (via videoconference)
- Mr. Matt Fuhrman, Your Health Idaho (via videoconference)

3. CALL TO ORDER

Following proper notice in accordance with Idaho Code §74-204, the Finance Committee meeting of the Idaho Health Insurance Exchange (Exchange) was called to order by Mr. Kevin Settles, Chair of the Committee (the Chair), at 9:13 a.m., Friday, February 26, 2021, at the offices of Your Health Idaho, 1501 S Federal Way, Suite 100, Boise, Idaho. In accordance with Idaho Code §41-6104 (8), the meeting was held in an open public forum and was streamed in audio and video format. Members of the public were encouraged to access the audio stream by dialing into a telephone number and view the materials by accessing a meeting link that were included in the notice of meeting posted on the Exchange Board's Web site and at the meeting location.

4. ROLL CALL

The Chair (via videoconference) called roll and determined that Dr. Livingston (via videoconference), Mr. Donaca (via videoconference), and Ms. Malek (via videoconference) were present, resulting in a quorum. Representative Dixon and Senator Rice were absent.

5. PRIOR MEETING MINUTES

Motion: Ms. Malek moved to approve the meeting minutes from the December 4, 2020, Finance Committee meeting as presented today. **Second**: Mr. Donaca. **The motion carried.**

6. REVIEW AGENDA

The Chair reviewed the Agenda and there were no changes.

7. REVIEW ROADMAP

The Chair reviewed the Roadmap and there were no changes.

8. FINANCIAL RESULTS THROUGH DECEMBER 31, 2020

Ms. Stockert introduced, Marty Alsip, Senior Financial Accountant, who brings 25 years of experience and leadership skills to the team.

Ms. Stockert began with the enrollment highlights for the last six months of the fiscal year and the end of plan year 2020. The average monthly premium for the quarter ending December 31st, 2020 came in at $463 per member with the average over the year at $461 per member. Effectuations totaled 71,527 enrollments with Select Health leading with 44 percent of enrollments, closely followed by Blue Cross of Idaho with 35 percent of enrollments. Delta Dental held most of the dental plan enrollments. Assessment Fee Revenue was slightly unfavorable to budget right over $758,000. Year-to-date totals at $4.67M, and unfavorable to budget by 5.5 percent.

The Chair asked about the Effectuated Member Months year-to-date which shows negative 421,576 and Ms. Stockert said it represents the cumulative balance of members moving on and off the exchange throughout the year representing the variance from assessment fees in dollars. Mr. Kelly added that this number, with the favorable Average Monthly Premium of $149,833, resulted in the unfavorable Assessment Fee Revenue of $271,743as the rate/volume calculation.

Dr. Livingston asked if YHI is seeing any change in the number of people being subsidized and buying insurance, and if it is in line with the national average. Mr. Kelly said Idaho generally runs at 85 percent of enrollments on the exchange that receive a subsidy, but this time of year that tends to drop as people are getting through the redetermination process. In the months of January and February, that percentage will increase back up to 85 percent and in line with the national average.

Ms. Stockert shared the consolidated income statement which includes Your Health Idaho and the View Pointe Building. Total revenue for the first half of the fiscal year, which includes assessment fee revenue, interest income, advertising revenue, and other miscellaneous income, totaled $5.1M. Total operating expenses were $4.6M resulting in net income of $226,000, which is favorable by $541,300 compared to budget.

Ms. Stockert said for Your Health Idaho, the main drivers of unfavorability of $320.2K in revenue is having lower than anticipated enrollments as well as lower than expected interest income on the CDARS account due to the current market rates. Overall expenses are $802.1K favorable year-to-date resulting primarily from lower than anticipated costs in DHW eligibility services, CSC temporary services, and employee and related costs. Overall, Net Income resulted in a year-to-date loss of $30K and came in favorable to budget at $535.2K.

The Chair asked what happens to the DHW amounts when the pandemic is over and people that are currently on Protected Medicaid come back to the exchange. Will those expenses go up? Ms. Stockert said the financial forecast as well as the FY22 proposed budget accounts for these anticipated increases, which will be reviewed later this morning in the presentation.

Mr. Donaca asked if employee and related costs coupled with the professional services being lower than budgeted, is YHI operations being negatively impacted by not using those services and filling those open positions? Ms. Stockert said no, the employee and related costs only accounts for a couple of positions that are not customer facing positions and we do not use any outsourcing services for filling those positions should we decide to fill them.

Finally, Ms. Stockert shared the View Pointe building income statement and said rent revenue came in favorable to budget by $15K driven by tenants who had paid electric bill-backs. Total year-to-date revenue for the building totaled $441K. Overall, tenants are paying rent on time and there have not been any issues with late payments. For expenses, the building was unfavorable to budget by $11k driven by additional security monitoring fees as well as some timing issues around janitorial costs. Net Income resulted in $256,000 and favorable to budget by $6k

Motion: Chair Settles moved that the Finance Committee, recommend to the Board, the approval of the financial results through December 31, 2020, as presented today. **Second**: Mr. Donaca. **The motion carried.**

9. FY 2021 FINANCIAL FORECAST

Ms. Stockert said for the 2021 Enrollment Forecast, YHI ended open enrollment 2021 with 79,133 enrollments. Since then, YHI has seen a fairly steady 2 percent decline throughout the year compared to six percent decline in the prior year.

For the carrier and metal tier mix, we have seen some shift primarily resulting from premium changes and consumer price sensitivity. SelectHealth did have some increases in plan premium changes which resulted in some consumers moving to Blue Cross of Idaho and Regence. Delta Dental and Best Life both saw increases in dental enrollments. Consumers also continued to shift between the metal tiers from the higher cost gold and silver plans to the lower cost bronze plans.

Ms. Stockert shared the forecast versus budget in a consolidated view that included actuals for January 2021. Year-to-date total income forecasted through June 2021 is $10.3M and includes assessment fee revenue, interest income, advertising revenue, and rent revenue. Projected revenues versus budget continues to come in unfavorable by about $1M. Operating expenses are projected to be around $8.8M compared to budget of $9.9M for Your Health Idaho, in addition with the building expenses of $258K, resulting in total operating expenses of $9.1M. Total net income is forecasted to be $552K versus budgeted of $416K resulting in a total net income favorability $135K.

Ms. Stockert reviewed the FY21 Forecast versus budget in more detail and said Assessment Fee revenue is forecasted to come in at $9.4M and is dependent upon what will happen with the uninsured SEP coming up in March. For now, Assessment Fee revenue is forecasted at $9.4M, versus the budget of $10.4M resulting in unfavorability of $946K. Interest Income continues to show unfavorability and plans for the interest-bearing account will be discussed in more detail in the banking discussion later today. Total Income is forecasted to be $9.5M, budgeted at $10.5M, resulting in unfavorability to budget at $1M.

For operating expenses, employee and related costs are showing some favorability at $270K driven by open non-customer facing positions. Temporary staff also shows favorability of $177K resulting from starting later and fewer seasonal team members overall. DHW costs are forecasted to be about 50 percent lower than we anticipated totaling $1.2M through the year with $478K favorability to budget. Additionally, professional services are projected to have less spend in legal fees, continued savings in our premiums for cyber policy through the year, and our tribal contract remained flat thus contributing to $58K of favorability to budget. The favorability in the communications and outreach space is due to timing and will catch up before the end of the fiscal year.

Ms. Stockert said there was not a lot of change anticipated for the building when looking at the forecast. Tenants are paying on time and there is little fluctuation in operating expenses. One thing to note is we see the occasional one-time charges for things that come up. For example, following the snowstorm we had a tree split, and they had to send someone out to remove it. Total income for the building is anticipated at $870K versus the budget of $854K, resulting in favorability that is driven by tenant's reimbursement of electrical bill-backs. Total expenses are forecasted to be $258K versus the budget of $250K, resulting in slight unfavorability of $7.6K primarily due to timing of janitorial and repairs and maintenance costs. Overall, the building is projected to produce a net income of $507K.

Ms. Stockert said as far as bridging the gap in revenue and bringing the budget back to balance, Q1 resulted in $260K in favorability compared to budget in operating expenses while Q2 resulted in $519K in favorability, primarily driven by DHW Eligibility Services and temporary seasonal staff. Through the remainder of FY21, we expect an additional $250K favorability in operating costs included in the forecast, resulting in an anticipated total savings of $1M.

The Chair asked if folks coming off the protected Medicaid status in the May/June timeframe will affect this. Ms. Stockert said it may drive the number up, but we have included that in the forecast for the DHW Eligibility Service forecast costs so it should cover any sort of impact. Ms. Wolff added that there is a strong indication from the federal government that they will leave the increased FMAP in place for the remainder of the calendar year. She added that there are processes in place for immediate notification to those individuals that currently are protected to let them know that they are eligible for a tax credit on the exchange when the federal emergency ends.

For the enrollment forecast, Ms. Stockert said plan year 2021 began with a total of 79,133 enrollments which is about a 2 percent decline from the end of open enrollment. Effective April 1st, 2021, 600 enrollments have been included due to the March uninsured SEP. Also, we do anticipate seeing higher retention this plan year since consumers effectuated earlier compared to the same point as the prior year. New customers made up 15 percent of all enrollments and 85 percent renewed their coverage from plan year 2020.

The average monthly premium forecast came in slightly lower than anticipated, resulting from gross premiums being lower than the budgeted amount. Average premiums per member were $461 per member for plan year 2020, which was favorable to budget by 3.1 percent. For plan year 2021, average monthly premiums saw an overall average increase of only 1 percent and is forecasted to stay close to plan year 2020.

Mr. Donaca let the Chair know he would have to drop from the meeting early and asked if the banking discussion, which falls at the end of the agenda and will require a decision and a quorum, could be moved up to accommodate. The Chair asked the Committee members if that was okay and all agreed it was. Mr. Kelly confirmed.

10. BANKING/INVESTMENT DISCUSSION

Ms. Stockert reminded the Committee that at the December meeting, the Board approved YHI moving all banking from First Interstate Bank to Idaho First Bank (IFB). A few reasons were because of the established banking relationship, to create efficiencies, and to streamline our banking practices. The CDARS account matured on January 15, 2021 which was already with IFB and at an interest rate of 0.15 percent. We did some shopping around to see if we could find something with a better rate of return. We opened a Money Market account with a rate 35 basis points higher than the CDARS account at 0.50 percent and it aligns well with Your Health Idaho's Investment Policy. It reduces our custodial credit risk, is backed by the correct rating, and it does have a collateralized line of credit.

Today we are asking the Committee to discuss this move to ensure alignment. The options today are to keep the cash where it is in the new Money Market account, put the money in a CDARS account with a lower interest rate, or split the cash between the two.

Chair Settles said that he, Ms. Stockert, Mr. Kelly and Mr. Donaca have discussed this over the past months in detail. Originally, we looked for an investment with very low risk and the CDARs filled that need. No one could have anticipated interest rates dropping to the low they are at today. The Money Market account is fairly low risk as well.

Dr. Livingston asked what they decided to go with in those discussions. The Chair said they decided on the Money Market account which is backed by a line of credit with the Bank of Des Moines. The Chair stated he is very comfortable with this choice but would like input from others. Dr. Livingston said the Money Market account would be his choice. Ms. Tucker agreed. Mr. Donaca added that he is very comfortable with the Money Market as well.

Ms. Stockert added that she checked with YHI's auditors at Eide Bailly to get their input and they said compared to other businesses, YHI is being conservative with this approach and the auditors see no issues with the reporting requirements for the upcoming audit.

Motion: Chair Settles moved that the Finance Committee, recommend to the Board, approve the investment strategy of moving funds from the CDARS account to a Money Market Account, as discussed today. **Second**: Mr. Donaca. **The motion carried.**

11. FY 2022 PRELIMINARY BUDGET REVIEW

Ms. Stockert shared the timeline for the FY22 Budget plan and said at this meeting we will be discussing operating expenses for both YHI and the building, as well as capital expenses. At the March 10th meeting, we will look at the revenue budget and Mr. Schmidt from Milliman will present the revenue projections and forecasting. We will also recommend the preliminary budget for Fiscal Year 2022 to the Board for approval.

Ms. Stockert said FY22 preliminary budget assumptions are business as usual and a return to pre-COVID-19 activities. She reminded the Committee that FY2022 budget begins on July 1, 2021 and runs through June 30, 2022.

For employee and related expenses, we are proposing a 2.5 percent merit increase (roughly $75K) plus market adjustments ($31K) based on the compensation survey done this year. For benefits, we assumed the same participation level with a 6.45 percent increase which is effective for plan year 2022 for medical coverage and a four percent increase for dental. For Temporary Staffing, onboarding is expected to be similar to pre-COVID and anticipating an increase of $139K. For Marketing and Outreach, we continue to invest in reaching our audience with outreach and marketing activities and anticipate additional paid media spend of about $8K. We also assumed a three percent increase for the annual report and additional outreach activities. For business insurance (Liability, E&O, & D&O) we assumed a five percent increase and for our cyber security renewal, due to the additional exposure from the remote environment this past year, we included an increase of 15 percent. We anticipate professional fees to remain flat compared to last year.

The Chair asked about the $8K for paid media, is that enough given the potential changes with eligibility? Ms. McMartin said the $8K increase was to build something in that we did this year outside of the Drake Cooper SOW which was a KTVB advertorial. The media production and buy itself is relatively flat year over year.

Ms. Stockert said in the IT subscription and support space, we have added $10K for GoToMeeting subscriptions and Chromebook licenses. We decreased the budget by $40K for co-location not utilized in FY21 and telephone subscription service usage based on lower call volumes. For facilities and infrastructure, we added an increase of $20K for additional high-speed internet services needed since the move to View Pointe.

The DHW Eligibility Services are estimated by the number of APTC cases estimated from the prior year. We expect to see this trend continue and have reduced the budget by 7.6 percent from the 2021 budget.

Finally, for Consumer Connectors, the tribal engagements are currently reflective of two tribes and we expect a third to join for the new fiscal year at a cost of $22K annually. Other connectors are set to renew in November, and we assumed a three percent CPI increase for those.

a. Operating Expenses

Ms. Stockert shared the expense side of the proposed budget forecast versus where we expect to be at the end of FY21. Employee and related costs are budgeted at $4.1M reflecting the increase of $196K. Seasonal/temporary staffing is budgeted at $195K reflecting the increase of $139K versus FY21 total of $55K. Communications and Outreach are budgeted at $701K, which is $21K over last year. DHW Eligibility Services is budgeted at $1.2M which is roughly where we are at today for the current year. Professional Services are increased slightly to $940K while facilities and infrastructure are budgeted at $2.1M, slightly over the current year. The total in proposed operating expenses is $9.3M which is an increase of $476K over the current year forecast, primarily driven by the employee and related costs and the seasonal staff. Net Operating Income would land around $178K before depreciation and with depreciation, would result in a loss of $524K

Ms. Stockert reviewed the details beyond what was already discussed in assumptions. For salaries and wages, the merit increases of $75K and market adjustments of $31K including the reduction of four positions over last year, account for the $96K increase. Employee and related costs assume the increases in insurance premiums along with $2,500 per quarter for Unemployment Insurance expense for a total increase of $65K and a budget of $868K. For temporary staffing we assumed 12 seasonal hires with an anticipated start date of September 6 for the first class and September 20 for the second class for a total increase of $139K. Advertising is down slightly by $16K due to the $30K spend in 2021 for the advertising around the Uninsured SEP. As mentioned in the assumptions, community outreach, collateral, website expenses, and outreach travel are expected to return to pre-COVID-19 activity levels with small increases for each (three percent for CPI).

Ms. Stockert continued with insurance, and the assumption of a five percent increase and the added cyber security insurance for remote work risk exposure. Professional fees increased by $3.2K to cover the additional scope requested by CMS added to the IT audit. Subscriptions and support increased to $189K resulting from the assumed $10K for the GoToMeeting subscription. Board travel was budgeted at $4.7K, office expenses at $50K, and team travel at $57K as they are all expected to return to pre-COVID levels. Utilities will increase to $225K driven by the additional increased high-speed internet services and the $10K reduction due to lower call volumes. The GetInsured M&O will see a slight increase of $40K to $1.4M which reflects a 2.5 percent rate increase effective every January, plus a small increase for DUO users.

The DHW Services were budgeted at $1.2M which reflects a small decrease due to lower enrollments over the last year. IPA and Tribal assumes a $1,850 per month increase for the addition of a tribe and the Navigators budget is expected to remain flat at $28K. Office space and sales and use taxes will remain relatively flat to the prior budget.

Ms. Stockert reviewed the preliminary budget by department with Finance holding the largest share of the budget at $5.8M due to salaries, wages and DHW Eligibility Services. IT and Privacy Security has the second highest budget with GetInsured and technology expenses proposed at $2.1M. Marketing and Communications is next at $710K with advertising and outreach expenses. Those are followed up by Operations with $203K and Policy with $437K. Overall, we are proposing slightly over $9.3M for the Your Health Idaho total operating expenses budget with Depreciation & Amortization of $702K.

b. View Pointe Building Expenses

Ms. Stockert said for the View Pointe building we do assume full occupancy. One of the tenant's lease expires in February 2022, and they are expected to exercise their first of two one-year options to renew. The two rooftop tenants are set to auto renew for additional five years per their lease agreements.

For property insurance we assumed an increase of five percent and office expenses assumed a $10K increase for janitorial services as companies return from remote work environments to working in office. Repairs and maintenance assumed a $7K increase mainly due to some plumbing issues and general repairs that are needed, and a four percent increase was added for an elevator maintenance monthly contract. Finally, for utilities, we used actuals plus three percent to cover increased usage when employees return to the office and to cover any potential rate increases.

Mr. Donaca asked if YHI has a generator onsite. Mr. Reddish said, the generator that is onsite is owned by one of the rooftop tenants. YHI does not have a generator onsite for our facility. He added that it has been a challenge because of COVID as they need to install a tracker so we can find out what sized generator we would need, but it is on the wish list and we expect to revisit it soon.

Ms. Stockert shared the View Pointe budget and said the insurance increase of five percent to $4.8K is primarily driven by the timing of renewal from the prior year because the budget was built after we paid last year. For the other items, the small increases are mainly around catch-up items, and the repairs and maintenance increase are driven primarily by the contingency. Total expenses are budgeted at $266K which is $8K higher than last year.

Mr. Donaca asked about the insurance and if that is amortized across the policy periods or was that an oversight? Ms. Stockert said if it is over a certain dollar amount, according to the threshold in the financial policy, we amortize it, if under we expense it. The renewal period is built in the budget for June so there were some timing issues versus last year.

Mr. Donaca left the meeting at 10:45 a.m. resulting in the loss of the quorum.

c. Sustainability Analysis

Ms. Stockert said the cash flow projections for FY22 may see an update following the next meeting when we review the revenue budget. The assumptions are based on a one percent gross premium increase for FY22 and the same for subsequent years. We also included an estimated five percent enrollment growth for open enrollment 2022. The preliminary cash budget is set at $9.3M at the 2.29 percent Assessment Fee. The Cash Forecast dropped due to the building purchase in 2020 to about $9.6M and remains relatively flat through the five-year projection.

Ms. Stockert shared the scenarios that were created for this meeting that represent the different possibilities that we will face. For Assessment Fee Revenue, a change in the fee would not impact the consumer, operating costs or have any impact on Capital Expenditures. Plus or minus one percent would affect revenues by $200K either direction. We do expect the Biden Administration to revise the Notice of Benefit Payment Parameters increase the FFM fee. YHI would recommend no change to the Assessment Fee.

For the second scenario, the Uninsured SEP is happening now, it assumes 150 enrollments per week for the four-week period. The customer impact would be approximately 600 enrollments effective April 1, 2021 and would increase our revenue by $60K over nine months, it would impact the marketing spend by $30K, and have minor impacts to the technology (CAPEX) of about $10K. This scenario was included in the forecast since it is happening beginning Monday.

Ms. Stockert said Enhanced Subsidies, which could be effective June 1, 2021 or earlier, assumes 500 enrollments per week for four weeks. The customer impact would be 2,000 new enrollments resulting in increased revenue of $130K over six months, additional marketing and DHW costs of $50K and $10K, respectively and would have no impact to the CAPEX budget. The likelihood of this happening is fairly high assuming President Biden's stimulus bill passes and an enrollment period is opened with the enhanced subsidies.

Finally, Ms. Stockert reviewed what will happen when protected Medicaid status expires on June 30, 2021. There are about 35K currently on Protected Medicaid with about 7,000-8,000 that may be APTC eligible. We are estimating about 1,800 enrollments once Medicaid protection is lifted and we would see an increase of $115K in revenues over six months and there would be no impacts to operations or the CAPEX budget. This assumes the Public Health Order expires in the second quarter of calendar year 2021. YHI believes the likelihood of this happening is low.

The Chair asked if we know what the federal rate may move to and if they are mandated to cover their expenses? Mr. Kelly said prior to the Trump Administrations departure, they issued the Notice of Benefit Payment Parameters which are the rules that govern everything from plan design to assessment fees and everything in between for Plan Year 2021. In that rules, they identified assessment fees for the FFM states which was proposed at 2.25 percent. There was quite a bit of pushback from FFM states saying they simply cannot run the federal marketplace on that. However, the Trump Administration pushed it through anyhow and that became the final rule. We do anticipate the Biden Administration to revisit that portion of the rule however, given all the other activities that require his attention, we haven't seen anything yet. It will go up from 2.25 percent, but we don't yet know what it will go up to.

12. FY 2022 CAPITAL EXPENSE BUDGET

Ms. Stockert said the Capital Expense budget includes the GetInsured roadmap for FY22 and our contractual obligation of $850K. Mr. Reddish has worked hard on this roadmap and has items planned for deployment. We are proposing to include $100k of contingency for any additional equipment needs that may come up throughout the year. The total proposed CAPEX budget for the year is $950K.

Mr. Kelly brought up the generator question that came up earlier today. He asked if they size it and get an estimate, would it please the Committee if we add it back in at the second meeting to the CAPEX budget. The Chair and Committee members agreed that it is a good idea given our strong financial position.

Ms. Stockert asked if there were any other concerns or items that we need to revisit or add into the expense side of the budget? There were none.

Dr. Livingston asked if the revenue that the exchange receives from assessment fees and the revenue we receive for the building treated differently for tax purposes. Ms. Stockert said not that she is aware of. Since the revenue is coming into Your Health Idaho as one company with one tax ID, they would be handled with one tax treatment. Dr. Livingston said there was mention of the relationship between effectuations, income, and our projections going out. It was said that they are linear, and that is true, and we are at a point where a small change of one or two percent aren't going to affect things very much. But if bigger changes were to occur, there would be a moment of time where profitability would be in jeopardy. Mr. Kelly said for the second part of his question where expenses outrun the revenue, we did some analysis that showed our expenses were more semi-variable and primarily a step-function with respect to the number of enrollments. It takes about 10,000 enrollments for YHI to require additional support in the customer facing roles, so it takes quite a difference in enrollments to affect the bottom line. The Chair recalled about 10,000 enrollments for a plus or minus $1M in revenue on an annualized basis. Mr. Kelly confirmed that is correct. Dr. Livingston said he is very proud of the way the exchange has been managed, but he feels we need to increase revenue by bringing more people onto the exchange. Mr. Kelly said he agrees that YHI needs to maximize its enrollment and some of the things we are doing in the marketing space are focused on just that.

13. NEXT MEETING

The next meeting will be held on March 10, 2021 and will cover the Revenue side of the budget.

14. ADJOURN

There being no further business before the Committee, the Chair adjourned the meeting at 10:52 a.m.

Signed and respectfully submitted,

Kevin Settles, Committee Chair