IDAHO HEALTH INSURANCE EXCHANGE
DBA YOUR HEALTH IDAHO

FINANCE COMMITTEE
MINUTES
FRIDAY, JUNE 1, 2018

1. COMMITTEE MEMBERS PRESENT

- Mr. Kevin Settles, Chair
- Mr. Fernando Veloz
- Dr. John Livingston
- Dr. John Rusche (via teleconference)
- Director Russ Barron

2. OTHERS PRESENT

- Mr. Layne Bell, Your Health Idaho
- Mr. Pat Kelly, Your Health Idaho
- Mr. Kevin Reddish, Your Health Idaho
- Ms. Cheryl Fulton, Your Health Idaho
- Ms. Mandi Shawcroft, Your Health Idaho
- Ms. Alanee DeRouen, Your Health Idaho
- Ms. Meghan McMartin, Your Health Idaho
- Ms. Tresa Ball, HR Precision

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 9:00 a.m., Friday, June 1, 2018, at the offices of Hawley Troxell Ennis & Hawley, 877 W Main Street, Suite 1000, Boise, Idaho. In accordance with Idaho Code §41-6104 (8), the meeting was held in an open public forum and was streamed in audio format on the Idaho Public Television web site. The link was included in the notice of meeting posted on the Exchange Board's Web site and at the meeting location.

4. ROLL CALL

The Chair called roll and determined that Mr. Veloz, Dr. Livingston, and Director Barron were present, resulting in a quorum. Dr. Rusche joined (via teleconference) at 9:03 a.m. Senator Rice was absent.

5. PRIOR MEETING MINUTES

Motion: Dr. Livingston moved to approve the meeting minutes from the February 12 and February 21, 2018, Finance Committee meeting as presented today. **Second**: Mr. Veloz. **The motion carried.**

6. REVIEW AGENDA

There were no changes made to the agenda.

7. REVIEW ROADMAP

The Chair reviewed the Roadmap and there were no questions or comments.

8. FINANCIAL RESULTS THROUGH MARCH 31, 2018

Mr. Bell discussed the financial and enrollment page. The Assessment Fee Matrix shows December vs. January actual assessment fee revenues and noted that this is when the assessment fee went from 1.99 percent to 2.29 percent. He also highlighted how the average monthly premium went from just under $400 dollars per person in December to just under $500 per person in January. In looking at the dollar volume variance at the end, the variance between the budget and the actuals is split evenly between the change in effectuations and the premium increase combined with the assessment fee increase. Effectuations are expected to remain consistent year over year. The overall delta will continue to grow due to the price variance and in future months that will be more visible.

Mr. Veloz said in looking at December compared to January, there was a shift in enrollments from Silver to Bronze. Would that mean the average premium could have been higher if that shift hadn't taken place? Mr. Kelly said it is difficult to know for sure, but if the metal tier hadn't shifted, and with higher premiums in the silver plans, and if everything else had remained constant, yes, the rate could have been higher. The challenge in drawing that conclusion from that shift alone, as we also saw a shift from silver to gold (15 points went from silver to bronze and 5 points went to gold), how those interacted and impacted the overall rate is a little difficult. But all things being equal, yes.

Mr. Bell said one thing we continually discuss as an operating fundamental at YHI is the concept of sustainability. We regularly look at our cash projections, that being the primary measure of our ability to operate if for some reason something happened we would have some funds remaining to operate for a period of time. If a change in operating mandate, a system enhancement requirement from CMS, or work that needs to be done with DHW or in the HIX, do we have enough to make a capital investment to comply with any directives. Looking at that projection through the end of PY2020, there are a couple of things included in this that reflects the increase in the assessment fee and the current plan years increase in premiums, and although the mandate may not be gone, we believe there may have been some implied effect from the mandate going away. This would include people mistakenly thinking they did not have to participate this year. As of this morning, YHI's cash balance is $10.944M and we had projected $10.836M so that provides some comfort in the accuracy of our projections.

Mr. Veloz said keeping track of operating expenses in comparison to the budget has helped in keeping the reserves intact and actually building on that. Keeping operational expenses consistent helps build up that reserve as well.

The Chair asked if anyone has had the conversation that if we hit X amount of dollars in the bank, do we look at reducing the assessment fee. As part of that, YHI would have to have some form of stability. Mr. Bell said those discussions have taken place, but a threshold has not been determined at this point. It will remain a part of ongoing discussions and analysis and will not move forward with any plan without detailed discussions with this Committee before any decision is made. Dr. Rusche said there are going to be a bunch of changes, particularly if the Medicaid initiative passes, because it will likely decrease YHI's memberships in the 100 to 138 percent FPL range, resulting in a loss of about 20 percent of total enrollment, and YHI may not have as much revenue. The Chair added that the Department of Insurance said if we saw Medicaid expansion, YHI would likely see a 20 percent decrease in premiums, so it might not only affect the number of enrollees, but also the average price of a plan. Dr. Livingston added that the numbers that were put out, with the 3,500 individuals being moved from commercial subsidized plans to Medicaid, this would result in a savings of roughly $200M that would allow for the other subsidized plans to decrease their premiums by that 20 percent. Director Barron said these are two different things with some commonality and what Dr. Rusche is referring to is with expansion, it goes from 0 to 138. What we have now in the exchange is 100 to 138 and they would no longer be eligible for a tax credit because they would be eligible for Medicaid. So there is that impact, but if expansion happens, there is no need for the dual waivers.

Mr. Kelly said YHI is in the process of finalizing the analysis on the enrolled 100 to 138, if it were to be passed, if it were to be funded, and if the other ifs are in the positive, that is a direct impact to YHI. That estimated number is around 17-19,000 or roughly 20 percent of enrollments. In the same workstream, two other areas have been identified that could grow YHI's enrollment. Those are people that received an APTC but never did anything in the HIX and people that were deemed APTC eligible and started the process in the HIX but were never enrolled. These areas both present some opportunity. Those two buckets would not fully offset the 100-138 percent *FPL lives* lost but could partially offset that. However, there is still a significant risk, which is estimated somewhere between $1-2M.

Mr. Bell highlighted the Income Statement and said looking at YTD total revenue at $7.3M vs. the anticipated budget of $6.9M, this is reflective of changes in the assessment fee actual dollars earned. He also highlighted the total operating expenses for YTD, July 2017 – March 2018, $6.8M versus a budget of $8M. The items driving that include employee and related costs, which is largely driven by the timing of filling open positions. The budget is set for 56 FTE's while due to normal turnover, YHI is generally operating with 51 FTE's. We expect this number to remain consistent through year end. Mr. Bell also highlighted office and operating expenses, and the internal work being done to keep this down. One thing to highlight is the meeting with DHW personnel recently where they received the best explanation of the cost allocation between DHW and YHI, and what potential efforts YHI can take to minimize that cost. Relative to that there are no material changes to this budget item.

Motion: Mr. Veloz moved that the Finance Committee recommend to the Board the approval of the financial results through March 31, 2018, as presented today. **Second**: Dr. Livingston. **The motion carried.**

9. FY18 FORECAST

Mr. Bell said the forecast is actual spend to date plus the best estimate of the spend through the end of the fiscal year. Given the fiscal year is three quarters of the way through, the confidence in this is high. Total income for FY18 is significantly magnified through the end of the quarter due to the changes in the assessment fees. This will result in ending up materially more positively compared to budget. The bulk of the cash balance is in two CDARs instruments at Idaho Independent Bank. One was changed from a six month to a twelve-month instrument when the account was renewed. The risk is a decrease in liquidity, but the return on that will be roughly 15 points over what the prior return was. But because of the current cash balance, that liquidity wasn't needed at that level.

Mr. Veloz asked about the other income and wondered what kind of advertising contributes to that. Mr. Bell said that is the ad space YHI sells on the website.

10. BUDGET & MANAGEMENT PLAN

Mr. Bell said the budget and management plan is consistent with managerial accounting best practices including transparency and is consistent with the operating principles under our legislation. We monthly compare actual spend vs budget vs forecast at the director level. As we build the budget in future cycles, YHI will do more cross-functional analysis, with the intent to maximize return, and not just underspend. YHI is constantly looking for opportunities to improve its decision-making tools.

11. FY19 OPERATIONAL GOALS

Mr. Bell said the operating goal for the finance team specifically is looking at long-term sustainability and how that is supported and that appropriate resources for that are in place. The Low Cost Promise goal's intent is to focus that sustainability relative to the year end cash balance, with the goal of having more cash at year end than what was budgeted.

The Chair said when the cost of the policy went up, the revenue went up, which was not something that was considered much in the past. Mr. Bell said from an operating perspective, measuring things that can be controlled is preferred over those that can't be controlled. Largely that is how we spend and manage that spend relative to the budget and forecasting moving forward. Management has recommended pulling the market impact of materially increased premiums out of the staff performance goal. Specifically, if there is a material increase in premiums over what was budgeted, we will remove any such increase from the performance calculation.

Dr. Livingston said things you can control are how much the spend is and preparing for the unknown, so YHI had a good break in this case. What concerns him is if there is a decrease in enrollment and the percentage were to go down, that would be very hurtful financially to the organization. As someone who has supported a decrease in the assessment fee, not sure that is good because we have no control over the future.

Mr. Bell said one of the things when you look at the budget itself, it projects very conservative changes in the marketplace around effectuations and the marketplace, which is subject to potential changes. We feel those conservative estimates give us enough room to operate as opportunistically as we can when something negative happens, like Medicaid expansion taking customers away, and we feel the conservatism in that space needs to continue and taking marketplace change into account relative to that trend. We want to remain as conservative as we can, and provide as much incentive as we can, to continue to operate as promised to Idahoans.

The Chair said this piece ties into not only our mandate to remain low cost, but also ties into the performance review process. He asked Mr. Bell what the ask is specifically.

Mr. Bell said when you look at the goal itself as stated, and relative to the 100 percent benchmark, and then look at where we can spend, we tried to be as tight as we could, based on what we know from the past. This is a stretch opportunity in a potential savings range or in areas that we can control, but there are variables we cannot control like changes to Carrier premiums. We looked at savings potentials in employee related costs and there is an opportunity to not replace the supervisor that left and not fully staff our consumer advocates. We have decided to refresh our web portal and decided to take that from a contractor to in-house. And the other material space is when we look at the temporary customer advocates we bring on for open enrollment. When you look at the total range for reducing spending, it is around $400,000 per year, or 3 percent more cash than budgeted, and that is a stretch goal. The question then is what service or service level is being sacrificed by this goal and is it too much of a stretch and should we lower it.

Mr. Veloz said there is an element of personnel costs that are variable versus fixed. When you consider the impact of revenue decreasing from expansion and other items out of our control, the only things you really have control over are the operating expenses. A lot of these are contractual and YHI is obligated to those expenses. If revenues decrease, there is an element of employee related costs that can be reduced without sacrificing the quality of customer service.

The Chair said if looking at a single item, this is the Committee to do that, but when you consider the outside factors, it likely isn't.

Mr. Kelly said the general approach to the operating goals has been to send germane goals through germane Committees. Low Cost Promise is relevant to Finance, Customer Experience and Enrollment is relative to Marketplace, and Governance gets everything else, plus the overview. There are a couple of components to the Idahoans' Experience that are relevant to this discussion. The implementation of the Net Promoters Score (NPS) in the customer support center will give us some real time indicators of how the team interacts with customers, but also when a technology is deployed, if the NPS score sees a dip, there is likely a related issue. That is one clear area that would indicate if the right resources are in place to support our customer base. The enrollment goal, while the current thinking is it not being tied to variable pay, is also directly tied to the revenue components. Since we stripped any premium increases above the budget out of this goal, making it highly focused on operating expenses, and we can achieve higher enrollment numbers, then one could infer customers have been served better and therefore not been short on resources in any area. It's important to make sure we are careful as there are other goals that will balance some of the tensions here. $400,000 for the stretch goal is a huge stretch and we want to make sure it is attainable.

Mr. Bell said in the interest of transparency, we looked at the relative weighting of all YHI personnel, and for most YHI employees, the bulk of variable pay is not tied to this component. If you look at the average weighting overall, this particular goal has an average of 15 percent of the overall variable pay package across the organization.

Director Barron said YHI knows the risks and where it might be cut close, but the exchange has enjoyed a good reputation to this point, and if we aren't on top of the risks, and prepared to shift them when needed, it could result in problems that cost a whole lot more.

Dr. Livingston said the worst thing is to not be able to provide the service as promised moving forward. If there are going to be cuts, you need to be able to provide the same level of service in order to keep the reputation intact.

Mr. Kelly said from where we are today, these do not represent cuts to the budget. We are not talking about cuts, we are talking about managing tightly to where we are and controlling growth beyond that.

The Chair said he is comfortable with the proposal as it is and he likes the fact that if premiums have a large swing, YHI will revisit it. Director Barron is comfortable with it as well. Mr. Veloz said this discussion shows how we deliver on the Low Cost Promise.

12. FY18 AUDIT PLAN

Mr. Bell said preparations for the fiscal audit have begun and because we only spent $13,000 from the establishment grant in FY18, a Single audit is not required, resulting in a reduction of the audit cost by $2,500. We have begun audit planning and there will still be a programmatic and a financial audit. Field work will begin July 3 and will end by August 3. The team is already working and providing documentation to the auditors. The audit is currently on schedule to present to this Committee in early September, to the Board in mid-September and turned into the State Controller's office by September 28.

Dr. Livingston asked if the audit requirements differ between CMS and the State Controller's office. Mr. Bell said our audit requirements are more consistent with the Generally Accepted Auditing Standards (GAAS) requirements, but relevant to that, the requirement is we are audited by an external firm.

13. LESSONS LEARNED

Mr. Bell said one of the things that has been learned is that earlier in the budgeting cycle there need to be cross-functional reviews of spending. Such reviews will be added to the budgeting plan this coming year. Relative to that, we added more intentional review of spending, not just versus budget but versus forecast as well. This will allow us to anticipate more closely cash flows timing. Having those discussions on a more regular basis gives us far more detailed and effective forecasting methodology.

14. EXECUTIVE SESSION

Motion: *Mr. Veloz moved that the Committee enter into Executive Session Pursuant to Idaho Code Section 74-206 (1), to consider the evaluation of an employee pursuant to Idaho Code 74-206 (1)(b).*

Executive Session Roll Call: The Chair took a roll call vote and determined that Mr. Veloz, Dr. Livingston, Dr. Rusche (via teleconference), and Russ Barron were present and agreeable, resulting in a quorum.

The Committee entered into Executive Session at 10:09 a.m. and reconvened at 10:19 a.m. No final actions nor decisions were made while in Executive Session.

15. NEXT MEETING

The next meeting will be held in late August or early September.

16. ADJOURN

There being no further business before the Committee, the Chair adjourned the meeting at 10:21 a.m.

Signed and respectfully submitted,

Kevin Settles, Committee Chair