



**IDAHO HEALTH INSURANCE EXCHANGE
DBA YOUR HEALTH IDAHO**

**FINANCE COMMITTEE
MINUTES
THURSDAY, JUNE 13, 2019**

1. COMMITTEE MEMBERS PRESENT

- Mr. Kevin Settles, Chair
- Mr. Greg Donaca
- Dr. John Livingston
- Dr. John Rusche (via teleconference)
- Rep. Sage Dixon (via teleconference)
- Senator Jim Rice

2. OTHERS PRESENT

- Mr. Layne Bell, Your Health Idaho
- Mr. Pat Kelly, Your Health Idaho
- Mr. Kevin Reddish, Your Health Idaho
- Ms. Alanee DeRouen, Your Health Idaho
- Ms. Cheryl Fulton, Your Health Idaho
- Ms. Mandi Shawcroft, Your Health Idaho
- Ms. Wanda Smith, Your Health Idaho
- Mr. Mike Stoddard, Hawley Troxell

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 10:30 a.m., Thursday, June 13, 2019, 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. Members of the public could access the audio stream by dialing into a telephone number that 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. Donaca, Dr. Livingston, and Senator Rice were present, resulting in a quorum. Director Jeppesen was absent. Rep. Dixon (via teleconference) joined at 10:36 a.m. Dr. Rusche (via teleconference) joined at 10:38 a.m.

5. PRIOR MEETING MINUTES

Motion: Dr. Livingston moved to approve the meeting minutes from the February 28, 2019, 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. FY '19 Q3 FINANCIAL RESULTS

Mr. Bell said YHI does a basic price/volume analysis of its revenues both for the month and year-to-date. The average premium for March is lower than budgeted, but the overall effectuated member months for March cause an almost dollar for dollar offset of that. This results in revenues being about \$4k over budget for the month. Year to date is a similar story, but with greater impact from the earlier months in the fiscal year being over budget largely due to effectuated member months for the nine months ended March 31, 2019. When looking at the year to date, that is less than half a percentage point from what was budgeted. YHI does not anticipate this changing much for the final three months of the fiscal year.

Mr. Donaca asked if the variation is due to lower premiums or different plans being selected. Mr. Bell said at this point, it is lower premiums than what was budgeted. Mr. Kelly added that in the current plan year, there was a significant market shift from Blue Cross and Mountain Health Co-op to Select Health and Select Health had lower premium prices. While Mr. Bell did correctly articulate how the process works, there were some timing issues between when the budget was completed and when the plans were set. In addition, there was this shift in carriers that lowered the actual overall premium.

Mr. Bell shared the Individual Effectuated by QHP Issuer pie chart that illustrates the mix and carrier shifts. If one was to compare this to the same chart at the end of March 2018, Select Health's share and Blue Cross of Idaho's share would be flipped.

Mr. Bell moved to the Income Statement and highlighted the favorability in assessment fee revenues, noting again was due to higher than anticipated member months. For Interest Income, the interest rate on its CDARs continues to be higher than what was budgeted for, resulting in \$100k favorability. Operational expenses are \$1.1M favorable due to the Department of Health & Welfare continuing to bill YHI less than was anticipated, and the timing of filling open positions. Net Ordinary Income is favorable and in the black at \$1.2M and will continue through the end of the fiscal year.

Motion: Dr. Livingston moved that the Finance Committee recommend to the Board the approval of the financial results through March 31, 2019, as presented today. **Second:** Senator Rice. **The motion carried.**

9. FY'19 FORECAST

Mr. Bell said the forecast is actual spend through the end of March 2019 combined with the estimated spend through June 30, 2019. The bulk of the spend, or estimated spend, is already known and have confidence in what the final three months will look like. There will be a small unfavorable impact of \$19k in assessment fees. Relative to operating expenses based on analysis through the end of April, it is anticipated that there will be a favorable variance as much as \$1M.

Mr. Donaca asked what the direction is from the Finance Committee on operating expenses. Is it that YHI tries to hit it or come in below, or is there a threshold? Chair Settles said YHI is good at providing this committee with reasonable expectations and then coming in on the high side for income. The Committee does like to see things that are positive to the bottom line and makes sure that YHI is not operating in such a manner that a restriction on YHI's willingness to spend is not impacting YHI's effectiveness as an organization. Throughout the year, this Committee reviews where the organization is compared to the forecast and we do tend to see under-budget for labor, which tends to be explained and based on performance, does not raise red flags. Mr. Kelly added that YHI has a "Low Cost Promise that works" which does not impede our ability to serve our customers. Balancing expenses with Net Promoter Score and turnaround time and first contact resolution percentages is how YHI has managed all those different vectors. In other words, YHI spends what it needs to deliver and not a whole lot more. Mr. Bell said YHI does not want the budget driving the business results. If there needs to be a spending discussion, it is better to have that sooner rather than later.

10. FY'19 CAPEX FAVORABILITY

Mr. Bell said for fiscal year 2019 the Capital Budget is \$1.2M. The current capital spending plan is focused around the technology partner, GetInsured. When we look at the change requests that were thought to be delivered and the timing of those, YHI will only spend \$1M by the end of June relative to the capital budget. This resulted from a renewed contract with GetInsured where the payment structure was changed, in exchange for some price considerations, to a monthly payment of about \$70k per month to cover Change Requests rather than pay for them as they are delivered. Those dollars are recorded in a "work-in-progress" account and as change requests are delivered, they are then capitalized into Fixed Assets. The new contract and payment structure created a timing problem which will result in \$200k FY19 CAPEX budget favorability and at the same time create a \$200k FY20 CAPEX budget shortfall. If we don't shift the favorability in FY19 to cover the FY20 shortfall, there are some things YHI will struggle to get delivered in the coming year including upgrades to noticing and upgrades for non-traditional families. The proposal today is to shift the FY19 CAPEX favorability of \$200k to the FY20 CAPEX shortfall. Mr. Bell said he did review the strategy and methodology with Mr. Stoddard who also felt this was the correct path forward.

Motion: Senator Rice moved that the Finance Committee, recommend to the Board, approval of shifting current fiscal year CAPEX favorability of \$200K to the FY20 CAPEX budget, increasing the total approved FY20 CAPEX budget to \$1.2M as presented today. **Second:** Dr. Livingston. **The motion carried.**

11. FY'19 CAPEX AGENT PORTAL

Mr. Bell said the current operating budget is just under \$10M with a forecast through March 31 showing \$760 in favorability for OPEX by the end of FY2019. The April 30th forecast projects the year-end OPEX favorability to be closer to \$1M. YHI would like to use that favorability to apply it to some technology opportunities that were not available previously.

Based on feedback from the open enrollment summit and from our last YHI Board meeting, there is significant need to upgrade agent and broker access to an Agency Portal. This allows a shared book of business at an agency, giving more than one person at a time from the same agency access to the same book of business. It would also add an agency assistant role which is a controlled access to be able to serve customer needs. Over 70 percent of YHI's customers use an agent or broker to assist them in the YHI system. YHI will work with DOI to determine the appropriate access levels. Mr. Kelly added that this is the single biggest thing that agents resoundingly want fixed. The real ask here is to get the pricing locked in and paid for to get GetInsured to deliver it by the end of the first quarter CY2020. If the Committee is willing to do this, it is essentially shifting OPEX to CAPEX in order to deliver a critical technology enhancement to YHI's most important partners.

Senator Rice added that he chairs the Appeals Panel and there is a push in appeals to get these types of things resolved before they go before the panel. This will eliminate some problems from the past that are substantial and affect consumers in a very negative way.

Dr. Livingston asked if YHI would be encouraging agents to sign some sort of release. Mr. Kelly said the agency will opt in to leverage the shared book of business or they can remain independent. Producer agreements may need to be updated. Mr. Donaca said at Delta Dental, all the producer/agency contracts are with the agency and then the brokers roll up under that. All the commission payments go to the agency and the agency allocates them. Mr. Donaca asked if it is common to shift from CAPEX to OPEX, because they are two different things. Mr. Bell said this is the second time YHI has made a request like this. It is relative to two things: recognition that the budgets are approved separately, and also recognizing that this request is outside the arrangements in the contract that was written in January. In order to meet requests from the marketplace and YHI's partners, YHI needs to make this happen but does not have the spending authority to do that. The only way to make that happen is to shift the budget. Mr. Kelly added that the cash would go out at the time YHI signs the CR and that is to lock in pricing and ensure it is on the roadmap. That would go into a CAP WIP account on the balance sheet that would not move to an in-service asset until it was placed in service post-testing sometime in early 2020. YHI could simply ask for an increase in the CAPEX budget and that would essentially accomplish the same thing. Part of that conversation, based on history, would be where that money is coming from. The idea of shifting funds currently allocated to OPEX to budgeted funds to CAPEX is simply to show where that cash would come from, increasing transparency regarding where that spend was approved initially and where it is being moved to. This does not change the accounting treatment, just keeps the OPEX and CAPEX buckets separate.

Motion: Senator Rice moved that the Finance Committee, recommend to the Board, approval of shifting current fiscal year OPEX favorability of \$350K to the FY19 CAPEX budget, thereby increasing the FY19 CAPEX budget to \$1,350,000 as presented today. **Second:** Dr. Livingston.
The motion carried.

12. SUSTAINABILITY

Mr. Bell said when YHI talks about sustainability, it is YHI's ability to spend to meet operational and technological requirements. As those requirements are sometimes mandated, YHI needs to be able to pivot quickly. Mr. Bell shared the sustainability projections through time which reflects YHI's cash availability through June 2025 with some underlying assumptions made. The graph reflects the current cash balance through March of 2019. Everything moving forward is based on projections of revenue assumptions validated by Milliman net of anticipated spending over the same time frame, YHI's cash balance is anticipated to top out at the end of calendar year 2019 at roughly \$14M on January 1, 2020. Anticipating that Medicaid Expansion happens January 1, and where YHI anticipates a 20% reduction in effectuations, or approximately 18,000 lives leaving the marketplace. After January, there is a decrease in cash, but the decrease won't begin to be material until the end of February or beginning of March. That decrease will continue and finalize around the end of calendar year 2021 or the beginning of 2022. Cash availability should begin to stabilize at that time. YHI does not anticipate any further reduction past that 20 percent. Effectively that stabilization has a revenue stabilization effect. There will be variability in pricing moving forward resulting in a more typical increase to revenues over time, and which shows in this model as an increase in the cash balance over time. Mr. Bell added that the red line, which has not changed, represents the amount of cash reserves, which will cover eight to ten months of operating expenses.

13. BUDGET AND MANAGEMENT PLAN

Mr. Bell said the budget and management plan is YHI's philosophy of internal controls and YHI's team behavior relative to YHI's management. The overlying philosophy is that YHI does not want finance, accounting, or the budget to drive operations, but to facilitate the operating needs as best as we can within the restraints approved by the Board. YHI does look at, more than annually, best practices relative to managerial accounting. YHI continues to review monthly and year-to-date spending compared to budget and forecast with budget owners. As business conditions warrant, YHI management recommends allocations between budgeted line items. That conversation at the management table generally involves deciding what will provide the best return.

Mr. Bell noted that Ms. Smith has passed her CPA exam and the ethics exam associated with it and should have the paperwork submitted to have her CPA license on July 1. That is really one of the underlying philosophies – that best practices result from education and professional opportunities. Ms. Shawcroft is also working on her undergraduate accounting degree.

14. OPERATIONAL GOALS

a) FY19 Goals Progress

Mr. Bell said the Finance teams' operational goal is the Low Cost Promise. To reach the 100 percent threshold, YHI needs to have at least \$400k more cash at fiscal year end than was budgeted. Given the shifts in CAPEX just discussed, YHI anticipates still meeting that 100 percent threshold. YHI does push in May and June to ensure most payables and receivables are minimized at year end.

b) FY20 Operational Goals

Mr. Bell shared the FY20 proposed goal of continuing the Low Cost Promise goal – that works. YHI proposes, in looking at operating expenses, reducing those expenses, but there isn't much control in a couple material line items. For instance, the contract is already signed with GetInsured, so the M&O expense won't change over the year and YHI doesn't have much control over what DHW bills on a monthly basis. Recognizing that, YHI would like to pull those two line items out of the analysis because the remaining line items are generally more controllable on a month-to-month basis.

Mr. Bell said for the period of performance, July 1, 2019, through June 30, 2020, YHI will implement lean programs, capture negotiated or contractual improvements, and deliver a Low Cost Promise that works. The 100 percent benchmark would be a reduction in expenses of \$400K (not including the GI and DHW contracts). The 80 percent benchmark would be a reduction in operating expenses of \$325K (or a 5 percent reduction in expenses). There would be no 60 percent benchmark.

Mr. Donaca noted that it is important to him that he is in favor of this as long as \$400k is not material. He doesn't want to see reductions in areas that reduce the quality of customer service. Mr. Bell said this goal was a result of a team discussion in looking at expenses by line item and that it isn't a cutting exercise. But more an exercise of if there is some flexibility, where can it be found. Mr. Bell added that this is not going to be an easy goal.

15. COMMERCIAL REAL ESTATE UPDATE

Mr. Kelly reminded the Committee that YHI issued an RFQ in April, received three responses, and Colliers was selected for real estate services. The kickoff meeting focused on YHI's culture and budget. Based on that preliminary meeting, YHI took "build" off the table because there isn't enough runway and are looking at lease or purchase options. There is a potential to work with a development partner for space that is currently under construction or for sale. We anticipate having a more detailed update at the September meeting.

16. INSURANCE RENEWALS

Mr. Bell shared the annual insurance renewals and said the Directors & Officers policy as well as the Excess policy renewed in June, both coming in with minimal increases.

Additional policies renewing in September include the Cyber Liability and Cyber Liability Excess, Errors and Omissions, and don't anticipate much of an increase in any of these policies.

As a reminder, YHI does review with legal counsel before binding the policies.

17. FY '19 AUDIT PLAN

Mr. Bell said YHI did issue an RFP last fall for audit services and Eide Bailly was selected. Because this is a new audit partner, there are some risks inherent in any new audit engagement. Overall, everything should be consistent with 2018. As in FY18, a single audit isn't required for

FY19 because we no longer draw funds from the Establishment Grant. Audited financials need to be to the State Controller by September 27, 2019.

18. LESSONS LEARNED

Mr. Bell noted a couple of items that were reinforced, especially with some leadership changes at YHI. He said the more training ahead of time with management regarding how their spending and budget management works, the more effectively they work together and more quickly they are up to speed. General responsibilities and group reviews cover the design and purpose of the tools we use to manage our spending and so their decisions are more informed. Cash flow projections have improved, and investment opportunities and spending tradeoffs were understood sooner in the accounting cycles, and decisions were operationalized sooner. This is a big win for the finance team.

19. EXECUTIVE SESSION

Motion: The Chair 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. Donaca, Dr. Livingston, Dr. Rusche (via teleconference), Senator Rice, and Rep. Dixon were present and agreeable, resulting in a quorum.

The Committee entered into Executive Session at 11:44 a.m. and reconvened at 12:02 p.m. No final actions nor decisions were made while in Executive Session.

20. NEXT MEETING

The next meeting of the Finance Committee will be held in late August or early September.

21. ADJOURN

There being no further business before the Committee, the Chair adjourned the meeting at 12:02 a.m.

Signed and respectfully submitted,



Kevin Settles, Committee Chair