



IDAHO HEALTH INSURANCE EXCHANGE
DBA YOUR HEALTH IDAHO

FINANCE COMMITTEE MINUTES
WEDNESDAY, SEPTEMBER 2, 2020

1. COMMITTEE MEMBERS PRESENT

- Mr. Kevin Settles, Chair (via videoconference)
- Mr. Greg Donaca (via videoconference)
- Dr. John Livingston (via videoconference)
- Ms. Tara Malek (via videoconference)
- Senator Jim Rice (via videoconference)
- Rep. Sage Dixon (via videoconference)

2. OTHERS PRESENT

- Mr. Pat Kelly, Your Health Idaho (via videoconference)
- Ms. Heidi Stockert, Your Health Idaho (via videoconference)
- Ms. Wanda Smith, Your Health Idaho (via videoconference)
- Mr. Kevin Smith, Eide Bailly LLP (via videoconference)
- Ms. Ellen Duncan, Eide Bailly LLP (via videoconference)
- Mr. Mike Stoddard (via videoconference)
- Ms. Cheryl Fulton, 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 9:10 a.m., Wednesday, September 2, 2020, via GoToMeeting. 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.

4. ROLL CALL

The Chair called roll and determined that Mr. Donaca, Ms. Malek, Senator Rice, and Rep. Dixon (all via GoToMeeting) were present, resulting in a quorum. Senator Rice joined at 9:12 a.m. and Dr. Livingston joined at 9:14 a.m. Director Jeppesen was absent.

5. PRIOR MEETING MINUTES

Motion: Rep. Dixon moved to approve the meeting minutes from the July 13, 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. FY20 AUDIT RESULTS

Ms. Stockert introduced the Audit team from Eide Bailly, Mr. Kevin Smith and Ms. Ellen Duncan who will be sharing the FY20 audit results. She added this is the second year Eide Bailly has performed YHI's audit.

Mr. Smith said that working with Ms. Stockert, she was helpful, asked good questions, and despite being new to the organization, was well prepared for the audit. The Audit report that will be issued will be unmodified, clean opinion again this year, which is always the goal. This year there were no auditor comments which is significant, resulting from regular attention given to the audit process, controls and procedures. In addition, there were no adjustments, which is significant because it means that records were in good order and signifies, they are generally in good order throughout the year.

Mr. Smith said as they went through the process, there were a few interesting things that happened that he wanted to comment on. The results of the building and the subsequent infrastructure is seen over and over throughout the audit process. Fixed assets and infrastructure depreciate very quickly and so that amount went down resulting in a positive impact to the income statement. In reviewing cash and balance sheets, the increases and decreases were largely a result of the acquisition of property. Revenue went down a little, which was anticipated, due to Medicaid expansion. The loss of about 13,000 enrollments resulting from that resulted in about \$1M loss in revenue, but expenses are also down considerably. The change in net position was close to \$2.2M. The management discussion and analysis at the beginning of the report was well done and told us the story of what really occurred over the past year.

Mr. Donaca asked if there were any other items that were discussed or noted that might not be at the level of the financial statements, or any recommendations to management. Mr. Smith said really there wasn't anything to note. Ms. Duncan said there weren't any issues and added that the audit was pretty clean.

Mr. Smith said for the Programmatic Audit, there were no problems or findings. He added that 60 participants were randomly sampled who had enrolled on the Exchange to ensure the system worked as it should. Testing procedures are listed in the report and there were no findings or issues.

9. EXECUTIVE SESSION

Motion: The Chair moved that the Committee enter into Executive Session Pursuant to Idaho Code Section § 74-206(1), to consider records that are exempt from disclosure as provided by law pursuant to Idaho Code Section § 74-206 (1)(d).

Executive Session Roll Call: The Chair called roll and determined that Mr. Donaca, Dr. Livingston, Ms. Malek, Senator Rice, and Rep. Dixon were present and agreeable, resulting in a quorum.

The Committee entered into Executive Session at 9:25 a.m. and reconvened at 9:32 a.m. No final actions nor decisions were made while in Executive Session.

Motion: Chair Settles moved that the Finance Committee, recommend to the Board, approval of the Audited Financial Statements and Audit Report for the financial year ended June 30, 2020, including additional information contained in the report and as presented today. **Second:** Senator Rice. **The motion carried.**

Motion: Chair Settles moved that the Finance Committee, recommend to the Board, approval of the Programmatic Audit Report for the financial year ended June 30, 2020, including additional information contained in the report and as presented today. **Second:** Ms. Malek. **The motion carried.**

10. FY20 FINANCIAL REVIEW

Ms. Stockert said for financial and enrollment highlights versus budget, we did come in favorable budget for average monthly premium and assessment fee revenues. Effectuations are favorable to budget by 7 percent and the total for the end of the fiscal year is 78,283 enrollments. Total assessment fee revenue is favorable to budget by \$93,982 and totals \$11.1M.

As of August, enrollment is tracking about 16,000 enrollments lower than last year, which is a bit larger of a year over year gap that we have seen in previous months but holding at about 76,000 enrollments. Preliminary numbers for September are coming in at 75,000 enrollments.

Ms. Stockert said the income statement was reviewed at the beginning of the presentation by auditors for the fiscal year ending and it was favorable in revenue and operating expenses. She highlighted the favorability in salary and wage expenses for employee and related costs, outreach and education from bringing training in house, and the Department of Health and Welfare eligibility service cost due to Medicaid expansion.

For the View Pointe Building income statement, Ms. Stockert said it showed little change from the last meeting except being favorable in rental income and expenses were unfavorable mainly due to startup costs related to the tenant improvements made to the building and the move.

Ms. Stockert said at the consolidated level, the income statement shows that favorability versus the budget is \$977K for total operating expenses resulting in overall net ordinary income of \$2.5M through the fiscal year.

11. FY21 FINANCIAL FORECAST

Ms. Stockert said her team did complete the July month-end close and those results will be sent out today. Actuals show a shortfall in assessment fee revenues of \$47,000 related to enrollments coming in lower than anticipated as well as a decrease in interest rates compared to when the budget was approved. We expect the unfavorability in revenue and interest rates to continue. Looking at the annual forecast, we anticipate the shortfall in assessment revenue to be about

\$474k, which is made of \$375k due to lower than anticipated enrollments and \$100k attributed to the Department of Insurance (DOI) preliminary rates were issued at an average of 1 percent and is lower than the budget assumptions used.

For OPEX, we see some favorability in temporary staff for seasonal hires at about \$54k. Janitorial cost is coming in under budget for favorability of about \$26k as these were included in the TOK budget also. There is also additional savings related to spend not used in travel as some planned events did not take place, and office expense and office space due to most employees working remotely at this time.

Ms. Stockert shared the View Pointe forecast and noted that tenants are paying rent on time and expenses are in line with the budget. Some repair and maintenance items have come in a little bit higher than expected and we did install an additional alarm system that was not anticipated. Overall, the building budget is right on target.

The consolidated forecast looks good for July. With the shortfall in revenue, we do have work to do to balance the budget and bridge the gap. Overall, we anticipate some favorability in the expense area as the actuals for each month come in. We did meet with the budget owners since there have been changes in the operating landscape since the budget was approved and had conversations around the revenue shortfall. We took a look at operating expenses to find areas that could have opportunities to reduce expenditures.

In those discussions, we came up with \$315k in potential savings where we can bridge the gap and balance the budget. The area where we found the most potential savings is in wages and salaries and related employee costs. There are a couple of positions that may or may not be filled and resulting close to \$130k in savings. The remaining areas of savings will likely occur due to YHI's remote work status which evolved as a result of COVID-19 and came about after the budget was approved in March. These savings include the following: an additional tribal contract for six months instead of a full year, less meetings and travel, training moving to virtual events, less spend in office expenses and supplies, decrease spend in professional development and professional fees. There may be additional savings in the DHW Eligibility Services area of about \$100k.

Ms. Stockert said as we move into PY21 Open Enrollment, we are keeping an eye on economic indicators around Idaho, with the unemployment numbers being the main focus. We did see that unemployment is now on a downward trend and we will continue to watch unemployment. The next economic indicator is the market health which includes consumer confidence and CRE (real estate) trends in Idaho. National consumer confidence declined 5.7 points in July, following a large gain in June which may be due to uncertainty in national fiscal policy and stimulus funds which started and quickly ended. The good news is the CRE trends are trending up.

Ms. Stockert said looking at these trends as well as PY19 and 20 as our baseline, we expect to see a 10-12 percent increase in enrollments coming in at about 83,305 total enrollments. Average monthly premiums remain in line with our enrollments at \$480 per member and takes into consideration the 1 percent reduction in plan costs.

For the sustainability analysis we have included the ending cash balance for July actuals which bumped it up to \$10.1M for our 5-year projections ending June 2026. In addition, our tenant cash

flow has been added, where all rents have been paid on time. We do expect to meet our forecast of operating expenses as well as our budget expenditures with our cash flow projections.

12. FINANCE COMMITTEE CHARTER UPDATE

Chair Settles said there is some confusion around the Executive Director compensation discussion in the last round of Committee meetings. The Governance Committee performs the overall Executive Director review and compensation and bonuses. But over time, the Finance Committee has done the same. This last round, those views were conflicting, and it has caused some stress both at the Board and the Committee levels. In working with the Chair of Governance, Board Chair Weeg, and Ms. Ball to clarify these roles around Executive Compensation, we found the Charter stated that any inconsistencies around the compensation and staffing plan would be discussed between the Committee Chairs and the Executive Director. The updates to the Finance Charter include an addition that addresses any inconsistencies between the Governance and Finance Committees as it relates to the Executive Director's compensation which would be discussed between the Committee Chairs and the Board Chair. No other changes were made. Dr. Livingston suggested that this group be an ad hoc compensation committee that meets prior to the Governance and Finance meeting that then directs these committees, so they are in line come meeting time.

Motion: Chair Settles moved that the Finance Committee, recommend to the Board, approval of the revisions to the Finance Committee Charter as presented today. **Second:** Rep. Dixon. **The motion carried.**

13. DECEMBER FINANCE TRAINING TOPICS

Mr. Kelly said at this meeting we will discuss potential Finance Committee training topics for the December training. It's pretty difficult to have any conversation without COVID as part of this discussion. and wants to marry the COVID impacts as it relates to risk management and how we mitigate risk moving forward. Ms. Stockert did include a couple of attachments around six risk management area from Ernst & Young, and a white paper around scenarios for Thrive Scenarios from Deloitte, and we want to put forward those options for the December meeting. Mr. Kelly also asked for suggestions from the committee that he can take back and include in the training in December.

Chair Settles said he thinks YHI is already doing many of the items in the Six Risk Managements steps article, but the Thrive article was more interesting and would provide better opportunity for discussion. Mr. Kelly agreed that the Ernst & Young white paper does confirm that YHI is on the right track with things like financial forecast, the Risk Register, and the more tactical items operationally from a risk standpoint, and the Thrive was more interesting and perhaps more appropriate for the governance level of the Finance Committee. Ms. Malek and Mr. Donaca said they found the Thrive scenarios to be more helpful strategically. The Chair suggested the Thrive scenarios from Deloitte for the December training.

14. ANNUAL COMMITTEE SELF-EVALUATION

Chair Settles ran through the Committee Self-Evaluation questions.

- a) *Do committee meetings (frequency and length), as well as actions, align appropriately with its defined charter?* Dr. Livingston said everything is streamlined and he is comfortable with the Chair, Vice-Chair, the YHI team and the audit process. Mr. Donaca appreciates the Chair's time and knowledge. He added that the materials are well put together and well-presented and always has the information he needs to make decisions. This videoconferencing format is more difficult and takes some getting used to. Ms. Malek appreciated the materials in advance and had no suggestions for improvement.
- b) *Do committee meetings have written agendas and materials related to significant decisions, and are materials provided to committee members in advance?* The Chair said agendas are received well in advance and well done.
- c) *What improvements to the effectiveness of this committee occurred over the last year?* The Chair said getting back to in-person meetings will be key.
- d) *What suggestions for improvement should this committee consider?* The Chair said the materials that YHI provides result in good discussions. Mr. Kelly added that the other Committee's also completed this same line of questions and also took the Board survey and we heard some suggestions around detail on what each committee does as well as some guidance on how Board members and YHI staff can interact. Mr. Kelly said the key item from us would be that the materials that YHI provides for the Committee meetings provide for robust discussion. Ms. Stockert asked if there is a way to make presentations and materials easier to understand. The Chair said he likes how we meet several weeks in advance to understand the financials. Mr. Donaca asked if the level of detail is beneficial to the Committee or would they prefer the details be in the handouts and then just summary slide. Dr. Livingston likes the detail in the slides.

15. NEXT MEETING

The Chair noted that the next meeting will be held in late November/early December.

16. ADJOURN

There being no further business before the Committee, the Chair adjourned the meeting at 10:30 a.m.

Signed and respectfully submitted,



Kevin Settles, Committee Chair