



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

**FINANCE COMMITTEE
MINUTES
WEDNESDAY, SEPTEMBER 4, 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 (via teleconference)
- Director Dave Jeppesen

2. OTHERS PRESENT

- Mr. Pat Kelly, Your Health Idaho
- Mr. Kevin Reddish, Your Health Idaho
- Ms. Megan McMartin, 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
- Mr. Kevin Smith, Eide Bailly
- Ms. Ellen Duncan, Eide Bailly
- Mr. Lew Manglos, Colliers
- Mr. Oliver Maron, Colliers
- Mr. Scott Feighner, Colliers

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 9:03 a.m., Wednesday, September 4, 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 Dr. Livingston, Dr. Rusche (via teleconference), Mr. Donaca, and Director Jeppesen were present, resulting in a quorum. Rep. Dixon joined (via teleconference) at 9:05 a.m. Senator Rice joined (via teleconference) at 9:16 a.m.

5. PRIOR MEETING MINUTES

Motion: Dr. Livingston moved to approve the meeting minutes from the June 13, 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 AUDIT RESULTS

Mr. Kelly introduced Mr. Kevin Smith, Audit Partner and Ms. Ellen Duncan, Audit Manager from Eide Bailly who will present the audit report.

Mr. Smith said to start, the auditors issued an unmodified opinion, which is a clean opinion and always the goal. There is a letter that will be finalized at the end of the audit when the report is issued and it is Eide Bailly's communication to the Board. The content of the letter begins with the standards and there were no new pronouncements this year. This letter would also include information to the Board if the audit team had any issues in getting information from YHI or if there are any adjustments made, they would have also brought that to the Board's attention. There was a minor cutoff issue with the invoices from Health and Welfare as the last payment month should not have been accrued. But the net effect is about \$11,000 which when you look at the finances as a whole is fairly immaterial. Along with that, the audit team assists in drafting the financial statements, but if the company doesn't have the talent or time to do that, the auditors issue a management comment. With Mr. Bell, a CPA, having been there throughout the audit, it was not necessary. Another significant item to note is that audit adjustments are common in most audits, but in YHI's case, there were no adjustments made.

Mr. Donaca asked Mr. Kelly what YHI's position is on YHI producing the financial statements next year. Mr. Kelly said Mr. Bell has left YHI and we have extended an offer, and it has been accepted, for a Director of Finance and it is our understanding that while this individual does not hold a CPA certification, they were most recently in a controller role and an FP&A role, and it is our understanding that the financials can and will be produced in house again in the coming year, as they have been in previous years. Chair Settles added that YHI does have a newly certified CPA in the house with Ms. Wanda Smith.

Mr. Smith said the first two pages of the financial statements belong to the auditors and the audit team did issue an unmodified, or clean, opinion.

Mr. Smith said the next part is the Management's Discussion and Analysis, which is the analysis of what happened during the year by management. This is often easier to understand than the financials themselves and provides an overview of YHI's financial activity throughout the year as it relates to the financial statements.

On the financial statements themselves, and specifically on the Statement of Net Position, or balance sheet, cash increased primarily due to Assessment Fee revenue, but the total assets decreased. This is a result of the HIX asset depreciating relatively quickly this past year. Total liabilities were pretty close to last year, and very consistent, which is what one would expect to see. The net position decreased due to the asset depreciating.

For the Statements of Revenues, Expenses and Changes in Net Position, since the federal grants have ended but assessment fee income is up, total operating revenue was up by about \$2M. In the operating expenses, the depreciation mentioned earlier is shown and it is expected that in a couple of years, YHI will break even.

Mr. Donaca asked who relies on the financial statements. Mr. Kelly said YHI submits its financial statements to the State Controllers office, and while YHI is not a consolidated unit, it as a component unit and why we submit to the State Controller. YHI also shares financial statements with CMS and HHS as part of their SMART compliance. Finally, YHI posts its financial statements on its website so the general public can view the results. When YHI does its annual report to the legislature, it generally includes financial highlights, but not the full audited financials.

The remaining financial statements are included in the report, but won't be discussed at length today, but he said if this Committee has any questions covering those documents, he would be happy to explain them.

Mr. Smith said finally, as part of the audit process the auditors perform some agreed-upon procedures on the programmatic audit. This year, the agreed upon procedures and required procedures were performed, and included many interviews, testing on transactions on eligibility, and there were no findings, comments, or questions related to that testing.

9. 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 (via teleconference), and Rep Dixon (via teleconference) were present and agreeable, resulting in a quorum.

The Committee entered into Executive Session at 9:24 a.m. and reconvened at 9:30 a.m. No final actions nor decisions were made while in Executive Session.

10. FY'19 FINANCIAL REVIEW

Mr. Kelly shared a high-level overview of assessment fee revenues and effectuations by carrier. Assessment Fee revenues for the month of June were just over \$1M and the year to date is 5.4 percent under the adjusted budgeted AF revenues as of the end of June. There were just under 95,000 effectuations and distribution between carriers is unchanged from prior reporting.

Mr. Kelly shared the income statement which shows assessment fee revenues were under by about 5 percent, but there was favorability in interest income, primarily driven by higher rates on YHI's CDARs investment program. There was a miss on advertising revenues but continue to see interest from the agent and broker community. Operational expenses were \$1.4M favorable to budget and that is primarily driven by employee and employee related expense favorability and the DHW Eligibility Services, each were just under \$600k favorable. There was also favorability in temporary services and in some other line items.

Mr. Donaca asked what the eligibility services covers. Mr. Kelly said per YHI's legislation, YHI is unable to use any state resources. DHW provides Tax Credit Eligibility determinations for YHI's customers and YHI pays for those services via an approved cost allocation model. The costs this year are reflective of those services provided.

Mr. Kelly added that the depreciation of the HIX technology was fully depreciated per the original contractual agreement. Overall net income showed a loss of about \$6.6M resulting in about \$2M unfavorable compared to budget.

Motion: Dr. Livingston moved that the Finance Committee recommend the Board the approve the Audited Financial Statements and Audit Report for the financial year ended June 30, 2019, including additional information contained in the report and as presented today. **Second:** Mr. Donaca. **The motion carried.**

Motion: Dr. Livingston moved that the Finance Committee recommend the Board the approve the Programmatic Audit Report for the financial year ended June 30, 2019, including additional information contained in the report and as presented today. **Second:** Mr. Donaca. **The motion carried.**

11. CASH FLOW UPDATE

Mr. Kelly shared the long-term cash projections and related updates since the June Board meeting. These updates are broken into two different sections: Operating Expenses and Capital Expenditures. The Operating expenses were primarily centered on how the payment of YHI's contractual obligations with GetInsured was split between maintenance and operations (a P&L item) and what YHI prepays for system enhancements (balance sheet item). There was a CPI growth rate that had not been properly applied with a collective impact to the P&L of about \$600K. There were also multi-factor authentication costs added in for an adjustment of \$200K. Total operating expense impacts were about \$800K and these are cumulative through the end of June 2025.

Mr. Kelly said YHI had lower than traditional Capital Expenditures included in FY24 and FY25 and that is an impact to cash projections of about \$1.3M. That is offset by the GetInsured capital

expenditure contractual amount. The net impact to capital expenditures is about \$900K. In total, and through the end of June 2025, instead of having a predicted cash balance of about \$12M, we have now adjusted that to \$10.2M. No impact to the actual results, this is just a look at forecast and future looking numbers.

Mr. Kelly shared at a high level what all this means compared to what was shown at the June 2019 Board meeting. YHI started June of 2019 with about \$13.4M and projected through the end of June 2025 to have \$11.9M resulting in a reduction of cash of about \$1.5M. That is primarily driven by the loss of enrollments resulting from Medicaid expansion. The impacts of the changes discussed earlier are really just the product of those two categories. The first is a loss of about \$800K related to maintenance and operations and the second of about \$900K related to insufficient CAPEX. Those adjustments bring us to a revised cash balance as of June 2025 of about \$10.2M.

Dr. Livingston asked how this happened. Mr. Kelly said in the normal course of review in comparing the models for the fiscal 2025 forecast as well as performing the financial analysis related to commercial real estate, these were identified. The models were then updated which resulted in the revised cash balance.

Mr. Kelly shared the cash curve, or sustainability projection, with a new line representing the new projection. The new line remains well above the \$6.6M cash reserve, however it may affect some of the discussion later on today. As a reminder, the cash reserve was put in place to cover six to nine months of operating expenses and a little room for capital expenditures like system changes that may relate to policy changes that can not be anticipated. The important thing to take away is that with an operating expense budget of \$9-10M, that \$6.6M reserve provides YHI with six months, if not longer, to operate. Another important thing to remember is even with a managed disenrollment scenario, revenues will not cease overnight, they would decline as managed disenrollment occurred and operating expenses would also decrease during that same time.

Mr. Donaca said he appreciates the way YHI handled this with transparency and suggested that YHI look at that number and make sure it is the right number on an annual basis.

12. NEW PRODUCT UPDATE

a) Enhanced Short-Term Plans

Mr. Kelly said for the enhanced short-term plan product (ESTP), these already have proposed rules that were published and temporary rules that should be available shortly. He shared what YHI thinks the projections are for both enrollment and revenue as it relates to these plans. YHI has had high level discussion with DOI and GI on how we could implement these plans on a separate instance of the exchange. We have had high level discussions with the carriers and are ready to have more discussions. There are two key items that need to be clarified. The first is the technology requirements or how we load plans into the HIX and the second is how to handle the universal health questionnaire that will be used for these plans. YHI is working with DHW on a single sign on so if customers have an account for QHP products, they would not need a separate account for ESTPs. Assuming YHI can get these items taken care of, we are

targeting the first half of 2020 for implementation. The Marketplace Committee did approve moving forward with these plans for Board recommendation.

Dr. Rusche asked what the 18,000 planned ESTP does to the standard product effectuations. Mr. Kelly said none of the impacts from the ESTPs are in our baseline. These came after the budget was approved and are not accounted for in the forecast. What we believe is that these will come from two primary areas: those that are unsubsidized on the exchange and the rest would come from people not currently enrolled in a QHP. These are relatively conservative revenue estimates for the first year followed by moderate growth in 2021 and beyond.

Dr. Rusche asked about the cost of software without federal assistance. Mr. Kelly said the assessment fee will be the same for these ESTPs and the current QHP offerings. The specific financials are still being worked out and YHI is hopeful to work out a revenue share approach with GetInsured versus any significant capital expenditures relative to these plans.

Mr. Donaca asked if the carriers are allowed to sell these plans on their sites as well, or is it just through the exchange? Mr. Kelly said carriers can sell these plans directly if they choose to offer them. Mr. Donaca asked if there is a rule that the price has to be the same as is the rule for QHPs or will there be a price differential that will drive people to the carriers. Mr. Kelly said he is not aware of a portion of the rule that requires the same pricing and we have not yet seen specific plan design so those questions would be best for the Department of Insurance.

The Chair asked if YHI has thought about how to market to this new group. Mr. Kelly said we would leverage existing partners initially and then in the fall augment existing paid media to address these plans.

Director Jeppesen left the meeting at 9:55 a.m.

Dr. Rusche said he is still concerned about offering these ESTPs and requested a full disclosure of projections prior to the Board meeting. Mr. Kelly will run those numbers and provide them to the Finance Committee prior to the Board meeting.

b) Vision Services Plan

Mr. Kelly said Vision Services Plans (VSP) approached YHI in 2014 with a fully integrated model to sell vision on the exchange. It does not work from an ROI perspective as it has to be fully integrated. But VSP came back to us this year with a smart URL approach. Essentially what means there is a link on YHI's website, a customer clicks that link and it takes them to VSP's website and also sends information to VSP about where that customer originated. If those consumers choose to enroll, YHI receives a 10 percent commission on those enrollments. It's not a great deal of revenue but it does enhance the consumer experience. One change to this slide will be that we will not be able to enable our agents through YHI's smart link so they will need to register with VSP in order to sell their plans. We are hopeful to get this link on YHI's website by

November 1st and possibly as early as October 1st. Mr. Kelly said the Marketplace Committee did recommend that YHI move forward with these plans.

13. DECEMBER FINANCE TRAINING TOPICS

Chair Settles reviewed the possible topics for the December Finance Training which include Financial Literacy, Ethics and Compliance, and Risk Oversight. Dr. Livingston and Dr. Rusche recommended Risk Oversight. Mr. Kelly said YHI will develop training around Risk Oversight and Ethics and Compliance and will work with general counsel to fine tune that. This session will be about 20 minutes at the December Committee meeting. Mr. Donaca asked if YHI could include a list of the top risks and how we would deal with them. Mr. Kelly said the YHI team does hold monthly risk meetings as well as completes in-depth scenario planning and will chat offline with Mr. Donaca about how this can be integrated into the training.

14. ANNUAL COMMITTEE SELF-EVALUATION

- *Do Committee meetings (frequency and length), as well as actions, align appropriately with its defined charter?*

Dr. Rusche said the meetings are appropriate in both frequency and length, well staffed, and the documents are always prepared and ready. Dr. Livingston suggested that the Charter be reviewed once per year and Chair Settles agreed.

- *Do Committee meetings have written agendas and materials related to significant decisions, and are materials provided to Committee members in advance? Yes*
- *What improvements to the effectiveness of this Committee occurred over the last year?*

Chair Settles said adding Mr. Donaca to the Committee is good with his financial background and Representative Dixon was a good add as well.

- *What suggestions for improvement should this Committee consider?*

Continue meeting with the Chair prior to the meeting to prepare for this meeting and review the Charter annually to ensure the Committee stays within its swim lane.

15. EXECUTIVE SESSION

Motion: The Chair moved that the Committee enter into Executive Session Pursuant to Idaho Code Section 74-206 (1), to acquire an interest in real property which is not owned by a public agency pursuant to Idaho Code Section § 74-206 (1)(c) and 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 took a roll call vote and determined that Mr. Donaca, Dr. Livingston, Dr. Rusche (via teleconference), Senator Rice (via teleconference), and Rep. Dixon (via teleconference), were present and agreeable, resulting in a quorum.

The Committee entered into Executive Session at 10:14 a.m. and reconvened at 11:44 a.m. No final actions nor decisions were made while in Executive Session.

18. COMMERCIAL REAL ESTATE UPDATE

Motion: Dr. Livingston moved that the Finance Committee, recommend the Board provide a one-time exception to YHI's Procurement Policy and authorize the Executive Director, Board Chair, and Finance Committee Chair to evaluate purchase options for commercial real estate; negotiate terms of purchase, whether to be owned solely or jointly with partners via a separate entity or directly, enter into a contract to purchase, and finalize the purchase and any related lease or other necessary agreements, in an amount consistent with YHI's established cash reserve. **Second:** Senator Rice. **The motion carried.**

19. SUPPORT CENTER SERVICES

Motion: Dr. Livingston moved that the Finance Committee, recommend that the Board, approve YHI's efforts to pursue Support Center Services with another state, either via direct contract or subcontract with GetInsured, and delegate authority to the Executive Director and Finance Committee Chair to negotiate and enter into a contract for such services. **Second:** Greg Donaca. **The motion carried.**

20. NEXT MEETING

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

21. ADJOURN

There being no further business before the Committee, the Chair adjourned the meeting at 11:47 a.m.

Signed and respectfully submitted,



Kevin Settles, Committee Chair