



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

**FINANCE COMMITTEE
MINUTES
MONDAY, SEPTEMBER 10, 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. Katrina Thompson, Your Health Idaho
- Ms. Cheryl Fulton, Your Health Idaho
- Ms. Wanda Smith, Your Health Idaho
- Ms. Alanee DeRouen, Your Health Idaho
- Mr. Kevin Congo, Harris CPA's
- Mr. Josh Tyree, Harris CPA's
- Ms. Julie Hammon, Idaho Department of Health & Welfare
- Ms. Lori Wolff, Idaho Department of Health & Welfare
- Mr. Jeff Church, Idaho Department of Health & Welfare
- Ms. Shannon Brady, Idaho Department of Health & Welfare

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., Monday, September 10, 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. 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. Veloz, Dr. Livingston, and Director Barron were present, resulting in a quorum. Dr. Rusche joined (via teleconference) at 10:33 a.m. Senator Rice was absent.

5. PRIOR MEETING MINUTES

Motion: Dr. Livingston moved to approve the meeting minutes from the June 1, 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 noted one change in the September column related to the financials being reviewed today. The Roadmap will be changed from August to June following the meeting.

8. AUDIT REPORTS

Mr. Bell introduced Mr. Josh Tyree from Harris CPA's.

Mr. Tyree said his firm does two separate reports: the CMS Programmatic Report and the Financial Report.

Mr. Tyree began with the Financial Statements which begins on page three with the Independent Auditors' Report. The audit and all the testing done within the audit are what this report is based on. This was a clean opinion, or unqualified opinion, which is what this Board would like to see. It also discloses that the audit was done using government auditing (or accounting) standards.

The next section is the Management's Discussion and Analysis. This is the only section that is not completed by the audit team. It is instead drafted by Your Health Idaho and provides a good explanation of how things change from year to year. This section is not audited, but reviewed to ensure it is consistent with the audit performed.

Dr. Livingston asked about the increase in Assessment Fees – was that due to the increase in the assessment fee rate? Mr. Bell said yes, there were two impacts to assessment fee revenues: 1) the assessment fee rate increased from 1.99% to 2.29% effective January 1, 2018, and 2) the premiums charged by carriers increased 25% from Plan Year 2017 to 2018. These two factors increased assessment fee revenue from 2017 to 2018.

Mr. Tyree said there were no changes in accounting policies from year to year.

Cash investments and certificates of deposit. Low risk investments with required disclosures.

Harris CPAs still did a programmatic audit but did not perform a single audit because establishment grant spending was under the required threshold this year. Two clean reports (financial audit report and programmatic audit report) have been issued and are exactly what the committee would like to see.

CMS report was clean. Finally, they will issue a governance letter that will be released to the Board.

Dr. Rusche asked about Note A – the composition of the Board is dictated by statute, does it make any difference in the notes? Mr. Tyree doesn't think it's necessary.

For Note B regarding cash and cash investments, Mr. Bell noted that when you look at the paragraph regarding custodial credit risk, YHI signed a "sweep" agreement with Idaho Independent Bank (IIB) in 2013. The stated intent of both parties to the agreement is to perfect YHI's ownership interest in YHI assets (in excess of \$250,000 insured by the FDIC) held by IIB. Therefore, any custodial risk is mitigated by that agreement.

9. 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 10:49 a.m. and reconvened at 11:01 a.m. No final actions nor decisions were made while in Executive Session.

Mr. Bell noted that the final notes are not the final edited version and he read the corrected note as presented by the auditors. .

Motion: Dr. Livingston moved that the Finance Committee recommend to the Board approval of the Audited Financial Statements and Audit Report for the financial years ended June 30, 2018 and June 30, 2017, including additional information contained in the report and as presented today. **Second:** Dr. Rusche. **The motion carried.**

Motion: Mr. Veloz moved that the Finance Committee recommend to the Board approval of the Programmatic Audit Report for the financial years ended June 30, 2018, including additional information contained in the report and as presented today. **Second:** Dr. Livingston. **The motion carried.**

10. FISCAL YEAR FINANCIAL REVIEW

Mr. Bell reviewed the dollar and volume variances relative to the average monthly premium and the effectuated member months for the financial year ended June 30, 2018. Those variances break out the source of the difference between the budgeted amount of \$9.4M in annual assessment revenues versus what was actually earned year end of \$10.4M. That is \$2.2M over the actual assessment fees earned the prior year. The variance in the effectuated member months largely is found in the final six months of calendar year 2017. The overall variance is positive due to the increase in the average premiums over what was planned.

Mr. Bell next reviewed the OPEX Income Statement and said we did have an overall positive variance for the year relative to operating expenses, with the exception of the non-cash item of depreciation expense. When you look at the assessment fees total revenue of \$10.4M versus the operating expenses, the net ordinary income is positive for the year and then add in the

depreciation and amortization, and we have the overall net loss. There are a couple of expense items to highlight that show some favorability for the year. First is the employee and related costs and this is due to timing of hiring and filling open positions throughout the year. There was also some favorability in outreach and education with some due to automation relative to the budgeted amount, some reduced advertising spend, and a decrease in the planned outreach activities.

Mr. Bell discussed the Financial & Enrollment highlights. June's ending cash balance was \$700K more than we projected last year at this time in the forecast. The impact comes from two spaces: the change from 1.99% to 2.29% in the assessment fee and a 20 percent (over budget) effective increase in average premiums. We did include a 5 percent reduction starting in Plan Year 2019 due to the elimination of the ACA mandate.

11. RFP - EXTERNAL AUDITOR CONTRACT

Mr. Bell said Harris CPA's just ended their contracts with us, which has spanned six years. The current annual cost for an audit is \$23,500 which was reduced because we no longer have grant expenditures and therefore no Single Audit is needed. YHI uses Sarbanes-Oxley (SOX) as the standard for how we operate as a finance function, even though we are not statutorily required to comply with SOX.

With regard to independent auditors, Sarbanes-Oxley requires the rotation of supervising audit partners every five years for a client engagement. If YHI issues an RFP, and Harris CPAs is selected again to serve as the external auditor for YHI, we would stipulate that Mr. Tyree would need to be rotated off the YHI engagement.

YHI's Financial Policies require an RFP for contracts in excess of \$15,000 annually and posting an RFP at this time is consistent with the requirements of YHI Policies and the spirit of SOX.

Chair Settles asked if we interact at all with Harris CPAs during the course of the year outside of the audit. Mr. Bell said other than reaching out to them about control procedures around the web ad sales and taxes, we have not reached out to anyone that resulted in a billing.

Mr. Veloz asked if Harris CPAs has sufficient numbers of audit partners available to rotate in? Mr. Bell said yes and if they choose to respond to the RFP and are selected, we would work with Harris CPAs to determine who the new audit partner would be.

Director Barron asked how the contract with Harris & Co. came about. Mr. Kelly said YHI issued an RFP for both 3-year terms with Harris & Co.

Chair Settles asked what the process is for this RFP. Mr. Kelly said when YHI issues an RFP, it works with the Committee to determine their comfort level and how much they want to delegate authority. Most RFPs that are repeating in nature, have delegated that authority to the Committee Chair and the Executive Director to take the recommendation of the proposal evaluation team and negotiate and sign a contract with an awarded entity.

Mr. Bell said the process is varied slightly for the release of this specific RFP to ensure the Committee and the Committee Chair are involved. Best practices regarding Finance Committee

oversight of external auditor selection requires the Finance Committee not delegate auditor selection to management.

Motion: Dr. Rusche moved that the Finance Committee recommend the Board authorize, under the oversight of the Finance Committee Chair, the Finance Committee Chair and Executive Director to conduct an RFP for Auditing Services for FY19 through FY21, establish a Proposal Evaluation Team (PET) to evaluate responses to the RFP, accept the recommendations of the PET, and negotiate and execute the contract in an amount consistent with the FY19 Budget.

Second: Mr. Veloz. **The motion carried.**

12. DECEMBER FINANCE COMMITTEE TRAINING

Chair Settles said he and Mr. Bell have discussed some potential training for the Finance Committee, as required by the Charter. Suggestions include “oversight of financial reporting and internal control over financial reporting (ICOFR)”, “Oversight of Risk”, “Oversight requirements (NYSE)”, or “Evaluation of effectiveness as a Committee.” The Chair asked the Committee for some suggestions for training.

Dr. Rusche likes the evaluation of the spectrum of risks to the organization and the other Committee members agreed. Mr. Bell asked if anyone has preferences for who presents. Dr. Rusche asked if there is anyone on the federal level that might be able to present. Mr. Veloz asked if Milliman might be a good fit for presenting? Mr. Kelly said the Milliman suggestion could potentially work well. That would capture the political components, the operational risk, and financial risk that comes along with those. Dr. Rusche added that staff expertise is a risk that should be discussed as well.

13. ANNUAL COMMITTEE SELF-EVALUATION

Chair Settles read the questions that were provided by the Governance Committee.

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

Dr. Livingston asked if the frequency and length was good for the YHI team. Mr. Bell said yes, but he appreciates the input from the Committee when needs change.

Mr. Veloz said as a whole, he believes we are doing a good job and it aligns with the intent of the Charter. We are not a Committee of yes people and instead, we do go into detail and ask lots of questions. The actions do align with the intent.

Chair Settles added that he appreciates the openness of the Controller.

- b) Do Committee meetings have written agendas and materials related to significant decisions, and are materials provided to Committee members in advance?

The Committee agreed that yes, they do.

- c) What improvements to the effectiveness of this Committee occurred over the last year?

Mr. Veloz said he likes the forecasting Mr. Bell does regarding cash reserves and the potential exposure to the ups and downs of the marketplace. He thinks this is a big improvement.

The Chair said its nice we don't have to worry about the grant funds anymore and we are able to be more focused.

d) What suggestions for improvement should this Committee consider?

Director Barron said the training will help. Mr. Kelly suggested consolidating all the accounting policies into a comprehensive review for efficiency. Suggested consolidating then into one period, in December. Mr. Veloz suggested that in watching over the expenditures and budget, we keep the members in mind. The Chair is comfortable with Mr. Kelly's suggestion for combining those in December.


14. NEXT MEETING

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

15. ADJOURN

There being no further business before the Committee, the Chair adjourned the meeting at 11:45 a.m.

Signed and respectfully submitted,



Kevin Settles, Committee Chair