IDAHO HEALTH INSURANCE EXCHANGE
DBA YOUR HEALTH IDAHO

FINANCE COMMITTEE
MINUTES
FRIDAY, NOVEMBER 30, 2018

1. COMMITTEE MEMBERS PRESENT

- Mr. Kevin Settles, Chair
- Mr. Fernando Veloz
- Mr. Greg Donaca
- Dr. John Livingston
- Dr. John Rusche (via teleconference)
- Ms. Lori Wolf for 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
- 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 9:30 a.m., Friday, November 30, 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 Lori Wolff (for Director Barron) were present, resulting in a quorum. Dr. Rusche joined (via teleconference) at 10:33 a.m. Senator Rice was absent.

The Chair recognized this was the final Committee meeting to be attended by Mr. Veloz, and thanked Mr. Veloz for his many contributions to YHI since its organization.

The Chair introduced Mr. Greg Donaca, President and CEO of Delta Dental of Idaho, a new Board member representing a carrier seat. Mr. Donaca introduced himself and said he is a CPA and was controller, CFO and now CEO of Delta Dental. Attendees then introduced themselves to Greg.

5. PRIOR MEETING MINUTES

Motion: Dr. Livingston moved to approve the meeting minutes from the September 10, 2018, Finance Committee meeting as presented today. **Second**: Mr. Veloz. **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. FINANCIAL RESULTS THROUGH SEPTEMBER 30, 2018

Mr. Bell said as of September 30 we have a $28,000 favorable assessment fee variance compared to the budget due in large part to higher than anticipated effectuations. Note that at the end of September there is a lower than expected average premium. This was caused by a material adjustment to the number of enrollees, and although it was only 1600 enrollees, the adjustments went back to January of 2018. The impact of that wasn't the material adjustment to enrollees, it was more of a financial impact in terms of reducing the average premium amount. This will correct itself in the October/November/December revenues as this was a one-time adjustment.

Mr. Bell said for the Operating Expenses and Income Statement, there is assessment fee favorability and interest income higher than budgeted. The adjustment in online advertising revenues reflects a write off in September. When we look at operating expenses for the most part the favorability is due to spending less than was planned, items being moved out later in the year, and lower than planned financial audit expenses. Mr. Bell noted that the temporary services were unfavorable by $22,000 which is really a timing issue as we brought temporary employees on earlier than planned, but we expect to be at budget at the end of the year. The net impact when you look at net ordinary income, shows a $379,000 favorable variance that will continue through the end of the year.

Chair Settles said in relation to the temporary employees, the start date can be moved, but the end date cannot be moved and asked how that variance will be made up. Mr. Bell said the attrition rate has been faster than it was last year and the spend impact will offset itself.

Mr. Donaca asked about depreciation and amortization. He said it looks like there is additional expense related to depreciation. Mr. Bell said there is a renewed contract with the technology provider that begins January 1, 2019. The current HIX contract will end five months sooner than originally anticipated, so in consultation with our external auditors we accelerated accumulation of depreciation to reflect the end of the technology contract on December 31, 2018.

Mr. Veloz asked about the timing of the DHW Eligibility Services and if there will be additional costs that come through later in the quarter? Mr. Bell said this is a monthly timing issue that will resolve itself later this year, consistent with monthly conversations with DHW personnel.

Mr. Bell reviewed the FY19 Forecast versus the FY19 Budget and said the forecast here includes actuals through the end of October and our best estimate of spend through the end of the fiscal year. We do expect to continue, although relatively smaller compared to prior years, favorability in assessment fees. We also continue to expect some timing of YHI open positions to be filled but very close to budget. We feel we have a better understanding of our current operating model's requirement from an employee standpoint. It is anticipated to remain favorable through the end of the year. YHI is currently forecasting a $319,000 favorability for total operating expenses and we continue to expect net income to come in favorably versus the budget.

Mr. Bell discussed Operational Sustainability, which is a projection of YHI's cash balance. Operational cash is the ongoing measure of sustainability. That cash balance is what gives us the ability to make effective decisions instead of reactive decisions. Actual cash balance through the end of September 2018 is reflected. January of 2018 reflects the average premium this plan year, which had an effective increase of 20 percent over what we planned. In addition, the increase of the assessment fee rate occurred at the same time. We do anticipate an impact of about 5 percent degradation of enrollment beginning in January of 2019 due to the mandate being removed, and with the expansion of Medicaid in Idaho we estimate a 20 percent decrease in effectuation to begin January 2020 for that plan year. We are also anticipating a potential shift in average premium.

Dr. Livingston asked if those assumptions are depicted in the model. Mr. Bell said yes.

Mr. Veloz asked what the autorenewal rate was this year. Mr. Kelly said YHI renewed 99.7% of all eligible enrollments. Mr. Veloz asked if there are folks already disenrolling due to the mandate going away. Mr. Kelly said there are a couple of things that are happening. Inbound customer volume (calls, emails, web stats) are down slightly compared to last year, but plan selections to date are higher over prior years. What we don't see in the early open enrollment is churn that was seen last year. We cautiously attribute that to the BridgeSpan departure in the marketplace for plan year 2018. We also believe the lower inbound volume is attributed to the linking fix, but really too early to draw solid conclusions.

Motion: Mr. Veloz moved that the Finance Committee recommend the Board approve the financial results through September 30, 2018, as presented today. **Second**: Dr. Livingston. **The motion carried.**

9. REVENUE OPTIONS

Mr. Kelly reviewed the revenue options and said it has been broken into four primary categories. The first is the 1332 Waiver opportunities or options. The concept came out yesterday and hasn't been fully digested, but early indications are there will be more flexibility in the application of the tax credit, meaning non-QHP plans or other opportunities that change how that credit is calculated. CMS laid out 3 or 4 options and essentially what it says is a consumer can take the APTC and do different things with it. They can use it to offset premiums or put it in an HSA to pay for medical expenses. Secondly, they can change the way the APTC is calculated to account for age, as opposed to just income or cost of plan. Or they can apply it to different types of non QHP plans. Finally, a combination of all of those (which is hard to figure out). The 1332 waivers require the State of Idaho to apply and since YHI has no statutory authority to apply for 1332 because we are not a state agency. If the Board chooses to pursue something, YHI will need help from DHW or DOI or both to apply for a 1332 waiver. One option that is not in the concept papers from CMS is duplicating the platform and using is for only non-QHP plans. It is clear that CMS is headed towards more offerings outside of QHP's providing the tools for consumers to make informed decisions feels like a tool to make appropriate use of YHI's technology.

Chair Settles said with the change in the Administration, more willingness to allow and encourage things like this to move forward may arise, and we could get support from state government. Mr. Kelly said the thing that would be helpful for YHI would be if the Board says they would like YHI to pursue a non-QHP platform and then YHI could push that with CMS and see what they say. Or the idea of allowing APTC's to offset costs outside of just QHP plans, or a combination of those two things. That would help YHI know what to pursue with CMS. Not sure a non-QHP platform would require a waiver, but they wouldn't even entertain the questions until the concept comes out.

Dr. Rusche asked if there are separate marketplaces, would the carriers be required to pool the risk or apply it to different types of individual products. Mr. Kelly said he hasn't had any discussions beyond what has been presented and that question would fully fall under the scope of DOI. Dr. Rusche asked since the APTC is determined based on a set of benefits and how then would anyone determine what the appropriate APTC would be to apply to plans that don't have qualifying benefits. Mr. Kelly said there was no guidance regarding that whatsoever in the concept papers.

There was additional discussion in trying to understand the concept papers from CMS and what YHI might be allowed to do.

Mr. Kelly said the next item is under the umbrella of a private exchange for large employers where YHI would leverage its existing assets and technology platform where the large employer would apply a defined contribution or premium assistance that would mechanically work like an APTC in the system. YHI is not actively working with any large employers, but it is on the radar. Employees for the state of Idaho would be one option to pursue.

Mr. Kelly said the third options is leveraging YHI's operational structure and knowledge with other exchanges. There is nothing actively being pursued in this space.

Finally, the last item relates to YHI's current office space which is leased through July of 2021. The new owners of the building will not be extending YHI's lease, which means YHI will be in the market for new office space. Given that, and with reserved cash, which we would like to receive a strong return on, we could potentially purchase a building. There are some challenges with that, but it could provide an opportunity for revenue to either offset the cost of our lease or as income. It is nice to have the options for both leasing and purchasing as it provides for better leverage in negotiations. He added that if YHI owned a building, it would provide for easier expansions should any of these other opportunities mature.

Dr. Livingston said he is skeptical of government agencies getting involved in a free market situation. However, we have seen Idaho's state government be very successful in doing just that. Chair Settles added that the state government has been in some hot water regarding some of those involvements.

Dr. Rusche said his concern is the landscape for YHI's services is constantly changing and being locked in with an owned building instead of a lease could make it difficult to unwrap.

Chair Settles said in his experience with leases, if you have a million dollar lease you are obligated to a million dollar lease, and if you try to leave the lease early, you still owe a million dollars. If you purchase a million dollar building, you have a million dollar building. You may still have the debt, but you can sell the building to pay down the debt. From a financial standpoint, a building that is owned is easier to operate a business in.

Mr. Kelly asked Chair Settles if this was something he would like us to present in whole or in part to the Board. Chair Settles said it's important that they know this Committee is talking about it. Mr. Kelly said it is also important, particularly with the 1332 waivers to get some additional direction and encouragement in terms of working with our partners at the Department of Health and Welfare and the Department of Insurance. Chair Settles asked if YHI will have more clarity by the Board meeting date. Mr. Kelly said probably more clarity in terms of alternate technology platforms, whether that would have to go through a waiver process. In terms of the other options, the concept papers are pretty clear on what they are proposing, but the devil is in the details of whether you can meet the guardrails that are still intact which includes comparable coverage, comparable number of people that have access to coverage, and of course budget neutrality is the most critical component of that.

Mr. Donaca asked about the logic behind the idea for an exchange for large employers and not small employers as well. Mr. Kelly said it is really a scaling cost perspective as the initial SHOP program, which was focused on small business, never really worked. This certainly isn't exclusive to large companies, and we could certainly investigate mid-sized employers. We simply chose large employers from a volume perspective.

There was additional discussion, but Mr. Kelly said we have a long runway on all this. We wanted to bring the ideas to the Board before we started exploring these.

10. FINANCIAL POLICIES REVIEW

Chair Settles said YHI shopped and purchased new employee health insurance and found an issue with YHI's Delegation of Authority (DoA) as it relates to a contract of this size. What we are asking this Committee for today is approval of the renewal of the health insurance and possibly move the review of the financial policies to December.

Mr. Kelly said regarding employee insurance, YHI did a comprehensive review as we do every year to make sure employee benefits are at the right cost, the right coverage, balancing the needs between YHI and the employee portions of cost, etc. There are two components to this. First, this contract exceeds the limits in the procurement policy and health insurance isn't something that an RFP would be issued for because we are classified as a small group and rates are set by the DOI and are the same for all small groups. But there is an RFP-like process we went through to ensure we are getting the right costs relative to what is in the market. The second issue is the Delegation of Authority (DOA) and the executive directors signature authority. The options are to correct the signature authority for what we need today and secondly, how do we fix this going forward. Going forward includes two options 1) make formal changes to the DoA to exempt this process or 2) do an annual exemption each September. One of the questions that came up in Governance, what happens if this is not approved. Mr. Kelly said YHI would simply cancel with this carrier and select another carrier. There is a way to change this if it is not supported. The Governance Committee did approve the move to a new health insurance carrier, but the financial Delegation of Authority has not been. Both of these work in parallel.

Chair Settles said the shift in carriers was because there was a better deal and that is exactly what we want to see. Mr. Kelly said YHI typically shops plans in October and open enrollment for employees is in December, which falls between quarterly Board meetings, with the new plan starting January 1. Chair Settles said ideally he would like to fix this so that YHI would have the authority going forward to shop plans and find the best deal and so this doesn't have to be an exception every year. Mr. Veloz said so in other words edit the DOA and Procurement policy so it works going forward.

Mr. Stoddard said effectively a waiver for the RFP process for this particular contract and to the extent applicable the DoA as well.

Dr. Livingston wanted to ensure oversight of the shopping process. Mr. Kelly said while we don't engage a Board member, we do have an independent review of all plans that includes three YHI team members, YHI's outsourced HR consultant who is independent, and an independent broker. This ensures YHI is looking at it holistically. In terms of cost, the annual savings achieved through this change in carriers is about $50,000 per year.

Dr. Rusche said in this exception, there should be some mention or indication of oversight so there is no visual appearance of favoritism.

Motion: Dr. Livingston moved that the Finance Committee recommend the Board authorize an exception to the Procurement Policy for employee health insurance only and delegate authority to the Executive Director to negotiate and execute a contract with the carrier for plan year 2019. **Second**: Mr. Veloz. **The motion carried.**

11. FINANCE COMMITTEE TRAINING

Mr. Bell reminded the Committee that it was this Committee's recommendation that we discuss risk governance and the Committee's role towards risk governance. Mr. Bell said he and Chair Settles felt that the best way to conduct this would be a round table discussion. One of the Governing principles that is interesting is the NACD's Blue Ribbon Commission opinion on this specific topic was that the entire Board has authority for risk governance, but Committees should look at risk relative to their areas of expertise. Mr. Bell continued with the questions for discussion which included the following:

Finance Committee's Role in Risk Governance - Considerations for understanding the Risk Environment

1. *Is the role of the Finance Committee clear? Including in reference to the other Committees?* Chair Settles said that the Board Survey results suggest that the role of this Committee is clear. Mr. Kelly reviewed the results of the Board survey to add some detail. Dr. Livingston said there is so much information and discussion at the Committee level, that he is concerned that each Committee doesn't understand what happens in the other Committee meetings and is then only updated on it every three months at the Board meeting. He said a thorough review of what happens and what each Committee is responsible for would be helpful. Mr. Donaca said they do that at Delta Dental every year and a half or so. Mr. Kelly said the Plan of Operations, which is the family of documents referred to, were reviewed yesterday at the Governance Committee and will be presented at the Board meeting. Mr. Bell added that it's important as Board members to understand each Committee's responsibilities, specifically parallel items like the budget and related vendor contracts requiring actions by multiple Committees. Mr. Kelly said there is some back and forth that occurs, particularly between Finance and Governance, that could be mapped out on some type of chart separate from the Charters that are reviewed every year.

2. *How much time should/does the Committee allocate to risk governance?* Chair Settles said as a Committee, we sit with auditors, ensure that they look at the bank statements, make sure no one is writing checks to themselves, etc. That helps facilitates the risk management. Mr. Veloz added that the Milliman model is developed with a lot of information as well by an outside party.

Risk Areas – What issues or business considerations should the Committee be specifically reviewing?

1. *Legal and regulatory compliance – Specifically YHI's relationship with CMS, the State of Idaho, or other regulatory entities.* The Chair asked if anything is missing in this department. Ms. Wolf said from her vantage point, there is plenty of oversight of the legal and regulatory environment from all of the agencies.

2. *Finance and liquidity risks – is YHI adequately planning for the future? Does it have the financial flexibility to appropriately respond to a dynamic business environment?* Chair Settles said this Committee does a good job of that.

3. *Accounting, internal controls and auditing – is YHI following industry best-practices in protecting its resources to meet its mandate?* The Chair said we just had another clean audit, and Mr. Kelly and Mr. Bell like to make sure we follow best practices in everything YHI does.

4. *Business risk – is YHI regularly looking at business issues regarding potential positive and negative impacts to revenues, or similarly its operating cost profile, and potentially needed investments in its technologies or personnel?* Chair Settles said yes, Mr. Bell explains variances well and is very open about the finances.

Mr. Bell added that Dr. Livingston's questions about the business environment and other business or revenue opportunities at all the meetings are a perfect example of best practices for an audit or finance committee. Chair Settles said the danger is complacency.

12. NEXT MEETING

The Chair noted this is the last meeting for Mr. Veloz and he thanked him for his service over the years. The next meeting will be in two parts and held in late February and/or early March.

13. ADJOURN

There being no further business before the Committee, the Chair adjourned the meeting at 11:12 a.m.

Signed and respectfully submitted,

Kevin Settles, Committee Chair

APPROVED