Your Health IDAHO

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FINANCE COMMITTEE
MINUTES
MONDAY, DECEMBER 2, 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)

2. OTHERS PRESENT

- Mr. Pat Kelly, Your Health Idaho
- Ms. Heidi Stockert, Your Health Idaho
- Mr. Kevin Reddish, Your Health Idaho
- Ms. Meghan 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

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 3:05 p.m., Monday, December 2, 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 Rep. Dixon (via teleconference) were present, resulting in a quorum. Senator Rice and Director Jeppesen were absent.

5. PRIOR MEETING MINUTES

Motion: Dr. Livingston moved to approve the meeting minutes from the September 4, 2019, Finance Committee meeting as presented today. **Second**: Dr. Rusche. **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, 2019

Chair Settles introduced Ms. Heidi Stockert, YHI's new Director of Finance. She provided a brief overview of her prior work history.

Ms. Stockert presented the financial results for the period ending September 30, 2019, as well as the year to date for the fiscal year, July through September. For the financial and enrollment highlights, the average monthly premium saw a slight unfavorability of about $6,600. However, the year to date is close to target at $482 for monthly premium per member. Effectuated member months versus budget has a little unfavorability as well at $15,500 and year to date is unfavorable by about $76,800. Enrollment are above the prior year and that improvement is due to more timely enrollments with reconciliations with the carriers. Assessment Fee revenues are right above $1M for September actuals with a slight unfavorability of $22,000. For year to date overall, Assessment Fee revenues are at $3.1M with unfavorability of about $81,000 due to lower than expected effectuations. Effectuations by provider show Select Health with the bulk of the effectuations at about 40,000 individuals followed by BCI with about 33,000.

Ms. Stockert shared the year-to-date Operating Income Statement and said interest income from the CDARs account is favorable by about $14,000 and is offset by unfavorability of Assessment Fee revenues. Due to this, total revenues are unfavorable by about $68,000.

Operating Expenses year to date are about $2M with $330,000 favorability. This overall favorability is resulting from $132,000 in employee and related costs and driven by timing of training, a few open positions, and lower than planned spending for health insurance benefits. There is also $45,000 favorability in the Outreach & Education space due to the timing of promotional items purchased and community outreach. There is a slight unfavorability in the CSC Temporary Services by about $1,500 due to the early onboarding of seasonal staff. The DHW Eligibility Services space saw favorability of about $171,000 and this is due to the service costs allocated being lower than anticipated. Facility costs are somewhat favorable by about $16,000 driven by the timing of IT subscription renewals and is not expected to continue. Finally, there was unfavorability of about $37,000 in the GetInsured M&O due to lower than expected costs being allocated to WIP which is expected to continue each month for the rest of the fiscal year.

Ms. Stockert said YHI's Net Income is at a positive position of $273,000 year to date. There have been no CAPEX expenditures for the first quarter of the year, but they are anticipated next quarter.

Financial and enrollment highlights for the plan year period from January through November are higher and more consistent than 2018 for the same period.

Motion: Dr. Livingston moved that the Finance Committee, recommend to the Board, the approval of the financial results through September 30, 2019, as presented today. **Second**: Mr. Donaca. **The motion carried.**

Ms. Stockert shared the Enrollments versus Budget graphs which show some of that unfavorability for PY19, and the graph continues out through the budgeted enrollments for PY20. She highlighted that the enrollments budget-wise have been higher than the forecast and that is anticipated to change in the second half of FY20 where they will align more with the budget due to the forecast.

Mr. Donaca asked what the main difference for that was from. Mr. Kelly said at the time YHI set the fiscal budget, the two dips in February and July were not anticipated and resulted from some earlier reconciliation efforts with the carriers. By smoothing out those two dips, essentially the total member months are higher.

Ms. Stockert reviewed the average premium versus budget and said the fiscal 2020 budget assumed for January 2020 a rate decline of 4 percent due to Medicaid Expansion impacts. The FY20 forecast assumed a five percent increase versus the DOI estimate of 6 percent increase and the average premium is forecasted to be somewhere between the $500 and $520 mark and then taper off somewhere around the $500 premium per member.

Dr. Livingston asked if there is a formula that describes the percentage of the APTC based on the premium price and does that formula change as the premiums go up? In other words, when a consumer sees an increase in their premium price, do they also see an increase in out-of-pocket costs? Mr. Kelly said generally speaking, if premiums go up, the tax credit will also go up because the tax credit is based on the second lowest cost silver plan and based on the area the customer lives. The maximum amount for out-of-pocket costs this year is about 9.7 percent of the customers income. This number increases each year for cost of living increases, but the primary driver of the APTC is the second lowest cost silver plan. Dr. Livingston asked if it is the same thing for the cost share – will they go up in the same way. Mr. Kelly said for the cost share reductions for people that enroll on silver plans that are 250 percent and below of the federal poverty level are pay as you go and are relative to the plan. For example, a $20 copay may end up being a $5 copay. Those are specific to the plan design and don't move in the same way the APTC does.

9. FINANCIAL FORECAST AND SUSTAINABILITY ANALYSIS

Ms. Stockert shared the financial forecast for July 1 through October 19 actuals and then forecasting all the way through the end of the fiscal year in June 30, 2020. Total income is expected to be favorable at $438,000. Making up that favorability will be assessment fee revenue and the other income lines (advertising revenue and CDRAs interest rates). Interest income from the CDARs program is expected to be slightly unfavorable due to the cash required for the anticipated building purchase. This will be offset by the $450,000 of favorability that is forecasted and assumes the 5 percent increase in assessment fee revenues just discussed. Total OPEX for the forecast at the end of the year is $9.3M and compared to the budget at $9.8M, favorability of $554,000 is forecasted. This puts YHI in a Net Operating Position of $2.3M with favorability of about $992,000. What's included in that favorability is mainly driven by salaries and wages, employee and related costs, professional fees, compliance noticing, repairs and maintenance, DHW Eligibility Services, and Navigator services. Areas with a small amount of unfavorability include IT support costs, utilities, and GetInsured M&O. Total favorability will be right around a half million dollars putting YHI's Low Cost Promise in the $276,000 range which is trending at about 70 percent of the goal.

Mr. Donaca asked regarding the training in house, will that be offset by employee wages. Mr. Kelly said YHI's training vendor moved away from YHI in June. YHI had already hired the in-house team members and that transition happened sooner than anticipated. There is a little bit of unfavorability related to this in the IPA/Tribal line item that accounts for the expenses related to training (location/food/travel). Mr. Donaca added one recommendation of standardizing the variance analysis of 10 percent or $10,000 in the comment section for consistency.

Mr. Kelly updated the Committee on the progress on the building acquisition. He commented that once YHI narrowed down the search of 3 buildings, we obtained estimates for purchase price and construction, revised the cash flows, and one property stood out very prominently from both a financial standpoint and how the building suited YHI's needs and for potential expansion space. The building that we fit in and had the expansion space if needed was head and shoulders above the rest on the financial performance. YHI issued a Letter of Intent with the seller which was executed, the purchase/sale agreement was signed and returned today. Due diligence will begin immediately and assuming everything works out with the due diligence, we would expect to close and take possession sometime in January 2020. During the due diligence, YHI will get architectural drawings, more accurate tenant improvement estimates, and discuss our current lease with our landlord to see if we can exit early. The building is currently 100 percent leased including the space YHI will take over. All current tenants have options to extend their leases. Purchase price was $5M and with tenant improvements, it is expected to be $5.4M. Total return on investment over five years is $1M and $1.8M over the following five years. Total return on investment over 10 years on the purchase price is $2.8M.

Mr. Kelly said the sustainability analysis assumes the forecasts that Ms. Stockert just went through and assumes the 18,000 enrollments that are expected to move to Medicaid. Enrollments beyond that are assumed to be flat, short term plans are not included and the building acquisition is assumed to be finalized in Q1 2020.

Dr. Livingston asked if the Enhanced Short Term Plans will be offered on the exchange. Mr. Kelly said YHI is currently working with the carriers and the current plan is to try to offer them by the end of the first half of calendar year 2020. Dr. Livingston asked how YHI will get paid if those plans are sold on the exchange. Mr. Kelly said in September, the Board approved the same 2.29 percent assessment fee for these plans that YHI has on the QHPs and QDPs.

Mr. Donaca asked if the premiums would be the same on and off the exchange like the QHPs and QDPs. If that rule for short term plans is not there, then the price would be higher via the exchange and the carriers would likely drive the customers to their websites, so they don't have to pay the 2.29 percent. Mr. Kelly said that is correct there is no pricing rule on short term plans.

Mr. Kelly said in regard to the sustainability analysis, the current forecast shows YHI with cash reserves of about $15.2M at the end of June 2025 and with the building acquisition, cash reserves would be well above the minimum of $6.6 landing at $10.5M in June of 2025.

10. OPERATIONAL GOALS UPDATE

Mr. Kelly said the Low Cost Promise goal is the goal this Committee focuses on and as Ms. Stockert mentioned, YHI's forecast is that we will be about $ $275,000 favorable in operating expenses compared to a goal of about $400,000. We are a bit short at this point, but we are only 4 months into the fiscal year, and we expect this estimate to mature over time. The other goals are in the appendix and generally all goals are targeting at 80 percent and most of the goals are just beginning.

11. FINANCIAL POLICIES REVIEW

Mr. Kelly said last year we looked at redlines for the Procurement Policy primarily for updates as per our annual review in December 2018. There were two things that were changed. The first was around adding a clause that services under an existing RFP could run up to seven years and at the seven-year mark we would need to come back to the Board to decide if we will continue with the vendor or issue a new RFP. The other change was around employee benefits and if we wanted to make an exception for those expenditures. In March, when those redlines were approved, we only approved the appendix of the Procurement Policy and forgot to approve the Procurement Policy itself. We have been operating under the redline version, which was more stringent than they were previously, but we did not formally approve at that time. We propose to do that today. There are now also changes to the Delegation of Authority that will come before this Committee today, so we will look at and approve those together.

Ms. Stockert

a) Delegation of Authority

Ms. Stockert said for the Delegation of Authority, it will be looked at as part of the Procurement Policy for this annual review. The items that were updated included titles to reflect the current organizational structure. In addition, some clarifications on invoice approvals for different thresholds and to add dual approval for the Director within vendor responsibility in work stream. YHI did switch banks this year and needed to update the account numbers and remove the reference to the Letter of Credit that is no longer in place. And as an internal control measure, we removed the Director of Finance's ability to close bank accounts.

Mr. Donaca asked if YHI follows the delegation when someone is out of the office. Mr. Kelly said he does delegate authority when he is out of the office without access. As long as delegates have electronic access, we do not delegate authority.

Motion: Dr. Livingston moved that the Finance Committee recommend to the Board approval of the proposed changes to the Procurement Policy and Delegation of Authority Policy (DoA), an appendix to the Procurement Policy, as presented today. **Second**: Mr. Donaca. **The motion carried.**

b) Travel Policy

Ms. Stockert reviewed the changes in the Travel Policy and noted this is an annual review item to keep in compliance with the Plan of Operations, to reduce any risk of business travel, and to reduce exposure to liability and financial risk all while protecting the safety of travelers. There was some verbiage added to the policy to ensure that the travel is approved in advance and is reasonable and necessary for business purposes. The other item was to include timely completion of expense reports at the completion of a trip to 15 days to mirror IRS guidelines.

Dr. Livingston asked how long it takes employees to be reimbursed after turning in their expense reports. Ms. Stockert said typically within 2 weeks.

Motion: Dr. Livingston moved that the Finance Committee recommend the Board approve the changes to the Travel Policy as presented today. **Second**: Mr. Donaca. **The motion carried.**

12. FINANCE COMMITTEE TRAINING

Chair Settles said for Risk Assessment it is really just a matter of whether we are asking the right questions and that we have the right resources to answer the questions. When you have staff that goes back to approve something that was missed like with the Procurement Policy today, and when the audit firm double checks and rarely has findings, the comfort level is pretty good.

- Does the Committee periodically reassess the list of critical risks, including which member of management and which board committee is responsible for each?

  Chair Settles said the Governance Committee looks at the policies, Finance looks at the finance aspects of it, the Board fully approves it. We talked about the political environment to not lose sight of it. We always seem to come out positively with everything financially related to the organization.

  Dr. Livingston said there seems to be certain areas where the Finance and Governance Committees' Authority overlap and wonders if it would make sense to have a combined meeting once per year. Mr. Kelly said there is a recognized overlap between Committees, and it is spelled out in the Charters. The problem that arises with having a combined meeting is that it would be considered a meeting of the entire Board and would affect Public Meeting Laws.

  Mr. Donaca asked if there is an enterprise risk management program or are the risks documented somewhere? Mr. Reddish said for the IT part of it, YHI is guided by the MARS-E federal framework. From an internal perspective we have a risk register where everything is documented and kept top of mind. Mr. Kelly added that YHI's Risk Register does have owners internally and sharing those externally creates additional risk. YHI meets every two weeks during open enrollment and monthly throughout the year to review the operational level risks, updates it, discusses it, etc. Strategic level risks like Medicaid expansion, federal policy, and short-term plans; those are discussed at the Committee and Board level.

- Does the Committee recognize when a key risk may be about to materialize, changing or are becoming more likely and whether management is addressing those risks adequately?

Chair Settles said that was answered during the previous discussion.

- Does the Committee understand how key risks may interact with one another to get the full picture of uncertainty?

  Chair Settles said the Finance Committee is looking at risks and financial uncertainty by using forecasting models and analysis of potential risks.

Chair Settles said for Ethics and Compliance…

- Do ethics and compliance, governance framework, organizational structure, and reporting lines provide adequate independence for the Committee to execute its responsibilities?

  The Committee agreed it does. Dr. Rusche added that there is adequate independence to execute responsibilities and the Committee has direct report to the Board as a whole.

- Is management remaining compliant in setting strategy and objectives to align with the company's mission, vision, core values, and overall direction in adherence to legal requirements?

  The Committee agreed that it is.

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

The Committee entered into Executive Session at 4:12 p.m. and reconvened at 4:45 p.m. No final actions nor decisions were made while in Executive Session.

14. NEXT MEETING

The next several meetings of the Finance Committee will be held in February.

15. ADJOURN

There being no further business before the Committee, the Chair adjourned the meeting at 4:47 p.m.

Signed and respectfully submitted,

Kevin Settles, Committee Chair