



IDAHO HEALTH INSURANCE EXCHANGE
DBA YOUR HEALTH IDAHO

FINANCE COMMITTEE
MINUTES
MONDAY, FEBRUARY 12, 2018

1. COMMITTEE MEMBERS PRESENT

- Mr. Kevin Settles, Chair
- Mr. Fernando Veloz (via teleconference)
- Dr. John Livingston
- Dr. John Rusche (via teleconference)
- Mr. Russ Barron

2. OTHERS PRESENT

- Mr. Layne Bell, Your Health Idaho
- Mr. Pat Kelly, Your Health Idaho
- Mr. Kevin Reddish, Your Health Idaho
- Ms. Cheryl Fulton, Your Health Idaho
- Ms. Wanda Smith, Your Health Idaho
- Ms. Mandi Shawcroft, Your Health Idaho
- Ms. Alanee DeRouen, Your Health Idaho

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 1:00 p.m., Monday, February 12, 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 (via teleconference), Dr. Livingston, Dr. Rusche (via teleconference), and Mr. Barron were present, resulting in a quorum. Senator Rice was absent.

5. PRIOR MEETING MINUTES

Motion: Dr. Livingston moved to approve the meeting minutes from the December 6, 2017, 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 made.

7. REVIEW ROADMAP

The Chair reviewed the Roadmap and there were no questions or comments.

8. FINANCIAL RESULTS THROUGH DECEMBER 31, 2017

a) Financial and Enrollment Highlights

Mr. Bell reviewed the financial and enrollment highlights and said he added a financial stability projection that represents the projected cash balance through May 2021. The actuals, or current cash balance, are reflected up through December 2017. The significance of this shows if YHI has a sufficient cash flow required to operate the exchange over time. Although YHI does not utilize government accounting, YHI effectively treats that cash balance as a cash reserve (noted by the dotted red line on the graph). This Committee will meet again on February 21 to discuss the revenue side of the budget and review revenue scenarios as it relates to sustainability.

Dr. Rusche asked about the projected income in 2021 and asked what kind of assumption is that for premium increases. Mr. Bell said the current year increase is reflected in the projections starting in January 2018, where the line starts to increase upward. YHI had projected a 5 percent increase and we actually had a 25 percent effective increase. Starting in 2019, this model assumes a four to five percent increase on an annual basis. These numbers have yet to be vetted with the model we get from Milliman later this week and we will work closely with them to get their input on these projections.

Mr. Veloz asked if this is assuming a consistent assessment fee at the percentage we have now? Mr. Bell said yes, as of January of 2018, the assessment fee went from 1.99 to 2.29 percent. This model does include the impact of the new assessment fee rate.

Mr. Bell said in looking at average enrollments and premiums, our effectuations ending December 31, 2017 are just under 85,000 and were lower than projected.

Chair Settles asked how YHI is sitting today with effectuations. Mr. Bell said we have received the January data and we are looking at just over 97,000, but those are strictly preliminary.

Dr. Livingston asked if YHI anticipates effectuation rates to run between 85-90 percent. Mr. Kelly said our effectuation rate runs at about 90 percent. Dr. Livingston said that is about 10 percent better than most other states. Dr. Livingston said we have a larger number of enrollments, but effectuation rates went down? Mr. Kelly said for calendar year 2018, it is too early to draw conclusions, but with nearly 102,000 plan selections and 97,000 effectuations, that is a preliminary effectuation rate of about 95 percent. We expect it to decline over the next two months and settle around 90 percent.

b) OPEX Income Statement

Mr. Bell reviewed the income statement for operating expenses and said when you look at the revenue section at the top, we are unfavorable by just under \$300K. We believe the bulk of this to be because of tighter special enrollment period and qualifying life event controls implemented in 2017. Mr. Bell said net ordinary income shows favorability of about \$500K. That is due to two things: we looked at the revenue unfavorability offset by total operating expense favorability of about \$750K. Employee and related costs shows a favorability and this will tighten and show less incremental favorability as we approach year end because we have a better understanding of the required headcount for daily operations. When you look at other of the larger unfavorable items like Temp Services and Outreach & Education, this is temporary unfavorability and is due to the compressed Open Enrollment period not anticipated when the budget was approved. We expect this to even out over the next couple of months. We anticipate Outreach & Education to come in at budget for the year and Temp Services to be under budget for the year. Chair Settles mentioned the favorability for DHW support, and Mr. Bell noted that in speaking with his counterparts at DHW, that even though we have about \$225K in favorability, they anticipate spending close to their receipt authority by the end of the fiscal year.

c) FY18 Forecast vs FY18 Budget

Mr. Bell reviewed the forecast vs. FY18 Budget. He noted that this forecast reflects the actual spend through December 31, 2017, plus what we anticipate spending (best estimate) through the remainder of the fiscal year (ending June 30, 2018). When looking at income, we did include the change of the assessment fee from 1.99 to 2.29 percent as of January 1, 2018. But what we didn't have was the increase in premiums of 20 percent, so that is reflected in the forecast, but not in the budget. The Chair noted that the Other Income is turning into a real dollar amount. Mr. Bell said that Other Income is two components: revenue from advertising sales and also revenue from interest on our cash investments with our bank (CD's).

Mr. Bell said when you look at the total expense as a proportion of the forecasted revenue, we anticipate our net ordinary income will be in the black for FY2018. When you look at the reduction in professional fees, we have in the past utilized an HR consultant, but within the last year we have brought Ms. Alanee DeRouen in as our HR Generalist and a significant portion of that professional expense has shifted to salaries and wages.

Motion: Dr. Livingston moved that the Finance Committee recommend to the Board the approval of the financial statements for Fiscal Year 2018 through December 31, 2017, as presented today. **Second:** Dr. Rusche. **The motion carried.**

9. EXECUTIVE SESSION

Motion: The Chair moved that the Committee enter into Executive Session *pursuant to Idaho Code Section 74-206 (1), to consider preliminary negotiations involving matters of trade or commerce in which the governing body is in competition with other governing bodies in other states or nations pursuant to Idaho Code 74-206 (1)(e).*

Executive Session Roll Call: The Chair called roll and determined that Mr. Veloz (via teleconference), Dr. Livingston, and Dr. Rusche (via teleconference), were present, resulting in a quorum. Director Barron was also present.

The Committee entered into Executive Session at 1:25 p.m. and reconvened at 2:01p.m. No final actions nor decisions were made while in Executive Session.

10. FY19 BUDGET REVIEW

a) Timeline

Mr. Bell reviewed the timeline on the budget meetings and said today the focus will be on the expense side of the budget. The meeting on the 21st will focus on the revenue side and the assumptions that went into the revenue lines. Milliman will be here to explain the model and to get some input on how we validate assumptions. This Committee may then recommend the budget to the Board on March 16.

b) Budget Process Overview

Mr. Bell said budgets were developed using a bottoms-up approach with each individual functional owner, or Director, developing their own expenses. Ms. Haun worked on the Communication, Outreach and Education budget, Mr. Hull helped us with the Operations budget and all of the work in relation to the call center. Mr. Reddish helped us develop the IT and Privacy and Security expenses and then Mr. Kelly and Mr. Bell developed the assumptions related to operational expenses.

This is an extended and thorough iterative process looking at not only what these leaders think their expenses will be based on prior years, but also taking into consideration looking at the overall model if it makes sense to our changes in our business model. We also looked at how the different functional areas interact. Very robust discussions took place.

c) Budget Assumptions

Mr. Bell said for budget assumptions, we started with employee and employee related costs. Salaries were marked at mid-market point and with a merit pool of 3 percent pro-rated based on tenure. Specific decisions regarding salaries will be made on a case by case basis as we go through employee reviews. The market review done by Ms. Ball (of HR Precision) has helped us evaluate YHI salary ranges, including where employees are scoped. And if there were changes to scopes, what changes need to be made. This assessment resulted in a \$32K company-wide overall adjustment for market adjustments, but specific applications of adjustments will be made on a case by case basis.

Mr. Bell said the variable pay plan is consistent with 2018's incentive plan and YHI's Compensation Policy, including 5 percent for leadership, a new level of 4 percent for managers, and 3 percent for the rest of the team. Again, actual application of those rates is on a case by case basis.

Mr. Bell said for the employer contribution of employee related costs, the big spend is on medical insurance. We assumed an 80 percent participation rate based on recent actual

participation. YHI's new medical benefit plan suggested a 10 percent year-over-year increase on health insurance premiums, which is consistent with the new plan structure (same carrier/different mix).

Mr. Kelly added that he and Ms. Ball looked at market and looked at the overall compensation structure (PTO, Benefits, Variable pay, retirement match, etc.) and made sure everything was competitive in the market. Overall our compensation and benefits package is competitive. This information will be reviewed with the Governance Committee on February 15 and if they have any concerns or suggestions, it will come back to this Committee on the 21st.

Dr. Livingston asked how we compare with state employees. Mr. Kelly said when you look at total compensation, we are competitive, but different.

Mr. Bell added that when you look at the overall fringe rate, the budget as stated is 29 percent and our forecast is at 28 percent. When you look at this overall, some of the items that roll up into this includes things like professional development, professional association dues, fees, etc.

Mr. Bell continued with other budget assumptions and said these line items are not as significant as the benefits, but do warrant discussion.

Mr. Bell said we will be refreshing media ads and the YHI website, offset by a decreased need for noticing due to continued automation. We anticipate a 7.6% increase Y/Y for business insurance, but note this is very conservative.

Ms. Fulton has worked to decrease operating costs and renegotiated the contract with our printer vendor by eliminating one large copier, and are driving reductions in other office spending. We expect our infrastructure to start showing signs of usage, requiring increased support, repairs and maintenance and so those line items show a small increase year over year.

Mr. Bell said YHI is also negotiating a new contract with GI. We expect new pricing to come into effect June of 2019. We anticipate on-boarding seasonal Consumer Advocates earlier next year prior to OE 2019. DHW has stated they won't change their request for Receipt Authority so we are budgeting near the level of Receipt Authority.

With the execution of a new contract with GI, the original HIX asset will be completely depreciated. Further capital investment in the HIX will create a HIX2 asset. This will be depreciated straight-line over the expected life of the new contract.

d) FY18 Forecast vs FY19 Budget Summary

Mr. Bell shared the FY18 forecast vs FY19 budget and said this is the view that will be presented to the Board when the budget is recommended on March 16. Overall, this represents a forecast of a complete net income of a \$12.2M loss in 2018 compared to a \$4.3M loss in 2019. The loss takes into consideration the non-cash item of depreciation.

If you look at the revenue of \$10.6M for the forecast year versus the FY19 of \$13M, that reflects the increase of only six months of the premiums and assessment fee in the forecast while FY19 has the full 12 months of both premiums and assessment fee.

e) FY18 vs FY19 Comparison

Mr. Bell said we have talked about most of these assumptions for the details on the comparison, and asked if anyone has any questions.

Mr. Veloz said in looking at this it is pretty self-explanatory and he said he appreciates the work that went into this. This is a good example of how transparent Your Health Idaho has been when it comes to operating expenses and revenues as well.

Mr. Bell said when you look at the comparison, the FY19 budget is \$.5M higher than the FY18 forecast, but still approximately \$.5M lower than the FY18 Budget. Really this comes down to YHI using our best estimate as we moved into the new operating model with the Customer Support Center and we didn't really know the impact of the support center when FY18 budget was approved, we know more now.

f) Monthly Budget Overview

Mr. Bell shared the monthly breakdown and it is broken out in terms of the months for the fiscal year (July 1, 2018 through June 30, 2019). This view highlights the seasonality for spend within the fiscal year, specifically reflective of open enrollment and the expenses that go along with that.

g) Capital Expense Budget

Mr. Bell said because we don't yet know the pricing of the developmental change requests that are currently under review by GetInsured, the timing of the CAPEX Budget is a best estimate. Although we don't have the pricing by Change Request yet, we are committing \$1M for the fiscal year.

11. NEXT MEETING

The next meeting will be held on February 21, 2018 and will cover the revenue side of the budget.

12. ADJOURN

There being no further business before the Committee, the Chair adjourned the meeting at 2:28 p.m.

Signed and respectfully submitted,


Kevin Settles, Committee Chair