

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

**FINANCE COMMITTEE
MINUTES
WEDNESDAY, FEBRUARY 15, 2017**

1. COMMITTEE MEMBERS PRESENT

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

2. OTHERS PRESENT

- Mr. Layne Bell, Your Health Idaho
- Mr. Pat Kelly, Your Health Idaho
- Ms. Cheryl Fulton, 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 3:00 p.m., Wednesday, February 15, 2017, 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 and Dr. Livingston were present, resulting in a quorum.

Dr. Rusche joined (via teleconference) at 3:06 p.m. Senator Rice and Director Armstrong were absent.

5. PRIOR MEETING MINUTES

Motion: Dr. Livingston moved to approve the meeting minutes from the December 5, 2016, 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 noted the roadmap is very full but said it doesn't look like too heavy a lift aside from setting the budget and the assessment fee going forward. He is comfortable with the roadmap as it stands.

8. FINANCIAL RESULTS THRU DECEMBER 31, 2016

a) Financial and Enrollment Highlights

Mr. Bell noted the establishment grant to YHI is just over \$104M. Total grant spend to date is about \$96.9M and with remaining grant funds available to YHI of about \$7.4M.

Mr. Bell said highlights of YHI's volume vs. dollar variance showed a slight erosion of average monthly premium from the budgeted number. However, the effectuated enrollment number was higher than planned so overall there is a favorable variance. Total assessment fee revenues fiscal year-to-date were just over \$3.7M.

Mr. Veloz asked how these numbers compare to the prior year. Mr. Bell said half of the last fiscal year was on a lower assessment fee, the average assessment fee on premiums was a half a percent lower and overall there was a lower participation rate as well, so it is difficult to compare. He added that the effectuations as of December were just over 90,000.

b) December 2016 2nd Quarter OPEX Income Statement

Mr. Bell said YHI's financial performance for Q2 highlighted an unfavorable variance relative to the federal grant income due to timing of project deliveries and payment on those, as testing and approval is happening later than planned. All of that establishment related work will be completed, but added that it will all be used, so that the un-favorability will not continue.

Assessment fee erosion is notable here within the quarter itself and everything else is fairly consistent. There was a small amount of advertising revenue and interest income increased slightly resulting from the interest rate on YHI's cash reserves increasing slightly.

Mr. Bell said regarding expenses, favorability continued through the quarter based on the timing of the hiring ramp for the support center. There was also favorability in Outreach & Education activities due to the timing of the advertising delivery, which will not continue into Q3.

Mr. Bell said the Support Center Shared Services (consisting of DHW eligibility services and temporary services in the support center) favorability in both areas resulted from timing and will not continue into Q3. Mr. Veloz asked about the shared services as a result of the integration of the call center and asked if that affected the favorability of the DHW portion. Mr. Bell said yes, we knew there would be reduced costs but were conservative on what those costs might be on a monthly basis.

The Chair asked if, since there have been several years of bringing the overall marketing, budget down, the that part of the budget where it is expected to be ongoing?

Mr. Kelly said the overall budget is about \$950,000 on a 12-month basis and next year is about the same but slightly reduced by about \$30-40,000. The enrollment levels are indicative of YHI's ability to be more efficient, and in marketing we learned that spending around key deadlines is more effective than marketing all the way through open enrollment. So yes, that should be sufficient. If there were major shifts in re-educating consumers around key deadlines or any other unknowns that may come out of policy changes from the federal government, then there may be a need to revisit it. But that would be a retraining of the consumer expectation versus business as usual, which is the assumption that has been made for the budget.

Mr. Bell said there were smaller favorability's in legal services, due to YHI's conservative use of legal services in anticipation of increase in services around the forthcoming changes in the ACA. In travel, most of the favorability is due to an improved operating relationship with GetInsured that resulted in less travel.

c) December 2016 YTD OPEX Income Statement

Mr. Bell said the year to date, or first fiscal half of FY17, has parallel reasoning to the favorability's here, in that timing, that favorability will not continue into the rest of the year. There is an unfavorable variance due to the lower average premium overall, and overall lower than planned effectuations YTD. There was a fairly significant variance due to the hiring ramp, which will continue through the end of the year, and timing of delivery of advertising, which will not continue.

Mr. Bell moved to expenses and said this is where the impact of the timing of about \$333,000 in accrued expenses from June to July of 2016 is seen, and that unfavorable variance is due to the management of accounting errors and the remainder is within YHI's expectations overall.

Dr. Livingston asked if grant money can be used for legal fees. As things are changing with the ACA, he anticipates an increase in these expenses compared to last year. Mr. Bell said likely not as the grants are to be used only for establishment activities, and that would likely not qualify. Dr. Livingston added that without knowing what the changes are that will be coming with repeal and replace, those expenses could increase dramatically. The Chair said that is a valid concern, but difficult to know what the future will hold. Mr. Bell said from a financial perspective, there is just too much variability to understand how the changes might affect YHI's financials. The focus has been to make YHI as stable as possible so that it can react to those changes as quickly as possible.

Mr. Kelly added that the budget is framed in a business as usual stance, and any changes resulting in significant expenses will be treated as a variance to the original budget and the reserves may be used to cover those unanticipated expenses. Mr. Bell added that how quickly YHI planned and delivered the consumer support center speaks to YHI's overall flexibility, stability and readiness.

Mr. Bell highlighted the favorability around facility costs and insurance. With regard to insurance, original budget estimates were fairly conservative and will continue favorable into the future. He also feels good about facility costs and expenditures and noted the favorability due to actual costs coming in lower than planned and a lean operating structure that keeps those costs low.

d) Dec 2016 YTD Project Income Statement

Mr. Bell said the project income statement is simple and lacking in complexity compared to prior years and he anticipates this will continue in this manner due to the end of the usage of the grant funds. The project expenditures outside of FlexTechs are relatively stable and most expenses are around establishment activities and development completed by GetInsured.

Mr. Veloz asked about the Authority to Connect. Mr. Kelly said there are a series of privacy and security measures that have to be adhered to in order to continue operating as a state-based marketplace. From a privacy and security perspective it is known as the Authority to Connect. With that comes field audits around threat vulnerability, management, privacy and security guidelines, risk assessment, systems security plans, etc. Those are baked into project costs, because they are no longer viewed as establishment activities because the operations are already up and running. There are interim deliverables and deadlines that build up to the Authority to Connect.

Motion: Mr. Veloz moved that the Finance Committee recommend that the Board approve the 2nd quarter financial statements for Fiscal Year 2016 through December 31, 2016, as presented today. **Second:** Dr. Livingston. **The motion carried.**

9. FY '18 BUDGET REVIEW

a) Timeline

The Chair reviewed the timeline for the budget process and said today, February 15, the Committee will primarily focus on expense assumptions and revenues will be pushed to the February 27 meeting.

On February 27, the Committee will review the revenue model and make a recommendation to the Board relative to the FY18 budget. Mr. Bell asked if the Committee would like Robert Schmitt from Milliman to present again this year. The Chair thought that would be a good idea particularly given the uncertainty going forward. He added that if the Committee needs additional time, there is a placeholder of March 6 for further discussions.

Final approval by the Board will be March 17.

b) Overview

Mr. Bell said they used a bottoms up approach and had all the Directors work on their individual spends and needs. Those were rolled up with general operating expenses after which the leadership team met again to look at the overall budget. The team also looked at the project expenses. The grant expenditures themselves were based on the work plan that was re-approved by CMS.

c) Assumptions

Mr. Bell said employee costs were budgeted based on current salaries, and midpoint for any open positions, anticipating a 3% prorated merit pool. There is a variable pay plan consistent with the FY17 incentive plan including spot bonuses and recognition for excellent performance. As a

reminder, the variable pay plan is 5% for leadership, 3% for the remainder of the team, and the Executive Directors is determined by the Board. The largest cost in the budget is HR related. A 72% participation rate was assumed for benefits based on the most recent participation data. A 24% year-over-year increase in health insurance premiums was assumed. The overall fringe rate is 30%, based on the FY18 proposed budget, and that fringe rate includes taxes, insurance benefits, education, Simple IRA, licenses, spot bonuses, and anything else employee related.

The Chair asked if given the uncertainty going forward, were there any changes assumed? Mr. Bell said at the time the employee insurance plan renewal was completed, potential changes in the ACA environment cannot be anticipated at this time. The Chair asked if the pay scales were in line and if they would be since the stability of the ACA has been weakened. Mr. Kelly said in terms of an overall market review, and given the integration of the support center last fall, the average tenure is very short. The uncertainty in what the feds will do with the ACA is YHI's new normal and vigilance in engaging and communicating with the team is important. He doesn't think any direct market review of salaries needs to be done based on the uncertainty of the ACA.

Mr. Veloz elaborated on the Chair's comment on retention and said that an uncertain climate may open opportunity for team members to leave YHI and wondered if there was any thought given to retention bonuses in that regard, in particular to people that have been with the exchange for a longer period of time or hold key positions. Mr. Kelly said that would be something to discuss at the Board meeting in March. The Chair said there may be personnel issues that arise because of the uncertainty in the ACA and those issues may need to be looked at in a different forum.

d) FY18 Budget vs. FY17 Budget

Mr. Bell shared a consolidated view of the operating budget and said he compared it both to the current forecast where we anticipate ending up at the end of FY 2017 and the budget that was approved by the Board following the consolidation of the call center.

With regard to the favorability in employee related costs and moving forward into 2018, that is the real driver in the increase from 2017 to the 2018 budget. Everything else remains fairly stable year-over-year. The Chair added that the addition of the consumer support center was the main reason for the increase. Mr. Bell said it is essentially \$1M more than the prior budget.

Dr. Rusche asked about the shared services and wondered if that will change much going forward. Mr. Bell said he doesn't see any changes coming in the service model. DHW solely provides eligibility determination for YHI. Moving forward YHI anticipates a small decrease due to future data reconciliations between DHW and YHI.

e) FY17 vs FY18 Compare by Quarter

Mr. Bell said with the same comparison, budget-to-budget and forecast-to-budget, the change in the forecast in employee and related cost is two-pronged: timing of the personnel ramp in 2017 versus being fully staffed in 2018 (\$460k) and the merit impact (\$112k). Similarly, in employee related costs, timing of the headcount results in a \$182k increase and the increase in premiums is at \$114k from forecast to proposed budget.

Within the Outreach and Education space, everything there is stable except for professional fees which is estimated lower than the forecast because YHI will likely not be as dependent on policy development and agent training.

He highlighted a decrease year-over-year with noticing because YHI does not need to do as much noticing in part because of advances in technology and automated noticing via email. There was a decrease in insurance costs and professional fees estimated relative to the current spend, the latter in response to the integration of the call center. And with IT support, there will likely not be any changes. Repairs and maintenance has been increased, primarily due to the aging of equipment and break fix on network equipment. Travel was increased in anticipation of ACA related changes coming and the need to travel to D.C. related to those changes.

Mr. Veloz asked about the timing of the YHI Temporary CA's (Customer Advocates). Mr. Bell said YHI plans to bring them on a month earlier than this past year due to the amount of time required for training and the amount of lead time it took to bring people on this past year.

Mr. Bell said the rest of the comparison is consistent with contractual amounts and we don't anticipate much variance.

f) FY18 Budget by Quarter

Mr. Bell described the next section as year-over-year and on a quarterly basis which assists in showing the seasonality of YHI's budget around open enrollment. He highlighted the GetInsured M&O (Maintenance & Operation) stating there is a bubble in spend at the end of May, which represents YHI's annual contract for web hosting renewal.

There was some discussion about the increase in revenue that will be needed to cover the increase in budget which will be discussed in depth at the February 27 meeting.

g) FY18 Monthly Expenses

h) Calendar Year Grant Spending

Mr. Bell said as of January 12 of this year, YHI had an available \$7.26M in grant dollars to spend out of the original \$104.2M. There are ongoing operating expenses that are establishment related and include salaries of those working on establishment projects, outreach efforts, noticing, and the types of activities that continue to build the marketplace and are still allowable for grant reimbursement. YHI anticipates \$25k to be spent related to the IV&V work to be completed by First Data. YHI does not anticipate anything additional related to the integration of the call center nor will there be additional development by DHW. There is one change request remaining with GetInsured which is the CR for qualified life events for \$323k and an additional \$2.5M for the next generation of CR's that have been approved for March and April. As mentioned, there is also a \$2M constraint regarding the SHOP requirement. YHI does not anticipate doing any work related to SHOP before the end of the calendar year 2018 which has been granted via a waiver. The grant extension will expire before then and so YHI does not anticipate spending that \$2M. Mr. Kelly added that if CMS decides to enforce the SHOP solution, YHI may choose to move forward with that while the grant funds are still available.

This would not require the full amount of the grant funds for that as YHI would simply add a redirect to the FFM for SHOP.

j) FY18 Development vs. CAPEX Budget

Mr. Bell reviewed the Capital Expenditure budget and said YHI does not anticipate being able to capitalize any equipment refresh expenditures, because for the most part, equipment is fairly new or it won't reach the capitalization threshold, so that is not budgeted for. YHI does anticipate the entire grant amount to have been spent by the time FY18 begins. During FY18, does anticipate the need for capital development in our HIX technology, funded by \$1M in assessment fees.

Dr. Rusche asked about the per enrollee costs which he estimates at \$350 per year per member for the first 3 years. He asked how that compared to what the FFM has done. Mr. Kelly said there was a study done about 11 months ago that researched this, and he will send the study to the Committee. He added that Your Health Idaho was relatively efficient, but suffers from economies of scale.

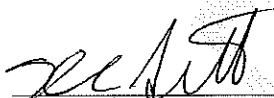
10. NEXT MEETING

Chair Settles noted that the next meeting will be a review of the revenue side of the budget and will take place on Monday, February 27 at 1:00 p.m.

11. ADJOURN

There being no further business before the Committee, the Chair adjourned the meeting at 4:05 p.m.

Signed and respectfully submitted,



Kevin Settles, Committee Chair