

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

**FINANCE COMMITTEE
MINUTES
FEBRUARY 17, 2016**

1. COMMITTEE MEMBERS PRESENT

- Mr. Jeff Agenbroad, Chair
- Mr. Kevin Settles
- Mr. Fernando Veloz
- Dr. John Livingston
- Ms. Zelda Geyer-Sylvia (via teleconference)
- Rep. Kelley Packer
- Senator Jim Rice

2. OTHERS PRESENT

- Mr. Trent Cummins, Your Health Idaho
- Mr. Pat Kelly, Your Health Idaho
- Ms. Cheryl Fulton, Your Health Idaho
- Ms. Wanda Smith, 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. Jeff Agenbroad, Chair of the Committee (the Chair), at 8:04 a.m., Wednesday, February 17, 2016, 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. Settles, Mr. Veloz, Rep. Packer, Ms. Geyer-Sylvia (via teleconference), and Dr. Livingston were present resulting in a quorum.

Senator Rice arrived at 8:23 a.m.

5. PRIOR MEETING MINUTES

Motion: Mr. Settles moved to approve the meeting minutes from the December 8, 2015 and December 17, 2015 Finance Committee meetings as presented.

Second: Mr. Veloz.

The motion carried.

6. REVIEW AGENDA

There were no changes made to the agenda.

7. REVIEW ROADMAP

The Chair said there is one item that's been noted to be added in March, which is a budget approval in the Board area. The Chair also asked to add an item to the June section of the timeline and that is some Committee education relative to lessons learned from other exchanges that might help YHI with the sustainability model.

Dr. Livingston added that these roadmaps should be tracked for reference so that the Committee doesn't get out of cadence with the Board. Ms. Fulton said that she keeps all old roadmaps on file for reference when framing the new roadmaps.

Ms. Geyer-Sylvia said her understanding is that the new rate submittal for the carriers is due to the DOI in early May and that the review and recommendation for the 2017 assessment fee needs to be done and approved by the Board in the early part of April to enable time for the carriers to develop these rates. Mr. Cummins said the recommendation to the Board will take place at the March 9 Finance Committee meeting and then the approval of the assessment fee will take place at the March 25 Board meeting.

8. RFP FOR AUDITOR

Mr. Cummins said the RFP for Audit Services was issued in early January to set up YHI's auditing services for the next 3 years. The services that YHI is required to have are around the financial audit, the OMB circular A133 (which is a single audit for grant funds usage), and the CMS Programmatic audit.

Harris & Co. has been providing these services for the last 3 years and that has now expired. The Board reviewed this recommendation in December and authorized the Committee to execute a contract that is consistent with YHI's sustainability model. There was a Proposal Evaluation Team (PET) established consisting of Trent Cummins, Controller, Pat Kelly, Executive Director, and Jeff Agenbroad, Finance Chair. The PET reviewed all the responses to the RFP which included responses from Eide Bailly, Harris & Co., and Pulliam & Associates. The responses were graded in five categories and the recommendation from the PET is to award the contract to Harris & Co. The Board in December authorized this Committee to execute the contract.

The Chair recommended that after this contract expires, the Committee look at potentially awarding this contract to someone other than Harris & Co. although YHI isn't likely subject to Sarbanes-Oxley protocol, it is a good guide and states that having the same auditors for several consecutive years is generally not a good idea. He doesn't believe YHI has reached this threshold with Harris & Co. at this point.

Motion: Mr. Veloz moved that the Finance Committee award the Audit Services RFP to Harris & Co. and execute a contract in the amount consistent with the Audit Cost Schedule and Fixed Fee Bid included in their response with a total amount for 3 years of \$75,750.

Second: Dr. Livingston.

The motion carried.

9. FY16 Q2 FINANCIAL STATEMENTS

Mr. Cummins reviewed the results for FY16 through December 31, 2015 or through the second quarter of operations for YHI which includes October, November and December.

(a) 2nd Quarter OPEX Income Statement

There are some timing differences that can be seen in the full year view, primarily in regards to Outreach & Education expenses. There were expenses that were budgeted for Q1 that were paid for in Q2 causing unfavorability for the quarter, but when looking at the six month view that includes Q1 and Q2, there is actually a favorability in this category. There is some favorability in professional fees, call center, and facility costs as well, which includes rent and phone.

(b) 2nd Quarter Project Income Statement

Mr. Cummins said that the project expenses include favorability in Accenture services primarily driven by Accenture rolling off ahead of schedule as well as the savings gained in the pre-payment plan.

(c) Jul-Dec YTD OPEX Income Statement

Mr. Cummins shared the year-to-date view which includes July through December and noted favorability in almost all categories. Within that, YHI is expecting about \$430,000 favorability for the entire year. He noted a couple of items around the call center and said the budget was created with a flat amount divided by 12 months so it accumulated during non-open enrollment months and he expects that to be offset in the call center category for the open enrollment months.

(d) Jul- Dec YTD Project Income Statement

Mr. Cummins said there is a similar story here in that there is also favorability around Accenture services, Flextechs and the GetInsured DDI portion. All of these expenses are covered by grant funding. There will be some discussion on Grant funding during the budget discussions to follow.

Mr. Veloz asked what the "Other" category consists of. Mr. Cummins said it is a contingency that was established in the project income statement which means YHI has not had to dip into the contingency to this point as the entire contingency for the year is roughly \$6M.

Mr. Settles asked about the Security & Privacy space and Mr. Kelly noted, when the budget was created a year ago, the team did not have actual estimates on audits and assessments. YHI was very cautious on estimating these expenses, but was fortunate to have favorability around the MARS-E audit. Some of that favorability will be used as the audit progresses. Mr. Kelly noted that in FY'17, the Privacy & Security budget is lower due to understanding costs around the items that take place in that space.

Motion: Mr. Settles moved that the Finance Committee recommend that the Board approve the 2nd quarter financial statements for Fiscal Year 2016 as presented today.

Second: Mr. Veloz.

The motion carried.

10. FY'17 BUDGET DISCUSSION AND REVIEW

(a) Timeline

Mr. Cummins introduced the timeline for the budget development process. He stated that the process will involve multiple reviews with the first today on February 17 where the primary focus will be a detailed view into expense assumptions and a preliminary view of revenues. The March 9 meeting will include updates based on the February 17 review plus a detailed view of assessment fee revenue assumptions and 5 year sustainability projections. If a third meeting is required between the 9th and the Board meeting on the 25th it will be on or around March 17, but if not, the recommendation of the FY'17 Budget will happen at the March 9th meeting. The budget will go before the Board for approval at the March 25 Board meeting.

YHI has contracted with Milliman to build an Assessment Fee revenue projection model that will be used to project AF revenue for YHI. That model is on track to be presented at the March Committee meeting.

(b) Overview

Mr. Cummins said the budgets for each functional area were developed from a bottoms up approach, with each functional area owner developing their own expenses. Headcount was developed based on past experience and future anticipated needs. Grant expenditures were developed based on the Work Plan approved by CMS for the funding of establishment vs. operational activities.

(c) Assumptions – employee related

Mr. Cummins said that the assumptions made regarding employee related costs included current salaries and new hires at market mid-point, a merit pool of 3% pro-rated based on tenure, market adjustments of \$22K in lieu of broad market adjustments and a variable pay plan consistent with the FY16 incentive plan. The employer contribution portion of employee benefits will remain the same but since more employees are expected to participate, the employer cost increases. And finally, the fringe rate was estimated at 23% based on the FY17 proposed budget. These employee related assumptions are pending Personnel Committee review.

Mr. Cummins also shared the current organizational chart, which includes current employees and open headcount.

(d) Assumptions – OPEX Monthly Expenses

Mr. Cummins moved to other assumptions that were included in this budget including employee travel, which was about \$4K per month in 2016 and will be about \$6K per month. This increase

is a result of Accenture and other vendors rolling off and includes additional trips to Palo Alto to manage our technology vendor. Essentially YHI will be managing relationships that Accenture managed previously.

Senator Rice said using outside counsel when YHI started made a lot of sense, but suggested YHI look at bringing some of this in-house in the coming years. Mr. Kelly agreed that YHI should look at that, but one of the considerations is the diversity of skillsets. The current benefit of outside counsel is the access to specialty attorneys so YHI will need to balance that. Ms. Geyer-Sylvia agreed that this is worth looking at and she uses both at Blue Cross.

Mr. Cummins said Professional Services include legal, HR support, Audit, and Flextechs. Initially Flextechs was under project expenses but in FY17 it has been moved to the Professional Services category as an operating expense. For business insurance, YHI assumed a 10% increase and for Consumer Connectors, YHI assumed a \$9-10K increase due to training. The last item is around the GetInsured M&O costs and YHI expects it to increase as in line with the contract with GI.

(e) FY16 vs FY17 Comparison (OPEX)

Mr. Cummins explained that the first column represents the approved budget for FY16 and the second column represents the forecasted amount through June of 2016. The green column is the proposed budget for FY17 and the last column shows the variances between forecasted FY16 and budgeted FY17.

He stated that grant income will go down by \$7.6M and Assessment Fee revenue assumes growth in enrollments and premiums from CY16 to CY17 and will increase about \$2.3M. Some of the growth in assessment fee revenue is accounted for by the increase in the assessment fee percentage on January 1, 2016. Ms. Geyer-Sylvia noted that this is a very significant increase. Mr. Cummins said that the assessment fee number is very important to our sustainability, but he used the old model for now, and then when YHI receives the new model from Milliman, that will be included at the March 9 Finance Committee meeting.

Mr. Cummins said some of the line items under expenses that are changing from FY16 to FY17 include increase in salaries and wages due to timing and a jump in employee related costs due to the higher participation rates assumed as well as \$25k for employee development.

He said the other big jump in the positive direction is the O&E budget. This budget is broken into seven categories including advertising, which will be reduced substantially because the buy will be cut in half and there will be no new commercials made. Overall savings in this category will be about \$650K. The remaining 6 categories show a positive jump mainly due to YHI bringing the management of those categories in-house. Overall savings in O&E is close to \$900K.

Mr. Veloz said he believes the advertising that has taken place has helped educate consumers and is concerned if those dollars are cut back, the educational value will disappear. Mr. Cummins said it is simply reducing the number of weeks of advertising spend and focusing on the key enrollment deadlines. Ms. Geyer-Sylvia asked if YHI knows when 2017 open enrollment will take place because if the changes that have been discussed may actually help facilitate what Ms.

Olson is trying to accomplish with her advertising spend. Mr. Kelly said that CMS has it on the same dates as this year currently. YHI did respond to the proposed rules suggesting OE ending prior to the end of the Calendar year. The CMS proposed rules should be final on or around the end of February. Ms. Geyer-Sylvia asked if YHI is required to go along with the Federal Exchange. Mr. Kelly said YHI investigated that last year, but can certainly look at it again, but the word from CMS was that YHI has no flexibility in deviating from the federal guidelines for open enrollment. Ms. Geyer-Sylvia said this is very important, particularly in relation to the budget as it would enable the consolidation of expenses into a calendar year and the assessment fee revenue would increase because it would eliminate some of the consumers from gaming the system and cancelling policies for 2-3 months. She said because of the potential impacts to the budget, YHI should seriously evaluate whether or not it can set its own open enrollment period. Mr. Kelly said he would speak to counsel to see if YHI can do this.

Mr. Cummins said business insurance will increase by about 10% and professional fees will increase by about \$90K, resulting from the MARS-E audit being included as well as Flextechs being moved from a project expense to an operating expense. Board travel will go down primarily due to the new quarterly cadence of meetings and office expenses will be reduced by \$5-6K primarily due to maintaining inventories on an ongoing basis. Utilities increased by \$10k due to adding an additional internet service provider to increase our bandwidth as well as serve as backup in an emergency.

Mr. Cummins continued with repairs and maintenance which includes a few things including the assumption of the replacement of non-capitalized office equipment over time and the maintenance and monthly subscription for the equipment YHI currently has. Travel will increase due to YHI moving from a vendor supported model. GI M&O will increase due to contractual agreement. The Consumer Support Center line item include the temporary CSRs and the DHW Shared Eligibility Services. This will increase to \$155K due to additional temps around deadlines and DHW decreases slightly. Consumer Connectors have been classified into navigator and IPA/Tribal and will increase slightly by about \$9K. Office space will be up slightly as the rent will increase per YHI's lease agreement. And sales and use tax was included with an assumption of \$1K per quarter.

Senator Rice asked if YHI is earning money on its investments. Mr. Cummins said yes, YHI does earn interest through the CDARS Program with Idaho Independent Bank at a rate of about \$900 per month.

Ms. Geyer-Sylvia asked if there is a contingency plan if the revenues don't equal the projections. Mr. Cummins said there is no contingency in this budget. This budget is YHI's best guess at what its expenses will be without any contingency in each line item. If the assessment fee dollars decrease considerably from the projections, there would still be some grant funds that can be used to support some of the activities, providing YHI with a bit of protection within the budget. This is consistent with the CMS work plan that has been approved. However, grant funds will expire in December of 2016.

Mr. Cummins said the overall proposed budget expense number for FY17 is \$8.8M.

(f) FY17 Budget (Establishment vs. Operating)

Mr. Cummins said the basic assumptions behind the assessment fee revenues include two parts. First, the remainder of CY16, we assumed the average premium to be \$360 and the remainder of effectuated is at 90,000 members at the 1.99%. And for the first 6 months of 2017, the premium would increase by 5% and effectuated enrollments would increase from 90,000 to 95,000.

Mr. Kelly said because January and February effectuations are looking to be higher than we estimated, it is a pretty big driver in the increase in revenues. This goes back to changing the OE for 2017 so this could be captured more readily.

Senator Rice left at 9:30 a.m.

(g) FY16 vs FY17 Quarter Comparison (OPEX)

Mr. Cummins said this is just a different view of the forecasted FY16 versus the budgeted FY17 and provides an idea of the timing and cyclical nature of how the Exchange operates on a quarterly basis.

(h) FY17 Monthly Income Statement

Mr. Cummins shared the monthly breakdown which shows expenses by month. The idea here is to show the timing of the expenses by month and at a more detailed level of the timing of expenditures.

(i) Calendar Year 2016 Grant Spending

As of Feb 10, YHI had \$18.3M remaining in the third grant. The graph shows the different areas that will be covered by grant funds and includes a development contingency of \$5M. The total grant spend to date is \$99.9M.

Mr. Veloz said there may be things that CMS requires down the road that may result in additional costs and dip into the contingency dollars. Mr. Kelly said YHI is still working on the specifics around the enhancements that might be needed. There may be some servicing opportunities that require additional costs. We have not been able to assign dollar values to all the items on the roadmap. He doesn't believe this will be fully clarified before the March meeting and there may need to be some tweaks to the budget once these are defined.

(j) FY17 Development & CAPEX Budget

Mr. Cummins said the FY17 Development and CAPEX budget takes the grant dollars through to the end of 2016 when the grant funds close and then the replacement costs of capital assets through June of 2017. The total amount for proposed CAPEX budget is just above \$7M.

(k) FY17 Budget Risks and Opportunities

Mr. Cummins shared the risks and opportunities around revenues, grants and expenses. The risk is around the decrease of enrollments and premiums and the opportunity is around the increase of those revenues.

The next area is grant dollars with the risk being interruption to that funding and the opportunity is that those funds may be extended beyond December 2016.

The final area is expenses including operating and O&E expenses. The biggest risk is that there is no contingency in this budget. While the opportunity is we could use grant funds if we identify an establishment activity in the July to December timeframe.

(I) Sustainability Cash Balance Model

Mr. Cummins said in the cash balance model, the blue line represents the original track with funds expiring in December 2015. The green line represents the current path YHI is on resulting in more cash reserves at the end of 2016. This model assumes expenses and revenues grow year over year by about 3%.

Dr. Livingston said the opportunity here is how to deploy grant funds today to offset operational costs once the grant funds are exhausted. Mr. Cummins said that is exactly right and what YHI needs to do now is work with its partners at DHW and GetInsured to enhance the systems so that in the future it could drive down future costs.


The Chair complemented the staff and the Board for YHI's financial performance over the last 2 years. Specifically the frugality that has enabled YHI to be under budget. Further, in going forward, the team should look at tightening expenses, aided by the transition from vendors to staff as well as squeezing the O&E expenses.

Mr. Veloz said he recalled the assessment fee discussions and with the current 1.99% assessment fee, YHI is still able to build its reserves.

11. ADJOURN

There being no further business before the Committee, the Chair adjourned the meeting at 10:00 a.m.

Signed and respectfully submitted,


Jeff Agenbroad, Committee Chair