

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

**FINANCE COMMITTEE
MINUTES
MONDAY, FEBRUARY 27, 2017**

1. COMMITTEE MEMBERS PRESENT

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

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
- Ms. Wanda Smith, Your Health Idaho
- Ms. Mandi Shawcroft, Your Health Idaho
- Mr. Robert Schmidt, Milliman

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 27, 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 (via teleconference) and Dr. Livingston were present, resulting in a quorum.

Dr. Rusche, Senator Rice and Director Armstrong were absent.

5. PRIOR MEETING MINUTES

Motion: Dr. Livingston moved to approve the meeting minutes from the February 15, 2017, Finance Committee meeting as presented today. **Second:** Mr. Veloz. **The motion carried.**

6. REVIEW AGENDA

There were no changes made to the agenda.

7. FY'18 BUDGET REVIEW

Mr. Bell reviewed the timeline for the budget and stated at the last meeting on February 15, the primary focus was on expense assumptions and operating expense budget. That will be reviewed today to keep it in context with assessment fee revenue assumptions and sustainability projections and then look for a recommendation for the FY18 budget. If needed, there is time reserved on March 6th should there be additional topics that need to be covered. And finally, the recommendation will be reviewed and approved by the Board on March 17.

The February 15th budget review focused on OPEX budget for FY18. The key areas to note as compared to the FY17 forecast include the following:

- Bulk of expense and increase year over year is in salaries and employee related costs
- A small decrease in Outreach & Education
- A small decrease in professional fees due to reduced need for HR services
- An increase in repairs and maintenance costs to support a larger IT infrastructure and a full year of support center software
- DHW Eligibility Services are expected to decrease, in anticipation of reconciliation of APTC data between YHI and DHW
- An increase in YHI temporary CSA's due to an earlier ramp up

Mr. Bell said we expect to see a full utilization of the grant funds, less the holdback for SHOP. The \$1M CAPEX budget is not specifically assigned to project. And finally, we reviewed the remaining grant balance and anticipated utilization in the waterfall slide.

Mr. Veloz asked about the DHW shared services and if there is a business agreement with them? Mr. Kelly said there is an MOU that is due in July and it contains an annual spend in it.

Dr. Livingston asked if YHI anticipates utilizing all the grant funds? Mr. Bell said yes, all but the \$2M holdback for SHOP.

The Chair asked about the conversation post Governance Committee and if it made any changes to the budget. Mr. Kelly said the conversation was around Personnel related tasks and in which Committee those responsibilities lie, it does not affect the budget. The overall staffing plan is business as usual and just around process.

a) Revenue Forecast

Mr. Bell walked through the components and assumptions made regarding assessment fee revenues. The assessment fee is set annually by the Board, effectuated enrollments are determined largely by YHI efforts but limited by population's eligibility and preferences to plans being sold, and average monthly premiums as determined by carriers.

Milliman has updated the model this year by using actuals from 2016 and then provided us with the model, play with assumptions and do some what-ifs analysis. Mr. Bell reviewed the actuals and forecasts in the projections and noted that in looking at revenues at the bottom of the graph, that is representing fiscal year, but all of the data above is relative to a plan year.

Mr. Bell introduced Mr. Schmidt from Milliman who walked the Committee through the projection model YHI used to support its projections.

Mr. Schmidt said he will provide some background for context, talk about the inputs and outputs, and plans for updates at this point. He said Federal grant funding is phasing out so assessment fee projections are important. Projections are influenced by the size of the individual market relative to Medicare, Medicaid, and employer coverage, the number of individuals eligible for premium assistance, the likelihood of individuals purchasing coverage in the exchange, and finally, premium trends and benefit levels in Your Health Idaho.

Dr. Livingston asked what percent of people in Idaho have some sort of coverage? Mr. Schmidt said somewhere between 88-90 percent. Dr. Livingston asked what percentage of those people are in the individual market? Mr. Schmidt guessed at about 8-10 percent. Dr. Livingston said those are the people hurting the most. What is going to happen to those people. Will we have more or fewer people purchasing insurance.

The Chair noted that this is predicated on business as usual. We know it will probably change but we don't know yet what it will be changed to. Dr. Livingston said it is important that when we speak about this and set an assessment fee, we remind folks that this is "business as usual" but that YHI fully anticipates it not being business as usual, and that these numbers and percentages are going to change.

Mr. Kelly said both the expense and revenue projections, enrollment numbers and assessment fees assume business as usual. We know that it will change. No one knows what it will change to. There are sensitivities in this deck and we have scenarios that we'll bring to the Board in March that will cover the "what-ifs." We are aware of various scenarios, but we don't know which scenario it will be. We know business as usual will not go on forever, but at this juncture, we do not know when or what it will change to.

Mr. Schmidt continued with the background on the model and said they used actual YHI experience and publicly available data. They then updated last year's model to create the new model. The model inputs include the premium trend, the trend in the maximum premium, the growth in the individual market, the uninsured rate, the overall population growth, the percentage of people purchasing coverage through YHI, and new months of enrollments and premiums. The model outputs or projections for 2017-2020 include enrollment, premium volume, tax credits, enrollment details (such as age groups, and metallic tiers), and assessment fee revenues.

Mr. Schmidt said the model is based on status quo with annual updates. In short, if there are major changes, YHI will not be able to continue using this model going forward. It will require substantial adjustments based on what comes down from the federal government.

Mr. Veloz asked Mr. Schmidt how much of an increase in premiums was projected in this model for 2018? Mr. Schmidt said the baseline was 8 percent but YHI chose to use 5 percent,

intentionally remaining on the conservative side. Mr. Kelly reminded the Committee that there is a combination of both the effectuation increase and premium increase, which combined are 9 percent.

b) Operational & Establishment Activities

Mr. Bell said everything expense related was reviewed at the meeting on the 15th and nothing has changed, either numbers or rationale behind the numbers. What has been added is grant income, to show the effect of that ceasing prior to fiscal year 18, assessment fee assumptions in total for both the forecast year 2017 and proposed budget for FY18, which then allows us to determine a net income for those two years. He also shared the monthly breakout of revenue and expenses with the net income effect at the bottom.

c) Development & CAPEX

Mr. Bell said in keeping things in context and the need to approve our development and CAPEX budget for the fiscal year 18, the graph shows exactly what we reviewed at the prior meeting. We anticipate for open enrollment related needs to have some expenditures early in the year and then due to lessons learned, opportunities to add to our capital expenditures in March. He then showed the waterfall slide that shows total grant available as of January 12. There is some operational expense that is establishment related, some penetration testing with First Data, and then the rest is development related expenses related to GetInsured. We also have the SHOP restricted dollars and additional development spending that is yet undetermined (about half of which has been identified).

Mr. Veloz asked what the likelihood is of using the SHOP restricted dollars? Mr. Kelly said all of it will not be used, but YHI plans to develop the redirect either to the FFM SHOP and investigate other options for leasing opportunities. Whatever is not used, will not be able to be used elsewhere.

d) Sustainability

Mr. Bell showed the cash flow model. In terms of sustainability cash is king, what we have available in cash vs. what our cash needs are. The current cash reserve target is about \$6.6M. The green line is cash flow projections based on staying at a 1.99 percent assessment fee. The black line represents an increase in the assessment fee to 2.29 percent and the blue line represents and increase to 2.49 percent.

Fluctuations in effectuations cause a linear effect in our sustainability. If we see an increase of about 10,000 effectuations in a year, we would need to bring on additional staff to handle that increase. If more than 10,000, we would need additional space. If we lose the remaining grant funds that are already committed to upgrades or projects we are already working on, it would result in a 1:1 reduction. If we experience degradation of service levels, there would be a brand or reputational impact which could affect dollars. We have been told by CMS that the grant funds have been appropriated, but in this new world, all things are possible.

Dr. Livingston said he believes these are designated funds, not appropriated funds. Mr. Kelly said we have no indication from anyone that the funds are in jeopardy.

Mr. Veloz asked how long the 1.99 percent assessment fee has been in effect? Mr. Kelly said two years (2016 and 2017). Prior to that it was 1.5 percent for two years (2014 and 2015). It is important to note that at the end of 2016, the difference between YHI's fee and the federal fee saved Idahoans about \$15M. The federal fee is currently at 3.5 percent.

8. DELEGATION OF AUTHORITY

Mr. Bell noted that with the change in the executive team, an operational roadblock has been created for us in approving and signing checks. Currently today, the Executive Director and Mr. Settles are the only two people with that signatory authority. We would like to amend the Delegation of Authority to authorize our current CIO to be our secondary internal signatory authority, until the Operations Director position is filled. The CIO's signatory authority would automatically go away upon hire of the Operations Director. And what this does is keeps us from having to go to the Board every time a change is made. Mr. Bell said he did run this past our CPA's, Harris & Company, and they felt it gave us an appropriate level of flexibility. Mr. Kelly added that this is a secondary signature, and depending on how we fill the Director of Operations position, for instance if we filled it with two managers instead of one director, this would allow flexibility in that.

9. FY'18 BUDGET RECOMMENDATIONS

Motion: Dr. Livingston moved that the Finance Committee recommend to the Board to approve the proposed change so the Delegation of Authority Policy (DoA) will read on page 3 as discussed in this meeting today. **Second:** Mr. Veloz. **The motion carried.**

Motion: Dr. Livingston moved that the Finance Committee recommend to the Board to approve the Fiscal Year 2018 Operating Budget at a not to exceed amount of \$10,457,080 as presented today. **Second:** Mr. Veloz. **The motion carried.**

Motion: Mr. Veloz moved that the Finance Committee recommend to the Board to approve the Fiscal Year 2018 Development & CAPEX Budget at a not to exceed amount of \$1,000,000 as presented today. **Second:** Dr. Livingston. **The motion carried.**

The Chair asked the Committee to look at the slide on page 22 and said he and Mr. Bell have discussed several scenarios, and what is best to do for today in order to ensure YHI maintains a financial balance that allows us to do what we need to do based on what we know today, he was very comfortable in Mr. Bell's recommendation of increasing the assessment fee to 2.29 percent.

Mr. Veloz said there is a linear relationship at the 2.29 percent and if we keep it at 1.99 percent, we will be looking at burning into our reserves. To maintain business as usual, the assessment fee does need to increase.

Mr. Kelly added that the reason we are requesting a change to this today is the carriers depend on rates and need to submit to DOI. The second thing to think about, is if we choose not to change the fee and wait for 12 months two things will happen. It will eventually need to be raised, and when you do raise it, it will need to be raised even more to make up for the deficit that was created by the delay.

Dr. Livingston said we still do not know all the scenarios that may be in our future and he is concerned we may have to raise it even higher depending upon those unknown scenarios. Given that, and that we are basing this on business as usual, he thinks the 2.29 percent is appropriate.

Motion: Dr. Livingston moved that the Finance Committee recommend to the Board to approve an Assessment Fee of 2.29% for Plan Year 2018. **Second:** Mr. Veloz. **The motion carried.**

10. NEXT MEETING

Chair Settles circled back to the Committee Charters and sorting out the adjustments to the Committee Charters regarding compensation for the Executive Director. Mr. Kelly said at the Governance Committee meeting held earlier today, the Governance Committee Charter was up for review and recommendation for approval. The discussion was around ensuring the Governance Committee had appropriate visibility and oversight of the Strategic Staffing Plan as well as the compensation for the Executive Director. Given that the redlines in the Charter were based on the Board discussion in December, at the advice of counsel and Committee members, we would like to have the Finance Chair and the Governance Chair sort out the details and present whatever new redlines they would like to the Board in March. There will not be any effects on the budget, just the oversight of the process. There was a motion in Governance this morning to do that and counsel suggested we make a motion in this meeting as well. And since we did not amend the agenda at the beginning of the meeting to do this, we will first need to amend the agenda to include this and then make the motion relative to the Charter discussion.

Motion: Dr. Livingston moved to amend the agenda to include the discussion regarding personnel strategic issues around the Committee Charters for the good faith reason the Finance Committee was not informed prior to the meeting. **Second:** Mr. Veloz. **The motion carried.**

Motion: Dr. Livingston moved to delegate authority to the Chairman of the Finance Committee and the Chairman of the Governance Committee to sort out the required adjustments to the Committee Charters regarding personnel strategic staffing planning and compensation of the Executive Director. **Second:** Mr. Veloz. **The motion carried.**

The Chair asked if we need another meeting to discuss the various scenarios that could affect the budget. Mr. Kelly suggested that information be shared via email and then brought to the Board for review in March. He noted no decisions can be made via email.

The next meeting will be held in late May or early June.

11. ADJOURN

There being no further business before the Committee, the Chair adjourned the meeting at 3:05 p.m.

Signed and respectfully submitted,



Kevin Settles, Committee Chair