

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

**FINANCE COMMITTEE
MINUTES
WEDNESDAY, MARCH 9, 2016**

1. COMMITTEE MEMBERS PRESENT

- Mr. Jeff Agenbroad, Chair
- Mr. Kevin Settles
- Mr. Fernando Veloz
- Rep. Kelley Packer (via teleconference)
- Dr. John Livingston

2. OTHERS PRESENT

- Mr. Trent Cummins, Your Health Idaho
- Mr. Layne Bell, Your Health Idaho
- Mr. Pat Kelly, Your Health Idaho
- Ms. Cheryl Fulton, Your Health Idaho
- Ms. Wanda Smith, 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. Jeff Agenbroad, Chair of the Committee (the Chair), at 8:02 a.m., Wednesday, March 9, 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 (via teleconference), and Dr. Livingston were present resulting in a quorum.

Ms. Geyer-Sylvia and Senator Rice were absent.

5. PRIOR MEETING MINUTES

Motion: Mr. Settles moved to approve the meeting minutes from the February 17, 2015 Finance Committee meeting as presented.

Second: Dr. Livingston.

The motion carried.

6. REVIEW AGENDA

There were no changes made to the agenda.

7. REVIEW ROADMAP

The Chair suggested that a couple of the action items in March might need to be pushed to June in order to give them adequate attention. The first is the continuing education and training for appropriate employees and the Board, which is contemplated in the budget but has not yet been discussed. And the second item is reviewing key accounting policies and treatment of significant expense items in anticipation of the year-end audit. Mr. Cummins said moving these to the June timeframe would allow for the auditors to make recommendations on this and then include it in the final field work and report that they would perform in July.

8. FY17 BUDGET REVIEW

Mr. Cummins introduced Layne Bell, his successor as Controller of YHI. Mr. Bell gave a brief background which included Deloitte and Touche, Hewlett Packard, Petroglyph and most recently controller at Hubble Homes. The Chair thanked Mr. Cummins for his nearly two years as Controller at YHI.

(a) Budget Timeline

Mr. Cummins reviewed the timeline which noted the February 17 Finance Committee meeting, where the Committee focused on the expense assumptions with a preliminary view of revenues. Today the Committee will primarily focus on the revenue model, an updated view on expenses, and a look towards sustainability. There is a placeholder for March 17 in case the Committee needs additional meeting time to continue this review, and then the Board meets March 25 to approve the budget.

(b) Budget Overview

Mr. Cummins said the key areas of change from the FY16 forecast to the FY17 budget included salaries and employee related costs, which increased by \$344k due to the timing of filling positions as well as a higher participation rate anticipated in YHI benefits programs. Another area of change is in Outreach & Education, which decreased by \$878k due to reduction in air time for advertising, reduced media production expense, and a shift from a vendor to an in-house managed model. Professional fees increased by \$198K due to compliance requirements for Privacy and Security which was previously categorized as a project expense. This increase is partially off-set by shifting YHI's IT support vendor (Flextechs) to in-house resources. The GetInsured M&O increased by \$175k per contractual agreement and Eligibility Shared Services decreased by \$150k due to increased efficiencies from technology enhancements. Finally, YHI Temporary CSR - call center increased by \$61k due to additional temporary staffing needs for key deadlines during open enrollment. These six areas summarize the FY17 budget.

(c) Expense Updates

Mr. Cummins said at the February 17 meeting, the Committee talked about grant funds as defined by operational versus establishment type activities. As a reminder, establishment activities are eligible to be grant reimbursed. We also focused on CAPEX & Development budgets for FY17 which totaled \$7.1M and reviewed our grant spending and remaining grant balance as of the expiration date of December 21, 2016.

Mr. Cummins said since the meeting on February 17, the YHI Leadership team performed a final review of the FY17 budget. One item missed was identified and the Outreach & Education Committee added \$7k for market research. That is the only change that was made to the budget. The Personnel Committee will review employee related expenses at the March 8 meeting and we will provide feedback for that. Mr. Kelly added that the O&E Committee meeting will be held on Monday and that is the one item that could require this Committee to meet on March 17.

Mr. Settles would be interested in a breakdown of employee related costs and Mr. Kelly said it is about \$9k per employee per year.

(I) Revenue Forecast

(a) Revenue Projections

Mr. Cummins said the revenue is composed of three main elements. The first is the Assessment fee revenue, which is set annually by the Board and no change to the 1.99% is contemplated. The second element is effectuated enrollments, which is based on YHI efforts, but limited by population's eligibility and preferences. The third component is the average monthly premium and is largely determined by the carrier. Milliman has been contracted to come up with a revenue model to help project revenues into the future.

Mr. Cummins said the table included in the packet today is a summary of those assessment fee projections from that model. In summary, the table represents projected revenues from 2014 through 2018, but the Milliman model actually projects through 2020. YHI provided actuals from 2014, 2015, and the months completed for 2016, which includes January, February and March. The average premium from 2014 was \$263; 2015 was \$293; the forecasted number for 2016 is \$350; and then projected from there for 2017 and 2018. The trend is that higher premiums are realized during the first month or so of open enrollment and then level off in the months to follow. Mr. Kelly said the drivers of this leveling off is simply the plans offered by the carrier and has been seen over the past two years. He added that the average premium increase over the next few years is slightly lower than what was discussed with the DOI to remain conservative in our estimates. The Chair said it is important to note that the numbers here are contrary to the data we are receiving and it is important to note that it is conservative relative to our sustainability forecasts. Mr. Veloz asked if YHI has a look into the different ages of the enrollees and how this will affect enrollments. Mr. Kelly stated that in terms of the demographics we have seen in the first quarter of the plan year, we haven't seen a dramatic shift across age or gender. Dr. Livingston said it would be good to look at how this relates to Medicaid expansion because it is anticipated that YHI's enrollments will decrease if Medicaid expansion is realized

by the state. Mr. Kelly said we haven't really looked at this because we don't know if the legislature will do anything related to Medicaid expansion, and if they do, what it will look like. When we know more, we would be happy to run scenarios and look at options for addressing any changes in enrollment.

The Chair noted that having a contingency plan is a good idea. Mr. Kelly said one of the items in the governance materials that will carry over to the planning session is a scenario where there is a significant change in enrollment numbers and what the options are for YHI.

Mr. Cummins said one of the other items to note on this summary is around effectuated individuals. 2014 and 2015 are actual amounts, 2016 is the amount reported in March, and 2017 and 2018 are projected. YHI assumes a ceiling on effectuated members of 95,000 but Milliman has a different revenue model as they assume continued growth year-over-year for effectuated enrollments.

(b) Milliman Presentation – Agenda and Background

Mr. Schmidt said today he would provide a brief background on Milliman and the data they have about YHI. Then he will talk about the data sources, the inputs and outputs and finally the model updates.

Mr. Schmidt said assessment fees are YHI's sole source of funding. Projections were based on several factors including size of market, number of individuals eligible for premium assistance, likelihood of individuals purchasing coverage and premium trends and benefit levels in YHI.

Initial discussion pointed out that two years of experiential data combined with publicly available data, form the foundation for the project model.

Milliman is a worldwide firm of actuaries and consultants with over 3,000 employees, specializing in health, employee benefits, life insurance and property/casualty insurance consulting. The Boise office has existed for 17 years.

(c) Milliman Presentation – Model Data Sources

Mr. Schmidt said the model data sources included Exchange census data, historical exchange enrollment and premium by month, 2014 Commercial health insurance data, and American Community Survey information.

(d) Milliman Presentation – Model Inputs

Mr. Schmidt said the inputs show 3 years of actuals of premium trends (actuals and projections), trends in maximum premium (varies by household income and federal poverty rate), annual growth in individual markets (estimated low for future years to remain conservative), the uninsured rate (projected at 11% with a slight decline going forward), the overall annual population growth (assumption based on 2009 census), and the percentage of individuals purchasing coverage.

Mr. Settles asked if the conservative estimate on rates will stand going forward. Mr. Schmidt said that they estimated conservatively because there is a general trend of increase in medical

costs driven primarily by prescription drugs and since federal assistance to carriers will decrease, we estimate our number will be lower than what will actually happen.

(e) Milliman Presentation – Model Outputs

Mr. Schmidt continued with the model outputs, or projections, for 2016 through 2020. This is a month by month summary of what has happened and what is projected to happen and the model will kick out new results based on the actuals entered as time passes. These include enrollments, premium volume, tax credits, enrollment detail, and assessment fee revenue.

Mr. Schmidt shared the monthly enrollment and premium forecast and said these are based on prior months and projected into the future on a monthly basis. On the right hand side of the page, the 12 month trend is shown and compared to the year prior. This shows an increase in revenues overall for that period out to 2020.

Mr. Schmidt said the final page shows all the assumptions put in and what they imply. If something doesn't look reasonable, then we adjust. Public programs are projected to grow slightly, but if Medicaid expansion passes, this could change dramatically.

Mr. Veloz asked if the Platinum plans would be going away. Mr. Kelly said platinum plans went away in 2016. Mr. Veloz said since those subscribers would be picking a lower metal plan, would that mean the overall premium would go down? Mr. Kelly said the number of people enrolled in platinum plans was nominal at best so it should not make a big difference. Platinum enrollments in 2016 were auto-renewed into gold plans in 2016.

(f) Milliman Presentation – Model Updates and limitations

Mr. Schmidt said the potential limitations and updates include annual updates to the model to keep it relevant. No changes in eligibility for Medicare and Medicaid were assumed, so if those were to occur, the model could be updated. The plan is to be updating the model at this time of year in order to use it as a basis for developing the upcoming years' budget. A change in population morbidity, demographic changes, and benefits that are included could also affect the model.

The Chair said since Idaho has a low utilization state and if there were changes to that in the future, where would that be captured. Mr. Schmidt said that would be captured in the trend assumptions, because trend is composed of utilizations changes and price changes.

(II) Operational & Establishment Activities

(a) FY16 vs FY17 Comparison (OPEX)

Mr. Cummins noted one of the biggest changes in the FY17 budget is the budgeted assessment fee revenue, which is now \$7.999M, and comes directly from the Milliman model. For reference, that is about \$350K less than the assessment fee revenue projection from the last meeting. The largest driver for that change was that we had used the \$360 premium estimate with an increase based on that number for the old model. After walking through it with Milliman and reviewing the trend in average premium in the first quarter of the plan year, we recognized that trend would decrease a little bit over the calendar year.

Mr. Cummins said also included here is a \$7k increase around market research in the Outreach & Education category.

(b) FY17 Budget (Establishment vs. Operating)

Mr. Cummins said these numbers reflect activities in the budget that are eligible for grant reimbursement. This includes the updated numbers reflecting the market research in O&E.

(c) FY17 Monthly Income Statement

Mr. Cummins said this is a month-by-month breakdown of the FY17 budget. Primarily open enrollment months are the busiest as far as activity is concerned and non-open enrollment months are less active.

(III) FY17 Budget (Development & CAPEX)

(a) CY16 Grant Spending

Mr. Cummins said this is a recap of YHI's proposed grant spending. There is a balance of roughly \$18M remaining and this is committed to DHW DDI, and two line items for GI for FY16 and FY17 around development contingency. Total Grant expenditure to date would be \$99.9M.

Mr. Veloz asked what the original projection was for total grant funding initially. Mr. Kelly said early in the process there was a projection around operating costs which was about \$10M, but from a total dollar perspective of a state based marketplace, Idaho is the least expensive in the country. Idaho has expended less grant funds than any other fully functioning SBM in the country. One of the challenges is that Idaho is a small state so a cost-per-life comparison would be difficult. Mr. Kelly said the dollar amount that Idahoans have saved based on the assessment fee being lower than the FFM is \$10M through the end of calendar year 2015 and is expected to increase to \$16M by the end of 2016.

(b) FY17 Development & Capex Budget

Mr. Cummins said taking components from the grant spending numbers, the line items for DHW DDI plus the Dev Contingency through the end of 2016.

The second item to note is the replacement of capitalized assets, working off our capitalized schedule, we anticipate replacement of those assets at either three, five or seven years depending on the asset. For reference, the server is a seven-year asset while desktop computers and laptops are a three-year asset.

Mr. Cummins said those two items combined make up the Development and CAPEX budget for 2017.

(IV) FY17 Budget (Sustainability & Contingency)

(a) FY17 Budget Risks & Opportunities

Mr. Cummins reiterated the potential risks and opportunities around revenues, grants, and expenses. What this is calling out is that there is no line item for expense contingency in the budget.

(b) Contingency Options

Mr. Cummins shared the contingency slide which shows two scenarios. Scenario #1 assumes reducing IT vendor reliance with Flextechs, not replacing certain equipment, reducing travel, reducing temps during open enrollment, reducing tribal and IPA budgets, as well as navigator funding, and reducing sales tax consistent with less equipment replacement. Scenario #1 reductions result in about \$200k backed out from the budget. Scenario #2 simply includes the additional reductions from salaries and wages and other employee related costs as well as reducing air time for advertising.

Mr. Veloz is concerned about how these scenarios impact revenues. Mr. Kelly said this is simply a scenario to a question that was asked and realistically could cause a more adverse impact to revenue streams. If we got into a situation where we needed to implement either of these scenarios, we would need to take a look at how these reductions would impact our revenues to ensure we don't create a bigger problem.

(c) Sustainability Cash Balance Model

Mr. Cummins said this is a sustainability forecast of cash balances through November 2018. The original model is represented by the blue line and the forecasted model is the updated numbers and is represented by the green line. Our cash balance is shown above the \$6M line for the next three years.

The Chair asked Mr. Cummins to do a look back specific to our reserve account and show where actuals have been as compared to our projections. Mr. Cummins will send that out via email prior to his departure on Friday.

9. APPROVAL OF FY17 BUDGET

The Chair said we are dealing with just as much uncertainty today as we did on day one. Mr. Veloz said now that Milliman has taken a look at this, and the revenue picture is much clearer, this provides us with more confidence in our revenue projections going forward.

(a) FY17 Operating Budget Motion

Motion: Mr. Veloz moved that the Finance Committee recommend to the Board to approve the Fiscal Year 2017 Operating Budget at a not to exceed an expense amount of \$8,852,287 as presented today.

Second: Dr. Livingston.

The motion carried.

(b) FY17 Development & CAPEX Motion

Motion: Mr. Veloz moved that the Finance Committee recommend to the Board to approve the Fiscal Year 2017 Development & CAPEX Budget at a not to exceed amount of \$7,075,397 as presented today.

Second: Dr. Livingston.

The motion carried.

(c) FY17 Assessment Fee Motion

Motion: Mr. Veloz moved that the Finance Committee recommend to the Board to approve an Assessment Fee of 1.99% for Plan Year 2017.


Second: Dr. Livingston.

The motion carried.

10. ADJOURN

There being no further business before the Committee, the Chair adjourned the meeting at 9:50 a.m.

Signed and respectfully submitted,



Jeff Agenbroad, Committee Chair