APPROVED JUN 1 6 2017

IDAHO HEALTH INSURANCE EXCHANGE
DBA YOUR HEALTH IDAHO

YOUR HEALTH IDAHO BOARD
MINUTES
FRIDAY, MARCH 17, 2017

1. BOARD MEMBERS PRESENT

- Mr. Stephen Weeg, Chair
- Mr. Scott Kreiling, Vice Chair
- Mr. Kevin Settles, Treasurer
- Mr. Hyatt Erstad, Secretary
- Mr. Tom Shores
- Ms. Karen Vauk
- Dr. John Rusche (via teleconference)
- Ms. Charlene Maher
- Mr. Fernando Veloz
- Dr. John Livingston
- Ms. Margaret Henbest
- Ms. Candace Sweigart (via teleconference)
- Mr. Jerry Edgington
- Senator Jim Rice
- Rep. Kelley Packer
- Director Richard Armstrong
- Tom Donovan (designee for Director Dean Cameron)

2. OTHERS PRESENT

- Mr. Pat Kelly, Your Health Idaho
- Mr. Kevin Reddish, Your Health Idaho
- Ms. Karla Haun, Your Health Idaho
- Ms. Wanda Smith, Your Health Idaho
- Ms. Alanee DeRouen, Your Health Idaho
- Ms. Lasca Schramm, Your Health Idaho
- Ms. Stephanie Mathiesen, Your Health Idaho
- Ms. Frances Nagashima, Your Health Idaho
- Ms. Cheryl Fulton, Your Health Idaho
- Mr. Mike Stoddard, Hawley Troxell
- Ms. Tresa Ball, HR Precision
- Ms. Emily Patchin, Risch Pisca, PLLC
- Mr. Jeremy Pisca, Risch Pisca, PLLC
- Ms. Tammy Perkins, Office of the Governor
- Mr. Peter Sorensen, Blue Cross of Idaho
- Ms. Lori Wolff, Idaho Department of Health & Welfare
- Mr. Norm Varin, PacificSource Health Plans
- Ms. Moriah Nelson, Idaho Primary Care Association
- Mr. Mike Reynoldson, Blue Cross of Idaho
- Mr. Thomas Cory, Idaho Citizen

3. CALL TO ORDER

Following proper notice in accordance with Idaho Code §74-204, the Board of Directors meeting of the Idaho Health Insurance Exchange (Exchange) was called to order by Mr. Stephen Weeg (Chair), at 9:03 a.m., Friday, March 17, 2017, at the State Capitol Building, Room WW17. In accordance with Idaho Code §74-203 (1), the meeting was held in an open public forum and was streamed in audio format on the Idaho Public Television web site.

4. ROLL CALL

Mr. Erstad called roll and determined that The Chair, Mr. Kreiling, Mr. Settles, Mr. Shores, Ms. Vauk, Dr. Rusche (via teleconference), Ms. Maher, Mr. Veloz, Dr. Livingston, Ms. Henbest, Ms. Sweigart (via teleconference), Mr. Edgington, Senator Rice, Rep. Packer, Tom Donovan (designee for Director Cameron), and Director Armstrong were present, resulting in a quorum.

Ms. Fulkerson, and Representative Erpelding were absent.

5. PUBLIC COMMENT PERIOD

The Chair asked if anyone had a comment to make. Dr. Rusche, Senator Rice and Rep. Packer noted they would be leaving the meeting early today.

6. PRIOR MEETING MINUTES

The Chair noted some edits from the Department of Insurance that will be corrected.

Motion: Mr. Erstad moved to approve the meeting minutes from the February 16, 2017 Board meeting with the changes noted today. **Second**: Dr. Livingston. **The motion carried.**

7. REVIEW OF AGENDA

The Chair said this organization is in a challenging time right now, with another new proposal coming out this week from the federal government. Four years ago, the Governor and Legislators asked this Board to take the ACA, which many folks were concerned about, and make something work for Idaho. Amazingly, that was successfully accomplished. YHI kept its focus on serving the folks of Idaho and kept its promise of keeping maximum control with minimal cost. He suggested YHI and its Board keep that focus for 2017, while keeping an eye on 2018 and allowing for flexibility down the road. YHI has a strong foundation to build upon if the opportunity presents itself through the changes.

Senator Rice said it is important for this Board and the organization to continue to focus on complying with what the law is now, while tracking the changes as they come down, knowing it will continue to change.

8. OPEN ENROLLMENT UPDATE

Mr. Kelly noted the topics that he will cover today include a snapshot of open enrollment numbers, improvements to the customer experience, the timeline for certification of plans, and updates on policy changes. Additionally, he will review the request for public affairs support, review the scenario planning that has been done to help YHI navigate the changes that are being considered, review YHIs financial status and discuss the assessment fee as it relates to sustainability. Finally, he will report on the FY'17 goals and proposed goals for FY'18.

Mr. Kelly said one of the hallmarks for Idaho has been consumer choice and through the dedicated work of the Department of Insurance, Your Health Idaho has maintained robust choice for Idahoans. The graph shared shows how consumer choice has shifted market share over time. Despite these shifts, over 80 percent of enrollments remain centered on three carriers. Plan choice across metal tiers remains consistent with prior years. Bronze and Silver plans account for 90 percent of all enrollments. 84 percent of Idahoans receive a tax credit and about half of those benefit from cost sharing reductions which help with out of pocket costs like co-pays.

9. CUSTOMER EXPERIENCE

Mr. Kelly noted that Your Health Idaho adopted a strategic goal of a flawless customer experience. This is a big goal for YHI and one where significant progress was made over the past 12 months. Given the multiple steps and processes to complete an enrollment and successfully deliver a 1095-A, YHI believes that when less than 5% of its customers require greater than two touches to resolve their inquiry, that is considered a flawless experience.

In 2016 open enrollment, 36% of YHI customers required more than two touches to resolve their inquiry. During the most recent open enrollment period, 7% of customers required more than two touches to resolve their inquiry. This is a significant reduction, but we also know that the last few steps will be incrementally more difficult to achieve.

In addition to the number of touches, timeliness is also a critical factor in the customer experience. Compared to last year, we have seen a 75% improvement in overall timeliness and currently have about three quarters of our customers seeing resolution in 7 days or less. We do have a 7 day SLA (service level agreement) with our carrier partners and know that we will continue to have complex cases that take longer to resolve. Despite these challenges, we are targeting a 5-point reduction in timeliness on the longest cases to resolve. We will talk more about our FY18 goals later this morning.

YHI also measures the number of customers that contact customer service to complete their enrollment. In 2016, YHI did not handle all inbound phone calls so a year over year comparison is difficult. However, even comparing tickets and emails in 2016 to inbound phone calls, tickets and emails in 2017, we saw the number of customers completing their enrollment without contacting YHI increase from 64% to 67%.

In 2017, the vast majority of contacts were open enrollment or SEP related; just over 1% of inquiries were related to 1095-A compared to almost 20% just a year ago.

This year, YHI's proactive approach to 1095-As ensured accurate and timely distribution of 1095-A tax forms. YHI delivered over 74K tax forms prior to the Jan. 31 deadline. While we still had too many corrections, most were generated proactively, before the consumer contacted YHI. Of the 74K 1095-As produced, less than 500 customers requested corrections have been sent.

Mr. Kelly said appeal volumes continue to trend well below last year. Proactive reconciliations and more rigorous internal processes have all contributed to the lower volumes. Disenrollment and enrollment dates continue to be the major driver of appeal volumes. We also see a larger number of appeals from consumers who have not engaged an agent or broker. We will continue to emphasize the importance of leveraging our agent/broker community in our communications.

Mr. Kelly said each year the exchange creates and distributes a marketplace survey. This year we continue to measure YHI customers and those who visited the site but chose not to enroll. We surveyed what aspects of plans are a priority for purchase decisions, as well as the reasons for buying health insurance. YHI measured customer support experience and the value of our messaging and advertising efforts. This year we will seek to understand what value the exchange has without premium assistance.

The survey was available for 2-3 weeks in March and has just ended. We have seen preliminary results and are compiling results for analysis at the June Board meeting. Overall, results show positive results from the improvement of the customer experience and one quick statistic shows that for those customers that called into the support center, 75 percent reported a positive experience, up from 64 percent last year.

Dr. Rusche asked about all the confusion with changes coming down from the federal government if there is a way to measure the anxiety among YHI's consumer base? Mr. Kelly said when the survey was developed, YHI was not aware of any specifics of the proposed legislation, so it did not address that level of detail. YHI could do an additional survey once the law is more formal.

Ms. Maher asked if under reasons for health insurance, will YHI get clarity on insights into the individual mandates going away? Mr. Kelly said we do have a question in the survey about purchasing decisions, one of which is how large of an influence the individual mandate was on the purchasing decision, and the responses varied greatly.

10. GI SPENDING AUTHORITY

Mr. Kelly said GetInsured is the HIX technology vendor for YHI. YHI's current spending authority is $45.4M and we are requesting an increase in spending authority of $1M. This will allow development for compliance related items such as Consumer opt-out and county rating changes. We also have initiatives for continued improvement in the consumer experience such as password reset and dashboard enhancements. Finally, we have reserved about $600K for contingency items as we review findings from our recent customer survey as well and unknown, but anticipated, compliance items.

This increase is included in the proposed budget and within the existing grant awards. We continue to monitor the grant funding status with CMS and based on current discussions, do not anticipate any changes to the status of our grant funds.

Mr. Shores asked about the delay in the SHOP and are these the funds for this purpose? Mr. Kelly said yes.

11. QHP CERTIFICATION TIMELINE

Mr. Kelly said YHI has worked with DOI to highlight the key dates for QHP certification and carrier agreements for PY18. These dates all assume open enrollment starts on November 1st and ends on December 15th. These dates are consistent with the Proposed Market Stability rules distributed on February 15th which are currently undergoing comment review. We do not know when they will be finalized.

Key dates for Idaho include finalizing carrier agreements on August 4th and certify plans at the September Board meeting. We will keep the Board informed when CMS publishes the final rules and any material changes to the above schedule.

The Chair asked Mr. Donovan if these dates were solid and he said they were, but they are subject to change.

12. PUBLIC AFFAIRS RFP

Mr. Kelly said Gallatin Public Affairs has been instrumental in navigating public policy and public opinion since the inception of Your Health Idaho. They are assisting us until the end of March, when the legislative session ends and they shutter their Idaho offices.

In this era of reform, YHI still needs an understanding of Congressional affairs, state politics and applicable law and policy. In addition, we have relied on this public affairs group for strategic planning, issue management, and message development to address the changing legislative, administrative and regulatory aspects of government.

In addition, the market research data we are conducting benefits from a public affairs perspective for proper messaging to our various stakeholders. We also believe we can gain insight from an organization with a presence in Washington, D.C. and Idaho to help us navigate reform proposals.

Pending Board approval, YHI plans to release an RFP to replace Gallatin Public Affairs with a new vendor engaged by June 1, 2017. YHI has engaged Risch Pisca on a short-term basis to handle public affairs related items between now and when the contract is awarded.

Motion: Mr. Edgington moved that the Board approve the release of a Request For Proposal (RFP) for a Public Affairs vendor and authorize the Proposal Evaluation Team (PET) to select the vendor and authorize the Executive Director to execute the contract at an amount not to exceed $64,000. This amount falls within the approved FY17 and anticipated FY18 Communications and Outreach budget. **Second**: Rep. Packer. **The motion carried.**

Mr. Edgington noted that the Marketplace Committee met last week and wanted to commend the team for the remarkable improvement of 70 percent of calls being handled in a single contact as well as the 99 percent rate of auto renewals. He also noted that 1095-A tax statement were not much of a challenge this year, but reflected a massive improvement in this area. Additionally, the Committee reviewed the technology improvements that are being considered for 2017, some of which are compliance related and others that are related to the customer experience. The Committee feels the requested increase about to be voted on is sufficient and appropriate.

Motion: Mr. Edgington moved that the Board approve to delegate signing authority to the Executive Director to execute Change Requests with Vimo, Inc., doing business as GetInsured, in an amount not to exceed $46,410,464 (exclusive of M&O), which represents an increase of $1,057,937 over the existing authority, which is included in the proposed FY18 budget and included in the existing grant awards. **Second**: Mr. Shores. **The motion carried.**

13. POLICY UPDATES

Relative to the CMS Proposed Market Stability Rules, Mr. Kelly noted that there were six items reviewed at the February 16 Board meeting, the most critical of those items were the Open Enrollment dates and how they may impact the individual market and our partners including DOI, DHW, carriers, and agent and broker community. The proposed rules reflect a November 1 through December 15 open enrollment period. YHI supports the November 1 start date, to ensure that the redetermination and renewal process is complete and on time. A date prior to that date would make the redetermination and renewal process difficult resulting in a sub-par customer experience and increased operational costs. We do understand that a 6-week open enrollment would cause issues for the carriers and agents and their ability to finish their work in a compressed time period. The Marketplace Committee discussed the different impacts resulting from these dates. The DOI's response to CMS was an October 1 to December 15 open enrollment period. YHI's response, based on feedback from carriers, agents and brokers, was a November 1 to January 31, or no change from last year. We understand the impact to carriers of premium holidays when enrollment slides into the plan year and taking that under consideration suggested if an earlier date is to be a considered, a January 15 end date would be an option.

Representative Packer asked if there is a way to bifurcate the system and have those that do not receive an APTC enroll earlier? Mr. Kelly said if CMS does require an earlier start date for open enrollment, we will certainly look at all the possible options.

Mr. Shores said if CMS does approve the October 1 start date for open enrollment, we can work with that. However, there will be some things that need to be completed earlier including agent training. This will be challenging for YHI and the training will also need to be more robust. He added that a shortened enrollment period would not work as it takes the whole of the three months to complete enrollments for all the customers.

Mr. Donovan said that was why the DOI recommended the earlier date. Director Cameron wanted to make sure the agents and brokers have time to get the work done and getting consumers used to the calendar year. In addition, open enrollment for Medicare is during that same time, October 15 to December 7.

Mr. Kelly said the House Republicans released the American Health Care Act (AHCA) last week and we have been busy digesting the potential impacts to Your Health Idaho. Key elements include the individual mandates being repealed retroactively to January 2016 and the continuous coverage requirement being enacted for plan year 2019. Tax credits shift in 2020 to an age-based income capped structure, a strong desire for State Innovations Grants via 1332 waivers, and at this point no big change to the essential health benefits. Age rating changes will move from 3:1 to 5:1, SEP verifications will be required on all SEPs starting in January (something that YHI is already ahead of), several taxes repealed, and expanded use of HRAs and HSAs.

There are also indications that there will be changes to high risk pools, but it is not clear what that will be but essentially along the line of providing more control to the states.

The Congressional Budget Office issued their analysis of the proposed legislation earlier this week and are indicating a pretty significant increase in the number of uninsured. These negotiations will continue and we will continue to monitor these developments. We have anchored our scenario planning to this legislation as it is the best information we have at the current time. The challenge is it is difficult to understand how to navigate the opportunities until we understand more. It is not clear if the Bill as we understand it, has gone through the parliamentary process which determines what qualifies under reconciliation or what does not, and that could cause significant changes to the legislation.

Finally, the Bill, as we understand it, will go to vote on March 23rd which is the birthday of the ACA. It would then go to the Senate and they hope to finish it all up by the end of April.

14. ACA SCENARIO PLANNING

Mr. Kelly said although we know the current bill is likely to shift before final approval and implementation, we have anchored our scenario planning to the proposed legislation. It is the best information we have at this time, and sets the groundwork for evaluating risks and opportunities for YHI.

Our baseline assumes business as usual and we believe that the scenarios are within a +/- 10% confidence interval. We have reviewed the customer impacts with Milliman and they agree with the reasonableness of our estimates. We have excluded potential impacts from changes to the HRA and HSA contributions limits as well as high risk pool changes.

We centered the analysis on two paths around the proposed legislation. The first is the impact of the repeal of the individual mandate and the fact that the continuous coverage mandate does not go fully into effect until 2019. In 2018, the continuous coverage mandate only applies to SEPs. We also know that the above analysis and those that follow on the next slide do not account for additional customers purchasing via YHI. The proposed legislation does not allow for non-ACA plans to be sold via the exchange and therefore YHI is limited in its expansion opportunities.

We believe that YHI could lose around 5,000 customers due to the repeal of the individual mandate this year, another 10,000 next year and then another 5,000 in 2019, for a cumulative loss of about 20,000 on the exchange. We do know that this year we have the opportunity to continue to educate on the value of having health insurance, and that the longer the proposed legislation takes to be finalized, the more we will be able to mitigate that customer loss this year. Moving into 2018 and 2019, to offset these enrollment losses, we would look at ways to increase our market size, drawing new enrollments via new plan design, non-compliant or transitional plans, or 1332 grants. In summary, we anticipate revenue loss of about $2M offset slightly by lower operating expenses. Net decrease to YHI's operating income would be about $1.6M.

Ms. Henbest said we made this calculation just on the individual mandate and continuous coverage, but there could be other things that compound the impact. Mr. Kelly said yes, that is correct.

Mr. Shores asked if the 5,000 loss in 2017 is just people not enrolling, people dropping or a combination of the two? Mr. Kelly said it is a combination, though it mostly consists of current enrollments dropping. We believe the longer it takes for the legislation to pass, the less impact it will have for the current year.

Mr. Kelly moved on to the second scenario which is around the APTC and CSR benefits customers currently receive. In 2018 and 2019, tax credits are available both on and off exchange. However, the advanceable tax credit each month is only available through the exchange. In 2019, the proposed rules require an age calculation into the APTC determination. We have not specifically done those calculations as we believe the impact is rather marginal.

In 2020, when it moves from an advanced premium credit to a premium tax credit, the proposed legislation is age-based and income-capped. It is a little unclear how it relates to FPL's because the proposed language is silent on that nuance. Generally speaking, we looked at a family of four in Idaho earning an annual income of $50,000. We did not look at geo-targeting or weighted averages, but just the overall average across the state of Idaho, and we believe that will result in about a 20 percent decrease in the tax credit received by those families. In 2020 the CSR is repealed entirely. Between 2018 and 2019 we will lose approximately 15,000 customers in a linear manner across those years. In 2020, we will lose about 20,000 due to the tax credit loss and the CSR elimination will be about 24,000.

We do know the federal government is interested in transferring more control to the states via the 1332 grants, so we do see some opportunity there. We did talk to the Department of Insurance to get a sense of the number of enrollments both off-exchange and through the transitional plans (Grandfathered and Grandmothered plans). Those numbers are about 23,000 off-exchange and 40,000 on transitional plans. If we could envision a way to bring those plans through the exchange, we could offset the customer loss.

The Chair asked if these were cumulative or separate scenarios. Mr. Kelly said they are mutually exclusive analysis but if combined, we would be looking at a total loss of about 60,000 customers. Mr. Kelly said it is important to note, these scenarios just show customer declines and there will certainly be opportunities to bring new customers on, we simply don't have visibility into those opportunities yet.

Mr. Edgington asked if these numbers assume the likely premium increases we will see in future years? Mr. Kelly said in terms of the revenue loss, these are largely looking at the premiums today and the 1.99 percent assessment fee, so no. For every 10% of increase in premiums, our revenues go up 10% so there is some mitigation that occurs if premiums climb.

Mr. Settles said it is important to note that these are what-ifs. And until the final legislation is in place, it is difficult to determine how all of this will play out.

Ms. Henbest said at one point when we looked at the amount of relief Idahoans would receive in tax credits, we had a number. Is there a new number embedded in these calculations or is that something we won't know yet? Mr. Kelly said for the tax credit dollars Idahoans received, it is $229M range. We do not have a clear value on what the CSR number is so these scenarios are impacts to Your Health Idaho only. Absent a replacement of the APTC for these customers, and if these people were uninsured, that would be a federal budget savings.

Mr. Kelly said there was a joint memorial introduced to the Idaho legislature this week requesting that Idaho be freed from the ACA and allowed to revert to existing Idaho laws. The Memorial has passed the House and the Senate Commerce Committee and we expect it to go to the Senate very soon. The Memorial is not a bill and does little, if anything to change our current operating stance. YHI expects no action to come from the Memorial.

However, if action were to be taken, after approval from Congress, CMS and the President, to revert to pre-ACA Idaho insurance code, Idaho could experience impacts as discussed at the February Board meeting.

Mr. Kelly said the proposed federal legislation is unclear on the role of the Exchanges in the delivery of tax credits. It states that the US Treasury will devise the mechanism for delivery and build upon existing infrastructure. It also indicates that agents and brokers may have a more robust role in the front-end activity. These changes are envisioned for 2020, but remain unclear at this time.

Based on the language to build upon the existing infrastructure, and the clear intent to deliver additional authority to the states, we do believe that exchanges will have a role going forward, despite the opaque legislative language.

Mr. Kelley said the second item is the legislation provides additional flexibility in the delivery and definition of QHPs. Certification by the exchange would no longer be required and the requirements to offer one silver and one gold level plan is removed. QHPs may be offered off exchange and the Grandmothered and Grandfathered plans would not be considered as QHPs. At this point, we don't anticipate any change to Essential Health Benefits as we believe it is not allowed under reconciliation. However, we do expect changes in subsequent legislation. 1332 waivers offer state flexibility in delivering health insurance solutions and greater opportunity for exchange diversification and growth.

Mr. Donovan clarified that we may be talking about who catastrophic plans will be offered to and the other one was people might be exempt from the tax penalty. This is how people can now purchase catastrophic plans, but it may be in the future that anyone can purchase them.

The Chair noted the sources for building the models include Leavitt Partners and National Academy of State Health Policy (NASHP).

15. FINANCE AND BUDGET

a) Second Quarter Financial Statements

Mr. Kelly said we continue to see favorability in our assessment fee revenue driven by higher than planned enrollments which is slightly offset by lower than anticipated average premiums. Please keep in mind that these are FYTD figures and therefore cross plan years. At the end of December, we had just over $7M in grant funds and effectuations were just over 90,000.

Mr. Kelly said for the second quarter, YHI had positive Net Operating Income of just over $500K and was unfavorable to budget by about $4M primarily due to lower than expected capital expenditures related to system development which drives lower grant income.

Revenue unfavorability was driven by lower grant income and slightly lower Assessment Fee revenue due to 4th calendar quarter decline in effectuations.

Expenses are favorable by $1.2M driven by lower employee and employee related costs, and the timing of expenditures related to outreach and education, lower support center costs due to the timing of accruals, and later than anticipated hiring ramps for seasonal team members.

Mr. Kelly said year-to-date revenue is unfavorable to the budget by $6.5M driven by lower grant revenue, but expenses are now favorable by about $1M. This is primarily driven by employee related costs and outreach and education. We are projecting to be favorable for FY17 by about $0.6M for expenses.

For project expenses, we have incurred just over $5M in project related expenses, with the bulk being from GetInsured design, development and implementation and we are about $200K favorable in project expenses compared to the budget.

b) FY18 OPEX & CAPEX Budget

Mr. Kelly said when creating the budget, we assumed business as usual, including employee costs, merit pool, variable pay plan, benefits, all typical of what we are doing today. During the budget process, we also looked at contractual agreements, anticipated operational needs. We also assumed the 1.99% assessment fee.

The OPEX comparison includes the amended budget, the forecast for the remainder of the current fiscal year, the proposed budget for 2018 and the variances.

Compared to our forecast, revenue declines year over year are driven by grant funds exhausted in 2017 offset by increased assessment fee revenue of just over $1M.

Ms. Maher said even though the bill has not passed, the penalty for the individual mandate is going to reduce that to zero. Has that been considered here or does this scenario assume status quo? Mr. Kelly said the increase in effectuations clearly does not account for the mandate being repealed. However, if effectuations were to decline due to the mandate repeal, you would expect a higher than assumed premium increase.

Mr. Kelly said looking through the expenses and comparisons, in total, and compared to our current forecast, we anticipate an expense increase of about $700k from the FY17 forecast and the FY18 budget. Primary drivers of increases from the forecast are driven by the timing of hiring and the fact that in FY17, YHI onboarded new hires throughout the year and the FY18 budget assumes YHI will be fully staffed all year. There are also a number of other minor changes due to CPI increases and contractual obligations. As discussed earlier around the GI spending Authority, we also included $1M of capital expenditure for system development.

c) Plan Year 2018 Assessment Fee

Mr. Kelly shared the sustainability projections relative to different assessment fee scenarios including the current assessment fee of 1.99 percent, an assessment fee of 2.49 percent, and our recommended assessment fee of 2.29 percent. In considering savings to Idahoans relative to the federal fee, our savings to date are a little over $15M. At 2.29 it would grow to about $20M. The discussion at the Finance Committee meeting was largely supportive of the 2.29 percent assessment fee.

Mr. Kelly shared some of the sensitivities around this and said these scenarios are linear in terms of their impacts. A 10 percent increase or decrease in effectuations, it is about $8 per month per person, or about $100 per year and if you multiply that by 10,000 effectuations, you get to $1M in revenue. In terms of operating costs, we looked at a step function in terms of our customer advocates and what would be required. For every 10,000 changes in effectuations, either up or down, its approximately 3 people that we would need to either add or reassign. In our current space, we can handle a fluctuation of about 10,000 for an increase without expansion. But anything over that, we would need to consider additional office space.

Mr. Kelly said if we consider a loss in grant funds, it is a direct impact to our cash balance and we have no reason to believe at this point that our grant funds are in jeopardy. We could mitigate that loss if we had uncommitted development funds.

And finally, we looked at a potential 10 percent degradation is service levels for our customers. If we were willing to accept a little bit of decline in our service levels, what would the result be in terms of revenue loss and savings in the operational space. We think that threshold is about 7,500 enrollments for a degradation of about 10 percent. That's about $700k in revenue, $200k in OPEX, for about $500k in net decrease to net operating income.

d) Delegation of Authority

Mr. Kelly said given turnover is in the normal course of business, YHI proposes the Board add the position of CIO, Privacy and Security Officer (in addition to the Director of Operations) as an authorized signator to the Idaho Independent Bank account within the written Delegation of Authority Policy.

Motion: Mr. Settles moved that the Board approve the 2nd Quarter Financial Statements as presented today. **Second**: Mr. Kreiling. **The motion carried.**

Mr. Settles reminded the Board that this budget is based on business as usual and what we know today. The Finance Committee met twice and first agreed on a budget and then came back to consider the assessment fee. The Committee feels these numbers are conservative and based on that the Finance Committee came up with a couple of recommendations for the Board.

Motion: Mr. Settles moved that the Board 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. Settles moved that the Board approve the Fiscal Year 2018 Development & CAPEX Budget at a not to exceed amount of $1,000,000 as presented today. **Second**: Mr. Edgington. **The motion carried.**

Motion: Mr. Settles moved that the Board approve an Assessment Fee of 2.29% for Plan Year 2018. **Second**: Mr. Veloz. **The motion carried**. Mr. Shores opposed.

Motion: Mr. Settles moved that the Board approve the proposed change to the Delegation of Authority Policy (DoA) as presented today. **Second**: Mr. Edgington. **The motion carried.**

Mr. Kelly noted YHI has saved Idahoans $15M through the end of 2017 relative to the Federal Fee and anticipate that growing to $20M at the end 2017. The federal fee is currently 3.5 percent.

The Board took a break at 10:40 a.m. and reconvened at 10:50 a.m.

16. OTHER BUSINESS

a) Annual Board Training

Mr. Kelly noted that YHI bylaws require an annual Board training. Given the uncertainty around the ACA's future, we are proposing several key areas of training to assist the Board as we navigate the coming months. The first are public meetings, records, and compliance with policies. The second area is centered around statutory obligations for YHI in light of potential ACA changes. And the final area would be around Board member duties related to statutory obligations.

b) Annual Board Activity Evaluation

Mr. Kelly added that the YHI bylaws also require a periodic Board self-evaluation. The Board effectiveness survey has been performed on an 18-month cadence (Sept. 2014 and Feb. 2016). Historically, the effectiveness evaluation has been delivered via Survey Monkey and Administered by HR Precision (Tresa Ball) to ensure third party independence. The Governance Committee recommends the survey be performed in advance of the June Board meeting with results presented at that meeting. And finally, there are no proposed changes to the survey.

c) Governance/Finance Charter Revisions

The Governance and Finance Charter revisions align with the Committee consolidations made in December of 2016. The redlines include minor revision to the Governance Charter to articulate the scope of the Committee as it relates to the Executive Director's annual review process. The Executive Director performance review oversight and evaluation will be the Governance Committee's responsibility including the weighting of individual operational goals. The Governance Committee will make a recommendation, based on the performance review, for any change in compensation to the Finance Committee. And the Finance Committee will have responsibility to make the final Executive Director compensation recommendation to the Board.

d) Employee Handbook Updates

Mr. Kelly said in regards to the employee handbook, there are minor changes and clarifications around practices related to exempt and non-exempt employees for operational alignment. And COBRA language has been added. And in December, Mr. Erstad asked about a wrap plan for employees. It is not required by ERISA and the cost is prohibitive, so we decided not to pursue that.

Motion: Ms. Henbest moved that the Board approve the revisions to the Governance and Finance Committee Charter as presented today. **Second**: Ms. Maher. **The motion carried.**

Motion: Ms. Henbest moved that the Board approve the updates and edits to the Employee Handbook as presented today. **Second**: Ms. Maher. **The motion carried.**

e) FY18 Operational Goals

Mr. Kelly said he would provide an update to the Board on the FY17 goals before moving into the FY 18 proposed goals. He reminded the Board of the Strategic Goals of a flawless customer experience and the reduction of the uninsured rate. In 2017, YHI had four primary goals that were tied to compensation. Mr. Kelly said Idahoans experience which is related to how we are working with our customers, our agents, brokers, and our carrier community. We are currently trending in the 60-80 percent threshold. And since it is a multi-part goal, we will figure out the appropriate weighting at the end of March. Retention and enrollment is currently trending between 60-80 percent. Our March effectuations are north of 97,000. Compliance was completed at the end of January with a 100 percent completion rate and was paid out in February. And finally, the low-cost promise is trending towards the 100 percent achievement. One item not listed is the employee engagement goal. We utilized a survey, took key findings from that and have worked through two of the highest areas of opportunity for improvement. We will resurvey in June to measure how much we have improved in those areas.

Mr. Kelly said the proposed FY18 Operational Goals are virtually unchanged from FY17 but the criteria and thresholds are adjusted to reflect the improvements we have made to date. The first is Idahoans Experience which is a multi-part goal to include delivery of 1095-As and case resolution. Retention and Enrollment is dependent on what changes come from the federal government and is a difficult goal to reach.

Mr. Kelly said there are three other operational goals being proposed today. One is around Risk Management, which includes the protection of customer and employee personal identifiable information and also brand and reputational protection. For the Low Cost Promise is structurally the same as 2017 but the targets will be adjusted based on the approval of the budget today. And finally, Employee Engagement goal, which will be assigned to team members with direct reports, and will assume a 5-10 percent improvement over 2017.

Motion: Mr. Erstad moved that the Board approve the FY18 Operational Goals as presented today. **Second**: Mr. Kreiling. **The motion carried.**

17. EXECUTIVE SESSION

Motion: The Chair moved that the Board enter into Executive Session pursuant to Idaho Code Section 74-206 (1) to consider to consider the evaluation of employees pursuant to Idaho Code Section §74-206 (1)(b).

Executive Session Roll Call: Mr. Erstad called roll and determined that The Chair, Mr. Agenbroad, Mr. Shores, Ms. Vauk, Mr. Settles, Dr. Livingston, Ms. Henbest, Ms. Sweigart, Mr. Edgington, Ms. Fulkerson, and Senator Rice, were present, resulting in a quorum.

The Board entered into Executive Session at 11:15 a.m. and reconvened at 11:52 a.m. No final actions nor decisions were made while in Executive Session.

18. NEXT MEETING

The Chair said the planned next meeting will be in June, however depending upon what comes out of the federal government, we might want to remain flexible. In addition, the terms of Board members originally appointed in April 2013 are expiring. Thus, the Governor will be doing reappointments. Given the uncertainty around the ACA and pending changes, maintaining Board continuity will be important. However, the final decision on appointments rests with the Governor.

19. ADJOURN

There being no further business before the Board, the Chair adjourned the meeting at 11:55 p.m.

Signed and respectfully submitted,

Stephen Weeg, Chairman of the Board