

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

**FINANCE COMMITTEE
MINUTES
MARCH 24, 2015**

1. COMMITTEE MEMBERS PRESENT

- Mr. Jeff Agenbroad, Chair
- Mr. Kevin Settles
- Ms. Zelda Geyer-Sylvia
- Dr. John Livingston
- Representative Kelly Packer (via teleconference)

2. OTHERS PRESENT

- Mr. Trent Cummins, Your Health Idaho
- Mr. Pat Kelly, Your Health Idaho
- Ms. Wanda Smith, Your Health Idaho
- Ms. Cheryl Fulton, Your Health Idaho

3. CALL TO ORDER

Following proper notice in accordance with Idaho Code §67-2343, 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 am, Tuesday, March 24, 2015, 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 the roll and determined that Mr. Settles, Ms. Geyer-Sylvia, Dr. Livingston and Rep. Packer (via teleconference) and were present resulting in a quorum.

Mr. Veloz and Senator Rice were absent.

5. APPROVE PRIOR MINUTES

Motion: Rep. Packer moved to approve the meeting minutes from the January 23 and March 2, 2015 Finance Committee meetings with the change of date from the 3rd to the 2nd on the first page of the second set of minutes.

Second: Mr. Settles.

The motion carried.

6. REVIEW OF AGENDA

There were no changes made to the agenda.

7. FINANCE COMMITTEE ROADMAP

Mr. Cummins reviewed the Finance Committee Roadmap and stated that in March the Committee will take a second pass at the at the FY16 budget including a view of the enrollment and revenue projections. The Committee will also revisit some of the expense accounts that were discussed at the last meeting. Looking into April, key items will include setting the assessment fee for 2016 and reviewing the financial audit plan with Harris & Co. in preparation of the end of year audit.

The Chair clarified that YHI is deep into the budget process and said the timeliness of vetting and setting the Assessment Fee prior to the April 17 Board meeting is critical. Mr. Cummins added that the Budget could potentially be ready for approval at that same Board meeting.

The Chair said the environment changes daily and so it will remain to be seen how these changes influence the budget between April and June.

Mr. Kelly said the Budget could be approved in April, and then if anything material were to change between April and June, the budget could be revisited in June. The operational numbers have not changed much during the past 3 months so he doesn't anticipate that happening.

Dr. Livingston asked if YHI foresees any event in the near future having an impact on projected enrollment numbers, in particular the cancellation of university-provided insurance plans for students. Mr. Kelly said YHI is working with the universities that have chosen to cancel their Student Health Insurance Plans to see what the volume might be. Ms. Geyer-Sylvia said she doesn't think that loss of insurance in and of itself is a qualifying event. That needs to be clarified with the Department of Insurance.

Mr. Cummins added that an April approval of the budget would be ideal because if the budget approval were to wait until June it would put three months between these discussions and the approval. If something were to come up between now and then, it could be revisited in May or June.

Ms. Geyer-Sylvia said budgeting for the fiscal year and again for the calendar year creates a lot of confusion particularly around the Assessment Fees and asked that YHI consider changing its fiscal year to the calendar year to eliminate this confusion. The Chair said that the staff should evaluate the pros and cons of changing YHI's fiscal year into a calendar year and report back to the Committee. Mr. Kelly said that since YHI is reported within the State of Idaho's financial report as a "component unit" it may impact their treatment of YHI in that report. In terms of YHI's audit, it would be difficult to get through and have audit reports ready by January 31 when they are due to the legislature.

Mr. Cummins added that another issue would be how YHI reports grant spending to CMS. While operating on grant funds, YHI can't even entertain the idea of changing the fiscal year but it can be revisited once YHI is self-sustaining.

8. FY16 BUDGET REVIEW

Mr. Cummins said that today's major focus is on enrollment projections and the components that make up YHI's revenues for FY16.

(a) Enrollment Projections and Average Monthly Premiums

Key components that make up the revenue side are projected enrollment numbers, average monthly premium, and the assessment fee percent.

With respect to the premium cost increases over time, there are three primary drivers of increases:

1. Medical Trend from the Milliman Index;
2. Deductible Leveraging; and
3. 3. The three R's
 - a. Risk adjustment;
 - b. Risk corridor; and
 - c. Re-insurance).

Mr. Cummins said based on the factors above, premium increases are estimated to be at 9.8% year over year for the next three years. The year 2014 saw an average premium price of \$290 and 2015 at \$311. Going forward, the anticipated average premiums are expected to be \$341 for 2016, \$381 for 2017 and \$410 for 2018.

Regarding enrollment projections for the next 3 years, Mr. Cummins reached out to the carriers to see what they thought the market would look like for next year, and most carriers anticipated an approximate 10% growth in effectuated enrollments. Based on those findings, and using current effectuated enrollments for 2015 (83,158), YHI anticipates about 90,000 in OE2016, 95,000 in OE2017 and beyond.

Based on current effectuated enrollments and an Assessment Fee of 1.5%, Mr. Cummins said YHI anticipates having a cash balance of \$7.4M at the beginning of 2016. Ms. Geyer-Sylvia asked why YHI thinks enrollment will grow 10% next year since it didn't grow that much this year.

Mr. Cummins said this 10% assumption is based on the information that was received from the carriers. In addition, there were outside market conditions that changed the number of enrollments that were projected. Mr. Kelly added that there were a number of households that lost their APTC due to the second lowest cost Silver Plan. There were also some challenges with enrollment this year and some of those people may choose to come back in next year. On top of that, the penalty is going to increase year over year and there are a number of additional factors that could go into this compared to what was seen during this second year of enrollment.

Dr. Livingston asked about the unemployment rate and how that affects enrollments. Mr. Kelly said some small businesses have opted to offer a stipend to employees to go out and purchase

their own insurance and where that nets out is unclear. Ms. Geyer-Sylvia said there are a lot of people coming in and out of the market (about 30%) at any given time and is concerned about overestimating. She also said she has seen a decrease in the number of small group plans being dropped and believes that recruitment is becoming more and more difficult. As a result, companies will be increasing their insurance offerings instead of reducing them since insurance is a solid recruitment tool.

Mr. Settles, Ms. Geyer-Sylvia and the Chair said the reserves should be preserved as contingency and wondered what a good amount is to always keep in reserves. In addition, they agreed that the Assessment Fee should not be set too high because enrollment would likely drop as a result.

Mr. Kelly said he looked at fixed versus variable expenses and there is very little of YHI's operational expense that is variable (some is semi-variable). Given that the YHI cost structure is primarily fixed, incremental changes in enrollment levels does not materially change the cost structure so the risk to sustainability, and therefore the level of reserves, is driven largely by when the Assessment Fee is increased. There was additional discussion between the Committee members about their level of comfort with the projections and all agreed that they were more comfortable with the mid-range estimates and cautioned against utilizing the more far-reaching estimates.

(b) FY16 Operating Income Statement

Mr. Cummins shared the total budget of \$9.7M and said these numbers are familiar, but have changed slightly since they were first reviewed in March. The changes include the dollar amounts associated with the revised variable pay plan and those associated with the employer contribution for insurance premiums.

The Chair noted the largest change in the O&E budget with an overall reduction of \$1.1M. Mr. Cummins said the change from customer acquisition to retention mode has the largest influence on this number.

Mr. Settles suggested separating the call center staff from the professional fees line item since call center staff will persist where professional fees wane. The Chair agreed and those numbers will be pulled out into their own line item.

The Chair and Mr. Settles had concern about the salaries & wages and feels that the average is high. Mr. Cummins and Mr. Kelly explained the breakdown on this including the IT positions which tend to sway from average to higher end.

Ms. Geyer-Sylvia is concerned that there is no contingency and no depreciation in the budget and that there is no other way to build capital in the future. The Chair said that there isn't much room in the budget and wants to ensure that equipment is replaceable in the budget. Ms. Geyer-Sylvia has more concern around upgrades and maintenance on the software and systems.

Mr. Cummins said that the smaller items like computers and other equipment are in the budget. The second item around technology with GetInsured is partly included in the GI M&O line item in the budget which includes the maintenance contract for a certain period of time and then perpetually renewed at a similar rate.

Mr. Kelly said there is a risk that the Committee needs to understand and offered two ways to be better informed on this. It is a perpetual license with no definition past 2018. Mr. Kelly can check with the California Exchange and see if there have been additional costs for them as they are on an earlier release. He will also check with GetInsured to get more information. He would like to get it in writing and the plan has always been to get clarity on 2018.

The third grant is set to expire in December of this year, with an assumption that it can be extended for an additional period of time. The timeframe has not been set.

Ms. Geyer-Sylvia said she would not pay GetInsured another penny until those contracts are set. Mr. Kelly said they have not paid the holdback on the initial development yet as it is still being reconciled.

(c) Personnel Update

Mr. Cummins said the Personnel Committee recommended \$90,000 be added to the budget which includes \$27,000 allotted for the employer contribution for the employee dependent premium. Previously, YHI contributed 30% and the employee contributed 70%. The proposed change would increase the employer paid portion of the dependent premium to 60% and the employee paid portion to 40%. That accounts for the increased cost.

Also coming out of the Personnel Committee was a recommendation for the variable pay plan for fiscal year 2016 with a total cost of \$63,000.

Mr. Cummins shared the proposed organization chart for staffing in FY 2016. The 25 heads have already been included in the proposed 2016 budget.

The Chair said that since he does not understand the operational needs, it would be helpful to see the month by month budget showing anticipated hire dates and the contractor roll-off that results from each hire.

Mr. Kelly reviewed the open headcount and noted that the Business Analyst positions are replacing the Accenture team members and result in a substantial savings for YHI. Consumer Support Specialists are a large save as well. The marketing headcount at about \$25 an hour will replace Gallatin and will also result in a big savings. The Process Improvement Leader is a role that is across organizations and focuses on the day to day operational efficiencies. That role is replacing an Accenture resource and is at about \$35 an hour.

Ms. Geyer-Sylvia said it looks to be a little top-heavy. She thinks the number of IT people is out of line and she does not understand why there is a need for 5 people in security. She is also curious about the Solution Architect position and wonders what the need is there. But she said her sense is that the Finance Committee is not approving positions but is instead looking at dollar amounts.

Mr. Kelly assured the Committee that the security and IT space is being carefully reviewed and some automation may be implemented in order to handle some of the work in that space, resulting in a decreased headcount.

The call center is being worked on as well and will be integrated into the DHW call center. This could impact the total number of temporary heads YHI hires. However, YHI is not far enough in that process yet to make an adjustment in the temporary headcount in the budget.

Mr. Settles shared that yesterday, in the Personnel Committee meeting, it was discussed how important the Process Improvement position is that oversees YHI, DHW and GI.

Ms. Geyer-Sylvia is still concerned about the IT Security roles, and is concerned why they need to be hired through the YHI office and not through the vendors (DHW and GI) where the information lives.

8. NEXT MEETING

The next meeting of the Finance Committee will be held the week of April 2-6 and Ms. Fulton will send a poll to the Committee today to find the best day and time.

9. ADJOURN

There being no further business before the Committee, the Chair adjourned the meeting at 9:42 am.

Signed and respectfully submitted,



Jeff Agenbroad, Committee Chair