

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

**FINANCE COMMITTEE
MINUTES
APRIL 7, 2015**

1. COMMITTEE MEMBERS PRESENT

- Mr. Jeff Agenbroad, Chair
- Mr. Kevin Settles
- Mr. Fernando Veloz
- Ms. Zelda Geyer-Sylvia
- 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
- Mr. Bill Shrum, Harris & Co.

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 8:03 am, Tuesday, April 7, 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, Mr. Veloz, Ms. Geyer-Sylvia and Rep. Packer (via teleconference) and were present resulting in a quorum.

Dr. Livingston and Senator Rice were absent.

5. REVIEW OF AGENDA

There were no changes made to the agenda.

6. FY15 FINANCIAL AUDIT PLAN

Mr. Shrum ran through the 2015 Audit Plan and discussed the timing of the plan. He said the auditors will take a risk-based approach and also review controls with focus on the substantive side of things. The audit focuses on the following key areas: 1) revenue recognition, 2) key contracts, 3) accounting treatment for the Federal Grants, 4) completeness of liabilities, including cut-off and payroll expenses, and 5) asset testing, including cash balances and fixed assets. Other procedures will include gaining an understanding of the overall control structure and control testing specific to the Federal Grants.

Mr. Shrum added that the timeline is a best estimate at this point and can be slightly flexible depending on management needs and committee meetings. April 7, today, is the plan review. April 17 will be Board approval of audit plan. Harris & Co will provide the Prepared by Client (PBC) document by May 4 and the preliminary field work will begin sometime the week of May 11-15 with it continuing through July 24. Draft Financial Statements will be ready for review by management around August 17 and the Finance Committee will review them in late August. The final Financial Statements will be ready for approval by the Finance Committee in late August and then will go to the full Board for approval in September. Finally, the approved Financial Statements will go to the State Controller's Office no later than September 28, 2015.

CMS has come out with some additional guidance around eligibility and protection of personal information. Harris & Co. has been working with Mr. Kelly and Mr. Cummins to assess the needs around this.

Mr. Veloz asked about the accuracy of eligibility and asked if they would be testing this on the Carrier side. Mr. Shrum said they will evaluate what level they will need to test this at and will refine this over the next few weeks.

Mr. Shrum said CMS has outlined their expectations. They have an obligation to come in and audit YHI, so it appears they are building the framework for future audits where it would rely on external auditors.

Ms. Geyer-Sylvia said it would be very difficult to audit eligibility that goes end-to-end. Mr. Shrum said he thinks it would be more at a level of verifying processes and controls in that environment and not necessarily testing end-to-end.

The Chair said YHI is under contract with Harris & Co and wondered if there will be any additional costs this year. Mr. Shrum thinks just extra hours in the \$3-6000 range to meet the requirements if CMS.

Motion: Ms. Geyer-Sylvia moved to recommend that the Finance Committee approve the FY15 Audit Plan as presented.

Second: Mr. Settles.

The motion carried.

7. FISCAL YEAR 2016 BUDGET & PLAN YEAR 2016 ASSESSMENT FEE

(a) 2016 Budget – Operating Expenses

Mr. Cummins reviewed the budget timeline and said today the Committee is focused on the FY16 Budget and Assessment Fee for 2016.

Mr. Cummins said he used a bottoms-up approach gathering expenses, determining headcount, project expenses tied to the roadmap, he reached out to Carriers and the Department of Insurance and hopefully in combining all of these, he has come up with what he believes is a fairly accurate budget for approval today.

Mr. Cummins first commented on the assumptions page noting that nothing has changed from the last time the budget was reviewed by this Committee. Mr. Settles asked why it is assumed YHI will spend \$20k per month on legal. Mr. Kelly said this average was assumed based on several factors. Certain months will be substantially lower than the estimated amount, but April and May will entail work on Carrier Agreements, some change requests and working through the GI contract, so it is anticipated to be higher those months. The goal is to be under the somewhat overestimated budget, leaving contingencies for unplanned expenses. YHI continues to work with Hawley Troxell to reduce these costs.

Mr. Veloz asked about the open headcount/positions and timing of these. Mr. Cummins said in regards to the human resources role, Ms. Ball performs the HR function for YHI. This will be a heavy lift during this period of growth and will then reduce in later months. Ms. Geyer-Sylvia said the cost associated with HR seems excessive and thinks perhaps the office coordinator role could handle some of this. Mr. Kelly said this position has not yet been recruited for.

Mr. Veloz asked about the computer programming costs. Mr. Cummins said this was previously addressed and that this was actually a project expense that should not be included in the assumptions.

Mr. Settles noted the travel expenses and said 4 times per month to California seems like a lot. Mr. Kelly said this is split between three people and that face-to-face meetings are quite helpful at this point and this should wind down towards fall of 2016. Ms. Geyer-Sylvia questioned if the travel should be a project related expense. Mr. Cummins said the travel falls under the grant currently, but he is unsure moving forward if that will be the case and needs CMS guidance for after the release. For this budget it was assumed to be an operating expense.

Mr. Cummins said the bottom number for FY16 is \$9.7M for the period July 2015 - June 2016. There have been some updates to this including an adjustment to headcount, primarily the O&E open heads to July 1 instead of October 1. Also another item called for complex case support for about \$15k per year.

Mr. Veloz asked if the variance in advertising is due to a timing difference. Mr. Cummins said this is the timing that was provided by the O&E Committee leading into Open Enrollment. Ms. Geyer-Sylvia asked if this money is associated with the 2016 Open Enrollment and would be spent prior to CY2016. Mr. Kelly said these dollars include production and a significant amount

for a pre-buy for open enrollment advertising. Open Enrollment goes through 2016 starting with November and December of 2015 and culminating at the end of January 2016.

Mr. Cummins said this has been asked on the CMS calls. The general response has been that dollars spent around year end will likely be an allowable expense. He will ask for specific guidance in this respect from CMS. Ms. Geyer-Sylvia suggested getting this in writing from CMS so that they don't change their mind.

Mr. Settles asked about Security & Privacy and why it is not in the budget. Mr. Cummins said Security & Privacy is not part of the operating budget at this point as it is a project expense. It will be grant funded until completion.

Mr. Owen provided an overview of the Security & Privacy structure. He said there are two people currently under Ms. Avani Patel Sukhu on the Accenture team and YHI is trying to minimize the number of hires to backfill these positions with a goal of not hiring the third headcount. What those people will do will vary throughout the year. Ms. Geyer-Sylvia asked if scans for hackers, penetration testing, etc. will be ongoing. Mr. Owen said yes, currently the team is doing their own scans and then comparing them to GetInsured and DHW's scans to determine mutual trust. Until their security functions are validated, there will be a threat and vulnerability work stream. These reconciliations are done quarterly.

Mr. Settles said it is starting to make some sense. Security doesn't stop and the cost has been rolled up in salaries. Ms. Geyer-Sylvia said she doesn't think YHI's staff will have the skills needed to complete this going forward on their own. Mr. Owen said Mr. Kevin Reddish was hired because he has experience as an ethical hacker and has the level of expertise needed to do this going forward.

(b) Income Statement

Mr. Cummins reviewed the monthly income statement. The overall income is estimated to be \$8.6M with no contingency in the operating budget (there is contingency on the project side).

Ms. Geyer-Sylvia asked to clarify if it is the dollar amount or the headcount that is up for approval by this Committee. The Chair said it is the budget, not the headcount.

Mr. Kelly asked for clarification from the Committee on offsetting contractor costs in association with headcount and wants to ensure working within the boundaries of the budget.

The Chair replied that within the budget, the headcount can move around assuming there is an adequate explanation for the variances. Staff should continue to bring forward the justifications. Mr. Settles said it is fluctuation with explanation and it has worked well to date. Ms. Geyer-Sylvia noted that the Committee has to be careful because things like headcount can affect future years' budgets.

The Chair said ultimately the Committee is bound by what the Board approves. Mr. Kelly said one of the biggest risks is the trajectory or run rate which is why the fiscal and calendar year budgets are contemplated.

Mr. Cummins moved on to the Annual Average Premium calculations and said the annual average premium is assumed to increase by 9% over the next three years. This percentage was based on discussions with Carriers and using 3 R's methodologies (risk adjustment, risk corridor and re-insurance).

Mr. Cummins said the important numbers to note are cash balances at the end of 2014 and 2015. YHI is projected to have \$7.4M in reserves at the end of 2015. Combine that with the enrollment projections and the average premium, and the following scenarios result:

Scenario 1: 2.4% Assessment Fee would result in a break even in the first year and then generate additional income in the following years.

Scenario 2: 2.0% Assessment Fee would start with a loss in the first year and burn down the reserves to about \$6M and then delay the break even to the end of 2017 followed by a small surplus in 2018.

Scenario 3: 1.9% Assessment Fee would result in a loss for first two years and then finally break even in 2018.

Scenario 4: 1.5% Assessment Fee, which is the current rate, would result in a year-over-year loss.

The Chair asked what rate of increase was contemplated on the expense side as it relates to this graph. Mr. Cummins said all of those expenses are relatively fixed with general increases for rent and salaries year-over-year and all have been contemplated in this graph. Mr. Settles asked if there was a projected number that the cash reserves should hit. The Chair said it has been discussed but not finalized. Ms. Geyer-Sylvia said three months is adequate. Mr. Veloz said if it goes below that, how do you make that up or do we anticipate using that reserve for a couple years until break even.

Ms. Geyer-Sylvia said YHI is very fortunate that we were able to create reserves as many states were not able to. There are points where it may drop below the threshold as the single source of income is the Assessment Fee. The Chair said the Assessment Fee can be adjusted yearly to accommodate the ups and down of the associated revenues.

Ms. Geyer-Sylvia said if you look at the chart on slide 17 that the rates could fluctuate as well. Planning for three years is a good approach. The Chair noted that the 2% Assessment Fee is ideal (actually a 1.99%). Mr. Settles likes the 1.99% as it packages better than the 2% and achieves the right goals.

(c) Project Expenses

Mr. Cummins reviewed the project expenses and said the key item to note is these are all funded through grant dollars and could extend beyond December 2015 but are only paid for through Grant dollars and do not affect the operating budget. \$15.9M would be included in the fiscal 2016 budget that the Committee would be approving.

Ms. Geyer-Sylvia would opt to separate the motions into two motions. She is comfortable with the Operating Budget but not supportive of the project expenses. Mr. Kelly reviewed the vote

that came out of Marketplace and said that the vote had two that voted for and two that abstained. Mr. Kelly said he did verify with legal counsel that the motion did pass. Mr. Settles said can we pull this back and do we have time to revisit these issues. Mr. Veloz noted that the motion passed to take it to the Board. So it is up for discussion at the Board level.

(d) Motions

Motion: Ms. Geyer-Sylvia moved that the Finance Committee recommend to the Board to approve the FY16 operating budget of \$9,749,390 as presented.

Second: Mr. Settles.

The motion carried.

Motion: Mr. Settles moved that the Finance Committee recommend to the Board to approve an Assessment Fee of 1.99% for the Plan Year 2016.

Second: Mr. Veloz.

The motion carried.

Rep. Packer left the meeting at 9:29am. The Committee maintained a quorum.

The Chair asked Mr. Kelly to clarify what was discussed in relation to the project expenses at the Marketplace Committee meeting.

Mr. Kelly said at the Marketplace Committee meeting the discussion centered on a single attachment related to the Accenture engagement and focused on only two work streams, PMO and Testing. Of the \$3.8M total budget, \$1.2 was already approved and \$2.6 is new.

Mr. Settles asked why the two people abstained from voting on the proposed budget. Ms. Geyer-Sylvia said she and Mr. Shores abstained because consulting fees and project management was very high in comparison to what was being spent on the actual project. Mr. Shores was concerned that some of the projects proposed were not going to help alleviate some of the problems the agents and brokers were seeing. Mr. Veloz said whether or not it was addressed by Accenture properly was in question. Ms. Geyer-Sylvia said local resources could be found for much less and would keep the money in state.

Mr. Kelly said \$3.8M for PMO and testing with Accenture. PMO has been reduced with contract project manager hire and the impending resource hire. Both of those work streams are time and materials. It is a "not to exceed" amount, not a fixed price, so these expenses can be altered up or down as needed. The Chair suggested deferring the approval of those dollars until that is fully vetted.

Can we get this done by July without having an additional meeting in June. Mr. Kelly said from a by-law perspective, the budget needs to be approved by June 30.

Mr. Kelly said he thinks a June meeting would be required as the DHW only goes through June 30 and so they will want to have that extended. Ms. Geyer-Sylvia said could extend their budget

by up to a month and work within the budget we already have. Mr. Settles suggested approving the not-to-exceed budget and then work to reduce the expenses.

Motion: Mr. Settles moved that the Finance Committee recommend to the Board to approve the FY16 project expenses at a not-to-exceed amount of \$15,932,075 consistent with the project recommendations from the Marketplace and Governance Committees.

Second: Mr. Veloz.

The motion carried.


8. DISCUSS INVESTMENT ADVISOR RFP

Mr. Cummins quickly said he issued the RFP for the Investment Advisor and after receiving some feedback, he is extending the deadline and making some revisions to the RFP and will report back to the Committee at a later date. Some of the changes include controls, reporting requirements costing more, and adjusting some timeframes on reporting and state requirements. He is working through legal counsel and will then come back with the results.

9. ADJOURN

There being no further business before the Committee, the Chair adjourned the meeting at 9:58 am.

Signed and respectfully submitted,


Jeff Agenbroad, Committee Chair