

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

**FINANCE COMMITTEE
MINUTES
APRIL 11, 2014**

1. COMMITTEE MEMBERS PRESENT

- Mr. Jeff Agenbroad, Chair
- Mr. Kevin Settles, Vice Chair
- Ms. Zelda Geyer-Sylvia
- Dr. John Livingston
- Mr. Fernando Veloz

2. OTHERS PRESENT

- Mr. Pat Kelly, 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 (Chair), at 8:05am, Tuesday, April 11, 2014, 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

Mr. Settles called the roll and determined that the Chair, Ms. Geyer-Sylvia, Mr. Veloz and Dr. Livingston were present resulting in a quorum.

Representative Packer and Senator Rice were absent.

5. MEETING MINUTES REVIEW: MARCH 11, 2014

Motion: Ms. Geyer-Sylvia moved to approve the minutes from the March 11, 2014, Finance Committee Meeting.

Second: Mr. Veloz.

The motion carried.

6. REVIEW OF AGENDA

There were no changes to the agenda.

7. BOARD DELIVERABLES AND ROADMAP

The Committee reviewed a draft version of the Finance Committee Roadmap. Mr. Kelly said that given the changes with the CMS design review we do not have enough knowledge in terms of the systems structure to adequately review all of our business insurance policies, particularly related to media cyber liability policies. He asked that this roadmap item be moved to May. There are no policies that expire between now and May, so our current policies are not in jeopardy. Moving this item to May allows Your Health Idaho more time to determine the right coverage. Further, the review may need to be split across multiple months as Your Health Idaho learns more about the technology design.

Looking forward into May, the key items coming before the Committee will include the financial audit plan for FY14, the business process changes, annual training and the April financial statement review.

Ms. Geyer-Sylvia asked if Your Health Idaho plans to do an independent audit.

Mr. Kelly said the FY 14 financial audit will be performed by Harris and Company, who was engaged through an RFP process last fall. If Your Health Idaho is happy with their services, they will continue to be engaged through financial year 2015. It is in compliance with the Legislative Services Office, and the timing of the audit is all aligned so that required financial statements can be submitted to the State Controller's Office accordingly to their deadlines.

Mr. Kelly said the auditors will be here to review and present the audit plan at a future meeting.

8. PROCESS FOR REVIEW OF OPERATIONAL CHANGES

The Chair said in regards to operational change he's looked for discussion and direction from the Executive Committee. He talked about the challenges of moving decisions points forward through Committees and then to the Board.

For example, the Barrack Law contract went to multiple Committees and then came before the Finance Committee before being sent to the Board. A review of that contract by the Finance Committee was not needed as it was already within the established budget. This was an unnecessary step and can slow things down.

If an item falls within established budgets, it does not need to be reviewed by the Finance Committee before being sent to the full Board. That way the Finance Committee can keep their eyes on the more important things that alter or change the budget. There is no formal policy that has been drawn yet. He asked if the Finance Committee is in agreement on this.

Ms. Geyer-Sylvia thinks that up until this point, it has been an unusual year. But going forward with an established budget, those items that are within the budget do not need to come before the Finance Committee, but those unusual items that are not within the established budget should come before the Committee.

Dr. Livingston stated that there should at least be a record of the transaction and that the Committee be made aware of those items, but doesn't have to take action on them.

The Chair suggested that everything goes through the Finance Director to decide if it is within budget or not. If it is not, then it would come before the Committee.

Action Item: Formal policy to be built for Review of Operational Change.

9. ACCOUNTING POLICY FOR TECHNOLOGY SOLUTION COSTS

Mr. Kelly said in general YHI's accounting treatment is rather straightforward. However, when looking at large technology costs, there are a number of additional criteria to consider whether to expense it or capitalize it. He said YHI needs to understand what the specific activity associated with those costs is to determine the proper accounting treatment. In addition, there are a number of accounting standards and criteria to consider.

YHI needs to determine if it is possible to capitalize the software. Since this software will be developed for internal use only and not marketed outside of YHI, we can justify that it will be capitalized.

Mr. Kelly said the second table shows the breakdown further into what aspects of the project can be capitalized and what gets expensed. He said he needs to add a column to the table to show DHW costs to YHI. He continued by stating that the conceptual design of the system would be expensed as incurred. The coding, testing and implementation would likely all be capitalized and the training and general administrative costs would be expensed.

There was some discussion by the Committee about this process and Ms. Geyer Sylvia said that this seems to be pretty standard accounting practice, but asked if the P&L may show a loss since we are in a different situation with a federal grant moving into a sustainable mode.

Mr. Kelly responded that it would be difficult not to capitalize it over 5 years.

Ms. Geyer-Sylvia said that there will be people looking at our financials, and we should do this clearly so that those looking at our operational statements see these entries clearly.

The Chair added that we walk a fine line because if we show a profit, we don't want to send the wrong message that we are overcharging and vice versa on losses.

Mr. Kelly said that requests will likely come from people with very little financial knowledge and in that case we should focus on EBITA vs EBIT.

Motion: Mr. Settles moved to recommend to the Board to accept the accounting policy as proposed.

Second: Mr. Veloz.

The motion carried.

10. ASSESSMENT FEE FOR 2015 OPEN ENROLLMENT

Mr. Kelly stated that the timing of review of the Plans and plan rates by Finance Committee roadmap has been adjusted to adapt to the timeframe of the Department of Insurance. In order for the carriers to price their plans and submit to DOI in May, YHI needs to set the assessment for

2015 Open Enrollment in April. He continued by saying that YHI has set the current rate at 1.5% and assessment fee revenue is being held in reserves until we are financially self-sustainable in 2016. The biggest challenge is we don't have enough clarity to know if the assessment fee will need to be any different than what it is today. Given that landscape and current budget projections, we are requesting that the Finance Committee recommend no change to the fee and to maintain it at 1.5%.

Mr. Kelly said in order for us to understand if we will be financially sustainable, we can either do a top-down process meaning these are your enrollment numbers and this is your revenue, and you can set expenses accordingly. Or you can do bottom-up approach meaning these are your expenses and this is what your enrollment is expected to be and set the assessment fee accordingly. The challenge is, we can probably get agreement around enrollment numbers, we know staffing and facility costs. However, we do not the DHW portion as far as maintenance and operations, we do not know what the call center structure will look like. While we know what our GetInsured M&O cost is, we don't know if that will change with the CMS design change. We can make educated estimates, but we don't have enough visibility to stand behind a change to this assessment fee at this point.

Mr. Veloz added that the average premiums could be higher or could be lower than carrier estimates and in that regard they are very changeable and we have to be careful.

Mr. Settles thinks it's a good number for this year as we put this money aside, but next year it gets more serious, but for now it is comfortable.

The Chair questioned how much needs to be collected between now and January 2016 to have the right amount of money in reserves. Mr. Kelly said that we do not have enough information today to make that call.

The Committee continued the discussion which included questions regarding what is too much or too little to have in reserves, how the budget can be managed and made to work and what possible roadblocks might we run into in the future. All agreed that there is just too little information available now to know what to plan for in the future. Next year, perhaps even next quarter, will shed much light on all of this.

Motion: Dr. Livingston moved to recommend to the Board that there be no change to the Assessment Fee and that it is maintained at 1.5%.

Second: Mr. Settles.

The motion carried.

Mr. Kelly added that Ms. Goodman resigned as of Tuesday and we are currently looking for new accountant.

11. FINANCIAL RESULTS FOR 3Q FY14

(a) Financial Highlights

Mr. Kelly highlighted the current financial results including spend-to-date of \$9.2M as of the end of March heavily dominated by Outreach and Education and professional services.

(b) Grant Draws

Mr. Kelly reviewed the grant draws by categories. He highlighted Category 2, Consumer Outreach and Education, at \$5.6M and Category 12, Contracting, Outsourcing and Agreements, at \$2.8M.

(c) Assessment Fees and Enrollment Highlights

Mr. Kelly explained that the Assessment Fees collected through March effectuated enrollments are divided out by carrier and shows how they have grown over time. Assessment Fees for March are at \$170k and current accounts receivable is \$140k. Mr. Kelly said this is the effectuated premiums reported by the carriers but do not include early April payments.

Ms. Geyer-Sylvia added that depending upon what the carriers do with “grandmothering” as to whether or not this will go up or stay the same. She continued by explaining grandmothering means if you had a plan by October 2013, that you could keep that policy and almost all of the carriers opted to do this. Discussion about Grandmothering and the different carriers continued.

(d) March Results

Mr. Kelly reviewed that YHI has \$170k in Assessment Fee revenues, big expenses around Outreach and Education showing some unfavorability to budget related to the timing of the media plans, the delay and then the extension a little bit longer than anticipated. And there is some favorability in the delay in the Tribal agreements and some favorability in professional services. This is related to the fact that PCG is no longer actively working for YHI. However, we have not terminated the contract to give us some flexibility if we needed their services in the future.

(e) FYQ3

Mr. Kelly noted that 3rd Quarter was below budget in terms of spend with favorability in professional services, the Tribal Agreements offset by the media spend, which is all timing related.

(f) YTD March 14

Mr. Kelly reported that O&E dominates the spend, but shows \$900k in favorability. YHI holds about \$140k in assets currently being depreciated with half being furniture and fixtures and about another half in trademark and website.

(g) Statement of Cash Flows

Mr. Kelly stated that cash at the end of the period was \$231k which is a result of assessment fee revenue and sits as a cash amount in the bank accounts.

The other highlights are AP of \$1M and accrued expenses of \$600k because we had to accelerate the March close in order to present financials in time for the Board meeting.

(h) Assets

Mr. Kelly reported \$1.9M in assets with \$1.6M of that being a grant receivable.

(i) Equity

Mr. Kelly reported equity of \$0.5M that is broken into two main components. The first is Assessment Fee Revenue of \$370k and the remaining portion is cash from the grant used to purchase fixed assets.

Mr. Kelly said these are the financials for the Third Quarter, and these will be presented to the Board on Friday with a motion from the Finance Committee.

Motion: Mr. Veloz moved to recommend the quarterly financial statements as presented today for approval by the Board on April 18, 2014.

Second: Mr. Settles.

The motion carried.

12. FY15 BUDGET OVERVIEW AND TIMELINE

Mr. Kelly reviewed the FY 15 budget planning process and highlighted the key dates.

Ms. Geyer-Sylvia added that there are some things to consider including the Personnel Committee for salary increases, as this is part of their Charter, and those need to come out of this Committee. She suggested adding this to the process presented. She also added that the Marketplace Committee should have an overview of the project prior to a budget being set.

Mr. Kelly said he will delineate those pieces and appreciates the feedback. He continued by stating the key dates that require Board or Committee interaction. May 9 is the next Finance Committee meeting, June 6 is another Finance Committee Meeting to take a second pass at the budget planning and then June 13 is the full Board meeting. Mr. Kelly added that these are just estimates, and if the Committee would like to alter these dates, they are up for discussion.

Ms. Geyer-Sylvia thinks this timeline will be tough to hit and would like to give Mr. Kelly more time. She recommends we meet earlier to allow for time to make changes.

13. NEXT MEETING

The Committee decided the next Finance Committee meeting would be held Friday, May 9 and then again on Friday, May 30 in the morning, with exact times to be determined.

14. DHW-YHI TECHNOLOGY

Motion: The Chair moved to amend the agenda to include DHW and YHI Technology Letter of Intent and MOU update.

Second: Dr. Livingston.

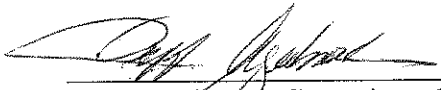
The motion carried.

Mr. Kelly updated the Committee on the YHI/DHW Letter of Intent and MOU saying that there will be financial impacts, though he does not know what they are yet. There is work going on between YHI and DHW relative to the design of the system based on the CMS design review. In order for that work to move forward, YHI Had contemplated a Letter of Intent so that work could be initiated immediately. The current plan is that DHW will not begin work related solely to YHI until after the May 21 Board meeting, at which point we would have a Memorandum of Understanding in place between YHI and DHW. He said at that point there will be clear visibility on expected costs and the specific activities each party will be responsible for relative to the design. The MOU will cover the development, design and implementation phase but also the maintenance and operations phase of the project. In closing, Mr. Kelly said YHI may need to address our funding needs at that point.

14. ADJOURN

There being no further business before the Committee, the Chair adjourned the meeting at 9:35am.

Signed and respectfully submitted,



Jeff Agenbroad, Committee Chair