

IDAHO HEALTH INSURANCE EXCHANGE BOARD  
FINANCE SUB-COMMITTEE  
Minutes – April 25, 2013

**Members Present:**

Jeff Agenbroad – Chairman  
Kevin Settles  
Fernando Veloz

**Members Absent:**

Kelley Packer

**Also Present**

William Deal – Director, Department of Insurance  
Dick Armstrong – Director, Department of Health & Welfare  
Tom Donovan – Deputy Director, Department of Insurance

The Chairman called the meeting to order at 3:00 p.m.

The Chairman said that the primary purpose of this meeting is to determine the requirements the Board must meet in order to access federal grant monies.

Director Armstrong said that there is a list of requirements that the Board and DHW must complete in order to apply for and receive federal funds. The Board has this list in hand and is prepared to fulfill its requirements. He believes that this should pass the grants office requirements. Director Deal said that the DOI was prepared to help the Board in any way possible to fulfill these requirements.

Director Armstrong said that his department had a grant in the amount of \$385,000 that they were prepared to transfer to the Exchange. The grant was structured so that DHW could make these funds available to the Exchange for use in initial set-up costs for the exchange.

The Chairman noted that one of the first requirements is to obtain a FEIN or EIN number, which would then be filed with the state Comptroller's Office. The Exchange would need to be certified as a registered vendor for the state and receive a vendor number. Director Deal noted that the state vendor number would be the federal identification number. A bank account should be set up. Once this account has been set up, then these monies could be sent from DHW to that account and they would be available to use.

Director Armstrong suggested that a Memorandum of Understanding be drawn up between DHW and the Exchange, specifying the amount of the grant to be loaned to the Exchange, and any terms that would apply to the transaction. He said that this particular grant has no federal "strings" attached to it. It could be spent in any way that his department wished. He said it would be a very similar to a Line of Credit in that the funds could be used as needed. He

suggested as an alternative the Board could use this grant (as collateral) to receive a similar Line of Credit from the bank. He suggested that this MOU be drawn up within the next few days.

Director Armstrong said that there would be no interest required on the grant funds. His department is not a financial institution and therefore has no reason to charge interest. He noted that the funds **must** be spent by September 30, 2013. If the Exchange is able to re-pay these funds to the DHW, then DHW has the right to spend them on their own needs. If the funds have not been spent by that date, they revert to the federal government. He emphasized that these are **federal funds**, and would return to the federal government if not spent. This underlines the fact that no state monies will be spent for this purpose.

There were comments from the committee that the bylaws, procedures for establishing a new business, and other governance issues would be addressed by another sub-committee.

Director Armstrong noted that his department had space available to lease to the Exchange. (The address would be 450 W. State, zip code 83720-0036). In obtaining a checking account, the Board could use this address for its physical location. The lease rate compares favorably with other office space available in the area. It consists of 2 offices and some cubicles. This would provide a space for the Exchange Board Chairman to use as his office when needed. It is in close proximity to the Idaho Health Data Exchange, which is also leasing space from DHW. The Exchange would also participate in the unique DHW web address.

There was some discussion about accounting procedures for the Board. The Chairman noted that it was early in the process to consider a complex accounting system. At this point, a simple system, such as Quick Books might be the best solution. A more sophisticated system could be developed later.

The committee noted that \$385,000 will simply address the initial planning stage, and will allow the Exchange to funding to meet the structural needs to obtain the \$20.4 million Level 1 grant. Subsequently the Exchange could apply for Level 2 federal funding for the actual costs in setting up the Exchange in excess of the Level 1 grant. Director Armstrong noted that a fixed estimate of the ultimate cost of the Exchange is very difficult. The eventual costs will depend very much on the vendors hired to implement the various pieces and parts of the Exchange. An Executive Director would be charged with firming up costs and budgets. It is possible that Idaho could borrow work/systems that have been developed in other states at no initial costs because they had already been paid for. The critical piece is that any IT system that the Exchange adopts must be compatible with the IBIS system at DHW. There are regular grant application deadlines that the Exchange will have to consider if/when it needs to apply for more funds.

Director Armstrong explained grant procedures. The initial grant is basically used to define the scope of the project. The procedure is as follows: once the funds have been designated for Exchange use, the Exchange will send the invoice (for work done) to the grant office, the grant office will transfer the funds to the Exchange account within a day or so. It's quite quick. It is

more project type of billings than operation. At some point in the future, it becomes operation. It is a reimbursement process.

The \$385,000 is a pre-Level 1 grant funding, which is being loaned to the Exchange by DHW, as long as the Exchange meets the criteria established by the grant authority. The Exchange will have to apply for the Level 2 grant directly.

Director Armstrong mentioned that he employs a gentleman who is well versed in the requirements of the grants application process and he would be available to help the Exchange with the application. The Level 2 application deadline is October 1, 2013. There are applications available at regular intervals. Mr. Settles remarked the Level 1 procedure would prove that the Exchange can move forward. The Level 2 would implement the plan. Director Armstrong noted that if the Exchange failed to implement its Level 2 grant plan successfully, it would have to repay the grant to the federal government.

**The meeting adjourned at 3:49 p.m.**

Teresa Jones

Idaho Department of Insurance