

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

**FINANCE COMMITTEE
MINUTES
MAY 29, 2014**

1. COMMITTEE MEMBERS PRESENT

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

2. OTHERS PRESENT

- Ms. Amy Dowd, Your Health Idaho
- Mr. Pat Kelly, Your Health Idaho
- Mr. Trent Cummins, Your Health Idaho
- Ms. Cheryl Fulton, Your Health Idaho
- Ms. Margaret Henbest, Your Health Idaho Board Member
- Ms. Tresa Ball, HR Precision

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 8:03am, Thursday, May 29, 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, Mr. Veloz, Dr. Livingston, Ms. Geyer-Sylvia and Senator Rice were present resulting in a quorum.

Representative Packer was absent.

5. APPROVE PRIOR MINUTES

Motion: Mr. Settles moved to approve the Minutes from the April 11, 2014 meeting.

Second: Mr. Veloz.

The motion carried.

6. REVIEW OF AGENDA

There were no changes made to the agenda. The Chair explained that an Executive Session will be dropped from the agenda if one is not needed.

7. APRIL 2014 FINANCIAL RESULTS

Mr. Kelly reviewed the financial results through April 30, 2014.

(a) Financial Highlights through April 2014

Mr. Kelly said there are two items of note for the month of April. The first was a payment made to GetInsured of \$3.9M for the technology solution, which was payment for work completed to date in relation to SOW #1. The second item of note is a decrease in spend on the media campaign following the end of Open Enrollment. Payments to First Data, YHI's IV&V vendor will start in the month of May.

(b) Grant Draws

Mr. Kelly said the grant draws (Operating and Project Costs) total \$14.2 million to date; \$10.3M from the first grant and \$3.9M from the second grant. The largest expenditures come in the areas of Outreach and Education, outsourcing and internal operating expenses.

(c) Assessment Fee and Enrollment Highlights

The Assessment Fee revenue for April was \$225,000; for May it is \$266,000 (preliminary). The effectuated enrollments in May were 66,000, and all carriers are current in payments.

(d) April Income Statement

Mr. Kelly said YHI has grant income of \$400,000 and revenue generated from assessment fees of \$223,000 in April. Outreach and Education and Professional Services were the main expenditures during the month of April. There was \$180,000 in Outreach and Education; the other large item, Professional Services, was dominated by legal expenses. This does not include any project expenses related to the technology project. Depreciation & amortization has increased dramatically related to the ability to capitalize the HIX solution when those expenses are incurred.

(e) Operational Expenses Favorability

Mr. Kelly said there is favorability in Outreach and Education at \$800,000 year to date. Favorability in Consumer Connectors is at \$120,000 year to date and that is driven by the delays in the tribal contract execution as well as lower than anticipated IPA expenses. As For the special enrollment period, only two IPA organizations were engaged, which is contributing to some of the favorability. For project expenses, \$4.8M in expenses have been incurred with just under \$1M for Accenture and \$3.9M for GetInsured.

(f) Statement of Cash Flows for the month of April

Mr. Kelly said YHI doesn't have a large amount of financing or investing activities. The biggest adjustment to operating income is accounts payable. That is really a timing issue of when an expense is incurred versus when it is actually paid. That is partially due to the GetInsured number as well as a number of other payables that were booked. In terms of the investing activities, there is a little bit of depreciation in computer and software with the large number being the investment in the GetInsured solution. Cash at the end of April was \$4.3M and while that seems like a large number, on May 2 YHI paid GetInsured \$3.9M. Cash flow is largely a timing issue and YHI's account is almost always near zero.

Mr. Settles asked for the Assessment Fee Revenue, which is included in the Cash Balance, to be shown as a separate line item in the future.

(g) Balance Sheet

Checking and savings balance at the end of April was \$4.3M, which includes the GetInsured and Accenture project expenses. This balance also includes Assessment Fee Revenue and grant draws.

(h) Equity Accounts

We have a liability of \$4.5M in Accounts Payable and a net income of about \$4.5M. The Assessment fee is being held in reserve.

Mr. Veloz asked what the average premium price on plans that individuals in Idaho are enrolled in. Mr. Kelly said across all carriers and excluding dental the average price is approximately \$270. Ms. Geyer-Sylvia added that the original \$240 estimate was based on the prediction that people would buy more Bronze plans, but during open enrollment people were purchasing Silver and Gold plans. Ms. Dowd said there is a report that she can send to the Committee which details the plans purchased. The committee continued to discuss plans, age of buyers, family plans vs. individual plans, CHIP, Medicaid, etc. and how all of these factors affected the numbers.

8. FY 2015 BUDGET REVIEW

Mr. Kelly said the 2015 Budget numbers are largely unchanged with the exception of Outreach & Education. It doesn't mean it will be spent, but provides some room to stretch. One important thing to note in all of these numbers is that the DHW cost overhead allocation numbers are not included in the current budget. Auditors will look at the methodologies and make recommendations from there. Mr. Kunz does not anticipate charging YHI any allocation until after November. Cost Allocation numbers are to be determined by DHW by the end of June. When those numbers are received, it will be brought to the committee for adjustments and then finalized.

There is some contingency in the project expense area and that could be used, however it is not known if that is sufficient. \$2M approved by the board at the last meeting is in the budget. It is a part of the \$5M budgeted for the DHW work. The committee discussed extensively the cost allocation process and the help from Harris & Company, the auditors working with Your Health Idaho, who will help with the methodology. There are a number of forces related to this issue and CMS is reviewing a plan from DHW now.

(a) Operating Expenditures

Mr. Kelly explained that Operating Expenses (Opex) are those expenses incurred in the normal day-to-day operations of the business that are expected to continue, albeit at a different level of spending. Mr. Kelly went through the Operating expenses as follows:

(i) Headcount – We are requesting four incremental heads to support eligibility and enrollment activities. An assumption of average cost per head is \$50K, giving it an annualized amount of \$200K. This has been endorsed by the Personnel and Finance Committees.

(ii) Employee Related Cost – A merit pool of 3% is based on a benchmarking study. We are assuming a \$1,200 increase in benefit cost and YHI has looked at moving to a 401K plan conversion which will cost about \$2,600. These costs have been endorsed by both Personnel and Finance Committees. The \$44K in contingency and parity adjustments and \$75K for a performance based variable pay plan have been endorsed by the Personnel Committee. Mr. Kelly explained the reasoning behind the Personnel Committee's action regarding parity and variable pay.

Mr. Veloz, the Chair, Senator Rice and Mr. Settles are concerned that these numbers are high and could place the exchange under further public scrutiny.

Ms. Henbest said that the Personnel Committee had lengthy discussion of the variable pay policy. It is a tough decision, but it should be a full Board decision. She reminded the group that this is not a state agency, and that this is a start-up company with high risk that needs a talented employee base.

Ms. Geyer-Sylvia reminded the Finance Committee that this is an approach for a very unique year and with very specific goals that have to be achieved. Variable Pay is not a practice that will move forward from year to year. It is also her expectation that this is a high budget and does not assume the total amount will be spent. It would only be used if it was needed. This is tied to very specific strategic goals.

The Chair asked Ms. Ball to comment on a time-work study and this year's bonus pool. Ms. Ball said the goal is to attract the talent needed.

Ms. Henbest added that Idaho will be the first state to roll from a federal exchange to a state-based exchange. It will be a herculean effort to get us there.

The Chair said that this is good discussion, but needs to move forward in the interest of time. The Committee members agreed that this should be a separate discussion and to move forward. The Committee would like to understand this well enough to defend it.

(iii) Contract Workers – Mr. Kelly dispensed with discussion about the org. chart.

(iv) Business Insurance – The premiums are in line with what we expected.

(v) Legal – This has been vetted and we expect it to decline.

(vi) HR Consulting – The activities vary from \$800 to \$5000 in each month.

(vii) IT Support – this is a monthly service plans to support both locations.

(ix) Temporary & other consulting – not specifically tied to any one individual.

(x) Facilities – It is important to note that this is an all-inclusive item that includes rent, utilities, equipment, and conference calling at both locations.

(xi) Employee Travel – We did not have much up until now but CMS is requiring on-site visits at least once a month if not twice a month.

(xii) Consumer Support Center – This is our forward facing costs, not just the call center but equipment, facility, and everything else it takes to run the call center. This is through DHW. It is our best estimate today.

(xiii) DHW Overhead Cost Allocation – No further discussion.

(xiv) IPA/Navigator – This allocation is consistent with our contractual obligations we had in the Open Enrollment Period that just ended. It was \$188,000 a month. We are reflecting the lower amounts today over non-open enrollment months.

(xv) Tribal Engagement – The two existing agreements are for Nez Perce and CDA; the others need to be put in place. We expect to negotiate some of these numbers down after open enrollment. Tribal members do not have an open enrollment period; they can enroll at any time.

(xvi) Outreach & Education – We are trying to manage to the amount of \$4.1M with a contingency in place.

(b) Operating Income Statement

Federal grants will provide funding for operating and project expenses in FY 2015. The assessment fee will be put into the reserve account and set aside and not touched.

(c) Project Expense Assumptions

Project expenses include the development of the technology system, consulting services to manage the implementation, security privacy assessments and testing. For GetInsured, we are still working on SOW contract negotiations. Currently the budget has DDI costs of \$29.8M.

The Maintenance & Operations budget is \$1M.

The Department of Health and Welfare has asked for \$5M through November 15 for eligibility work, and the Board endorsed \$2M through July which is part of the \$5M.

Accenture, our current PMO, services are \$3.4M for 2014. Additional DDI work and contingency in 2015 added \$10M.

First Data – YHI's IV&V vendor contract is \$1.2M for 2014.

Security – anticipated \$1M for this, but no existing vendor has been selected and no scope of the services has been determined. The Barrack Law firm will be involved.

Testing – There is \$1.6M set aside for full end-to-end testing.

DHW/YHI Resource - \$0.2M is budgeted for shared coordination and project management resource.

Project Expenses are \$9.6M for FY 2015; Project capital expenses are \$36M; and Employee capital expenditures are \$16K.

(d) Grant Funding and Approval Request

At the current moment, YHI is estimating the need to request an additional \$22M in additional funding.

Mr. Settles said this is double what we said it would be when we had professionals talk to the Governor’s committee; Ms. Geyer-Sylvia asked if the additional amount is embedded. Mr. Kelly said yes. Ms. Geyer-Sylvia said that this includes two and a half years of operating expenses that were not anticipated in the original “price to build.”

Mr. Kelly said YHI is requesting approval for the FY15 budget. There are a few items that need to be firmed up relative to DHW. The Operating costs of \$7.2M are in general where we will be.

Ms. Dowd is concerned about the \$7.2 million number, because we have no information on the cost allocation process, the cost for DHW, the integration, and the estimate could be low. The Chair said that this is a best guess as of today, but asked that we frame this differently on what we do know. The committee agreed.

(e) Consolidated Financial Statements

Mr. Kelly noted the consolidated financial statements.

(f) Enrollment Projections

Mr. Kelly said the enrollment projections have not been vetted with the Carriers, and he is not asking the Committee or the Board to endorse these projections. This is simply made available in order to have discussions. There is a lot of work to be done prior to getting carrier buy-in with these projections and ultimately tying these in with the strategic goals.

(f) Motions

(i) Capital Budget

Motion: Mr. Settles moved that the Finance Committee recommend to move forward with the capital budget.

Second: Dr. Livingston.

The motion carried.

(ii) Grant Request

Motion: Dr. Livingston moved that the Finance Committee recommend to the Board to request grant funding in the amount of \$22,042,483.

Second: Mr. Veloz.

Ms. Geyer-Sylvia abstained.

The motion carried.

(iii) Operating Budget

Motion: Mr. Settles moved that the Finance Committee recommend approval of the operating budget excluding the employee compensation piece.

Second: Mr. Veloz.

The motion carried.

9. EXECUTIVE SESSION

The Chair said the Executive Session would not be needed, and it was struck from the Agenda.

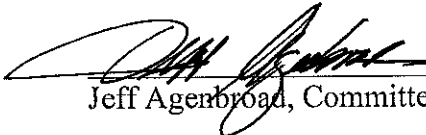
10. NEXT MEETING

The next meeting of the Finance Committee will be held on June 12, 2014 from 8:00-9:00am at Hawley Troxell.

11. ADJOURN

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

Signed and respectfully submitted,



Jeff Agerbroad, Committee Chair