

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

**FINANCE COMMITTEE
MINUTES
WEDNESDAY, JUNE 7, 2017**

1. COMMITTEE MEMBERS PRESENT

- Mr. Kevin Settles, Chair
- Mr. Fernando Veloz
- Dr. John Rusche (via teleconference)
- Director Richard Armstrong

2. OTHERS PRESENT

- Mr. Layne Bell, Your Health Idaho
- Mr. Pat Kelly, Your Health Idaho
- Ms. Cheryl Fulton, Your Health Idaho
- Ms. Wanda Smith, Your Health Idaho
- Ms. Mandi Shawcroft, Your Health Idaho

3. CALL TO ORDER

Following proper notice in accordance with Idaho Code §74-204, the Finance Committee meeting of the Idaho Health Insurance Exchange (Exchange) was called to order by Mr. Kevin Settles, Chair of the Committee (the Chair), at 9:14 a.m., Wednesday, June 7, 2017, 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 roll and determined that Mr. Veloz, Dr. Rusche (via teleconference), and Director Armstrong were present, resulting in a quorum.

Dr. Livingston and Senator Rice were absent.

5. PRIOR MEETING MINUTES

Motion: Mr. Veloz moved to approve the meeting minutes from the February 27, 2017, Finance Committee meeting as presented today. **Second:** Dr. Rusche. **The motion carried.**

6. REVIEW AGENDA

There were no changes made to the agenda.

7. REVIEW ROADMAP

The Chair reviewed the Roadmap and there were no questions.

8. MARCH 2017 FINANCIAL REVIEW

a) Financial Results through March 31, 2017

Mr. Bell reviewed the financial statements through March 31, 2017, and stated that YHI had a favorable variance in Assessment Fee revenues due to higher than anticipated effectuations.

Mr. Bell shared the Operating Income Statement for the month of March and noted that YHI did not budget for having grant income past December 21, 2016, so there will be continuing favorable variances in Grant Revenue due to the Grant Renewal in November 2016. YHI will continue to spend and request for reimbursement through the end of the Fiscal Year, or until the remaining available Grant funds are exhausted. Assessment Fee Revenue, again, shows a favorable variance due to higher than anticipated effectuations. Employee and related costs were as expected although there was some favorable variance for the quarter due to normal attrition and not immediately filling those positions. Outreach and Education has some unfavorability due to the timing of the advertising spend, but it is not anticipated to continue through the end of the year. The net Q3 favorability for DHW is largely unique to Q3 and we anticipate that spend being a little higher than originally anticipated. Favorability for professional services is largely due to the decision not to use Accenture for testing services and the reduced need to use Flextechs for IT needs. The IT audit has been moved to Q4 which also contributes to this favorability in professional services. Mr. Bell added that GetInsured M&O is consistent with the budget, facility costs are favorable due to lower maintenance and utility costs, and we anticipate that to continue through the end of the year.

Mr. Veloz asked about the favorability for the call center temporary services and Mr. Bell said the ramp up for YHI's call center, which took longer than anticipated, is where the favorability comes into play.

Mr. Bell shared the revenue side of the YTD Operating Income Statement which shows an unfavorable variance in the federal grant income, which won't continue through the end of the year as we anticipate using the bulk of the grant less the SHOP restriction. Assessment fees are favorable, consistent with higher than planned effectuations and will continue through the year.

Mr. Bell shared the expenses section of the YTD Operating Income Statement. For advertising expenses YTD, favorability is anticipated through the end of the year with the bulk of that savings due to less need for noticing than expected. Temp services will continue to be favorable since we did not need the extra help with 1095's. The net unfavorability with DHW is driven by year over year expense recognition and DHW billing closer to its receipt authority than was anticipated in the Budget.

Finally, Mr. Bell reviewed the Project Income Statement and stated that the bulk of it is DDI through GetInsured, with some project expense being spent by Flextechs.

Motion: Mr. Veloz moved that the Finance Committee, recommend to the Board, the approval of the 3rd quarter financial statements for Fiscal Year 2017 through March 31, 2017, as presented today. **Second:** Dr. Rusche. **The motion carried.**

b) FY17 Forecast

Mr. Bell reviewed the Profit & Loss Forecast and we anticipate coming in under \$14M in grant revenues, which should be fully utilized by the end of FY17. Assessment fees will continue to be favorable through the end of the year driven largely by higher than anticipated effectuations.

Mr. Bell said on the expense side, we anticipate the favorable variance to continue through the end of the year for salaries and wages and employee related costs. The favorable variance in Outreach & Education is also expected to continue largely due to automation of noticing.

Mr. Bell said regarding insurance, favorability will continue due to lower than anticipated premiums in 2017. The GI M&O unfavorability reflects web hosting and sandbox expenses that were not anticipated. We anticipate DHW spend to come in at \$2.2M to \$2.3M, higher than budgeted.

Mr. Bell reviewed the remaining grant funds and said as of May 8, YHI had about \$4.6M available, with an anticipated usage of \$453k for establishment OPEX activities. The bulk of the \$4.6M will be spent on CR's remaining with GI. He called out the \$2M SHOP restriction and some minor additional development work. This mostly depletes the grant funds.

c) Budget & Management Plan

Mr. Bell noted the three major efforts for the Finance Department and the other departments at YHI. The first is *Cash Flow* since YHI will be formally closing out the HHS Establishment Grant in Q1 of FY18. Hence, assessment fees will be the lone source of revenue: 1.99% in FY18 Q1/Q2, and 2.29% in FY18 Q3/Q4. Second is the *Cash Management Plan* where YHI has implemented a monthly cash flow review process at the Director level and will be developing a monthly cash projection to anticipate needs and timing of cash within each month. The third directive is the *Forecast Process* where YHI has implemented a monthly forecast at the Director level to more tightly manage monthly variability in spend versus budget. This analysis is done at each account line item.

Mr. Bell said this is all being done in relation to monitoring the cash reserves. He noted the CDARS balance is currently just over \$5M and YHI would like to avoid liquidating any portion of that at any point. We believe with the number of effectuations we anticipate between now and the end of the calendar year, and then with the increase of the assessment fee in January 2018, we will be able to keep ourselves in a spend or cash balance above that threshold.

Mr. Veloz asked if this was developed using current enrollment numbers and asked if it accounts for potential enrollment decreases? Mr. Bell said Milliman used all possible scenarios in coming up with these numbers including enrollment projections and premium projections.

d) Insurance Update

Mr. Bell said YHI just renewed the D&O coverage, both the base policy and excess D&O. Our previous insurance provider increased their rates by 20% for this coming year due to employee growth. As a result, YHI bound with CRC Swett, whose premium quote was consistent with the 2016-2017 coverage and cost. Excess D&O will remain with Indian Harbor at the same premium as 2016-2017 for the same coverage. Both policies have been reviewed by counsel. We feel the consistency in coverage and cost for our insurance speaks to the relative short-term stability in the marketplace for Idaho.

Due to its growth, YHI has moved to the mid-sized pool for its employee medical insurance benefits and we have begun shopping for the appropriate balance between costs and benefits and are targeting the completion of Open Enrollment for employees on August 31, 2017. There will be an experience component and there will be options to pick and choose from.

The Chair asked if YHI will be looking at a level-pay plan or self-insurance component. Mr. Bell said we have talked about it but aren't sure yet if it will be part of the options available.

Mr. Kelly said YHI is considering different dates to switch plans. YHI may do Medical in January and get things on the same renewal cycle. Longer term plans may also be an option.

Finally, Mr. Bell said our benefits administrator, Compass, informed us to expect a 2 percent increase in premiums for dental.

e) FY17 Audit Plan

Mr. Bell said YHI has met with the audit manager Mr. Congo and we have received the Prepared by Client list and have already begun gathering the requested documentation. YHI will close the FY17 books and trial balance by July 18 and Harris & Co. will be in the office doing field work at the end of July and doing grant testing in early August. Draft financial statements will be reviewed by August 24 and then reviewed by this Committee in early September. The Board will review and approve the audited financial statements and audit report on September 15 and they will then be sent to the State Controller's Office by September 29.

The chair asked if YHI has a multi-year contract with Harris & Co. Mr. Bell said yes, the contract is for three years and this is year two of three. Mr. Kelly added there is a general sense that YHI will follow the Sarbanes-Oxley as a best-practice and will switch to a new company at the end of the contract.

f) Lessons Learned

Mr. Bell said CMS requires YHI to have a *Fraud, Waste and Abuse* policy. YHI used the California Fraud, Waste, and Abuse Program as a model to enhance our own processes and procedures to enhance program integrity. YHI's earlier model was largely focused on financial controls with integrated controls in the policy manual.

The Chair asked if YHI has considered having Harris & Co do a process audit. Mr. Bell said we have not, but YHI has tightened up processes and procedures around payroll and PTO processes. Harris & Co. does audit the controls and results to ensure the controls are used properly and

effectively as part of its grant compliance, or programmatic audit, every year. YHI will investigate a payroll process audit.

9. EXECUTIVE SESSION

Motion: The Chair moved that the Committee enter into Executive Session pursuant to Idaho Code Section 74-206 (1) to consider to consider the evaluation of employees pursuant to Idaho Code Section §74-206 (1)(b).

Executive Session Roll Call: The Chair called roll and determined that Mr. Veloz, and Dr. Rusche (via teleconference), were present, resulting in a quorum.

The Committee entered into Executive Session at 9:59 a.m. and reconvened at 10:07 a.m. No final actions nor decisions were made while in Executive Session.

10. NEXT MEETING

The next meeting will be held in early September.

11. ADJOURN

There being no further business before the Committee, the Chair adjourned the meeting at 10:08 a.m.

Signed and respectfully submitted,



Kevin Settles, Committee Chair