

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

**FINANCE COMMITTEE
MINUTES
THURSDAY, JUNE 9, 2016**

1. COMMITTEE MEMBERS PRESENT

- Mr. Jeff Agenbroad, Chair
- Mr. Kevin Settles
- Mr. Fernando Veloz
- Dr. John Livingston
- Ms. Charlene Maher
- Rep. Kelley Packer (via teleconference)

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. Karla Haun, Your Health Idaho
- Mr. Mike Stoddard, Hawley Troxell

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. Jeff Agenbroad, Chair of the Committee (the Chair), at 9:00 a.m., Thursday, June 9, 2016, 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. Veloz called roll and determined that the Chair, Mr. Settles, Rep. Packer (via teleconference), Ms. Maher, and Dr. Livingston were present resulting in a quorum.

Senator Rice was absent.

5. PRIOR MEETING MINUTES

Motion: Mr. Settles moved to approve the meeting minutes from the March 9, 2016, Finance Committee meetings as presented.

Second: Dr. Livingston.

The motion carried.

6. REVIEW AGENDA

The Chair noted one item to amend on the Agenda, to remove the 2017 Budget/Re-Budget Approval.

Motion: Rep. Packer moved to remove the 2017 Budget/Re-Budget Approval from the agenda.

Second: Mr. Settles.

The motion carried.

7. REVIEW ROADMAP

The Chair noted that he and Mr. Bell agreed to move the review of lessons learned out to September. There were no other items of note.

8. FINANCIAL RESULTS THROUGH MARCH 31, 2016

(a) Financial and Enrollment Highlights

Mr. Bell noted that the revenues were significantly higher than anticipated at \$1.9M due to a higher than anticipated effectuation rate.

Mr. Veloz asked what the largest concentration of plans being purchased were. Mr. Kelly added that the Silver plans account for about 70% of the enrollment, followed by Bronze, Gold and Platinum, in that order.

Mr. Bell added that effectuated enrollments by month are holding steady from March into April and May (preliminary). We aren't seeing the ramp down that perhaps we had expected. The Chair noted this is a good thing and asked if there was any anecdotal reasoning behind this. Mr. Bell said the marketing efforts appear to have been very effective. Mr. Kelly added that the value of the renewal push prior to open enrollment manifested themselves in two ways including increased revenues and less drop off in the first quarter. He added that the plan data is cleaner and there is no noise from the data coming over from the FFM. The effectuation rate is holding steady at 95% which is higher than other exchanges which have seen effectuation rates mostly south of 90%.

Mr. Veloz asked if YHI was seeing an increase in tax subsidies as a result of plan selection that might have contributed to the increase in effectuations. Mr. Bell said it has increased at the same rate as effectuations. Mr. Kelly added that last year about 88% of consumers received some sort of tax credit and that rate is about the same and we haven't seen anything yet suggesting that will change.

(b) 3rd Qtr. 2016 OPEX Income Statement

Mr. Bell feels positive about the Q3 results as they were significantly higher than planned as far as revenues and ordinary income. We feel that our two-pronged effort to aggressively market and to conservatively manage our expenses has resulted in this.

(c) Jul-Mar YTD OPEX Income Statement

Mr. Bell mentioned that the YTD is consistent with the analysis so far. Ordinary income is over \$1M more than what we anticipated last year. It continues to be steady with very little highs and lows. He noted significant favorable variance in OE efforts.

(d) 3rd Qtr. 2016 Project Income Statement

Mr. Bell highlighted the lower spend in grant funding resulting in not needing as many changes in the technology. From a taxpayer standpoint, this is a good thing.

Ms. Maher asked about the stipulations on grant funds as far as the timing of the spend. Mr. Bell said purchases need to be made by December 21, and we are allowed to continue to draw from the grant for 90 days with a March 21 deadline for accessing those reimbursements.

The Chair asked about the possibility of an extension. Mr. Bell said CMS has been asked about that and they have not been able to provide an answer to that.

Mr. Kelly said in regards to the possibility of an extension in grant funds, there is an indication of some flexibility, but not yet for Your Health Idaho. He added that YHI has a pretty detailed project plan for consumer experience items.

Mr. Bell noted the favorable variance around Privacy & Security because the cost ended up being less than what was anticipated, and not as result of not spending when we could have.

(e) Jul-Mar YTD Project Income Statement

Mr. Bell said the YTD Project Spend story is consistent, the grant draws to date have been less and the underspend on P&S is consistent, and this is helping fund some of the overspend in other areas.

Mr. Veloz asked about the \$4.5M and if that is a contingency that was budgeted. Mr. Bell said yes.

Dr. Livingston asked about the unfavorability in the DHW DDI line item. Mr. Bell said there were a few items that they needed to do that were not included in the original pricing, but the real increase was the increase in resources with DHW.

Mr. Kelly added that the bulk of that variance came out of the first quarter of this financial year which was when the push for renewals and redeterminations was in play. Most of that work is repeatable and we will be able to utilize that again next year without the added cost.

Motion: Mr. Veloz moved that the Finance Committee recommend that the Board approve the 3rd quarter financial statements for Fiscal Year 2016 through March 31, 2016, as presented today.

Second: Mr. Settles.

The motion carried.

(f) D&O Liability Insurance

Mr. Bell said the D&O Primary and Excess policies renewed on June 1, 2016. Coverage terms run June 1, 2016, through June 1, 2017, and the D&O Primary Policy and the D&O Excess Policy is through the same companies as last year. The Primary policy saw a substantial increase of about 30% in premium price while the Excess saw a decrease, resulting in a net 18-20% increase overall. In talking to the brokers, they said as for the primary, the increase of full time staff, our assets during that timeframe almost doubled, our revenues increased. Typically, these things stabilize a company, but to them it is an increase in exposure. We also had an increase in our turnover in staff from 1% to 20% which fed into the price increase. These are two very different products, with different risks. There was not a lot of appetite to pick up the D&O Base policy.

Mr. Veloz asked if the fact that the Idaho Exchange's success against other states is high, is that favorable. Mr. Bell said no, because we really don't compete against them.

Dr. Livingston asked if in similar situations, for example the Housing Authority, do they see these same insurance issues? Mr. Stoddard reminded the Committee members that back in 2013 it was challenging to get the policies in the first place. While they still don't know exactly how to treat our type of organization, and it is still challenging, but it has become easier. Ms. Maher added that she suspects they don't yet know where to place the risk and who owns it.

The Chair asked if the Excess covers different things than the primary policy. Mr. Bell said yes, it is a broader policy.

(g) 2016 Forecast

Mr. Bell said the forecast is based on actual through the end of April and then projecting May and June spending and revenue. O&E performance has been strong and this level of spending has been reflected in the 2017 budget.

Ms. Maher asked if this will neutralize or continue to stay on track to the year end. Mr. Bell said he expects it to stay where it is and continue in this pattern. Mr. Kelly added that this is for FY16 and so this current month is the last month of the year.

Mr. Settles mentioned that early spending of grant money was much higher so we shouldn't see this kind of favorability in future years as we ramp back on spending.

Mr. Kelly added as a point of reference, the FY 2017 is \$1.2M which is a reduction.

Mr. Bell said the other area of significant variance is in employee and related costs and said due to the reorganization, chairs have been repurposed so we did not fill them and the money has not yet been spent. YHI anticipates hiring to fill these open chairs soon, resulting in a lower variance moving forward into first and second quarter.

(h) LT Budget and Management Plan + Lessons Learned

Mr. Bell said the YHI accounting and finance team has undertaken a project to design and implement a robust budget vs. actuals review at the director level as part of each month close. We will continue to seek out and learn from the best practices from other exchanges, CMS and Auditors. Mr. Bell said this provides us with the ability to reallocate funds where needed.

Mr. Veloz asked if there is a plan to get an idea of the DHW cost allocation going into next year. Mr. Bell has met with his counterpart at DHW to look at this. It is a fairly complex model and we do have a budget from them of \$2.5M for next year and with regard to that, there should be a lighter variance.

Mr. Bell said we have very little input into the model or how it is built, but it is approved by Health and Human services.

Mr. Stoddard added that unlike our other contracts, we are to a great extent at the mercy of DHW and how they operate. We effectively have no negotiating power here. The solid relationship YHI has with DHW is helpful. Mr. Kelly added that DHW has to go to JFAC for received authority, and the amount is \$2.5M and it has been set for their FY17. This is the only cost allocation like this in the country. It is a unique cost allocation, but it is reviewed with YHI and CMS and there are some back-end controls. Mr. Stoddard added that it doesn't cost the state anything regardless of whether or not the amount goes up or down.

9. FY16 AUDIT PLAN

Mr. Bell said the audit scope is consistent with prior years. YHI will have its regular financial audit along with the A133 Program audit relative to the grant funds received. The audit manager from last year, Mr. Schrum, has left the firm so that will be something to overcome. It will be run by the senior on the engagement last year and overseen by the engagement partner. Field work will begin in the middle of July and continuing through the end of July, the draft report by August 16, and audit results emailed to the Committee the first of September. Final reports have to be to the State Controller's Office by September 26, 2016.

10. EXECUTIVE SESSION

Motion: The Chair moved that the Committee enter into Executive Session pursuant to Idaho Code Section 74-206 (1) to consider documents that are exempt from disclosure under YHI's public records policy and Idaho's public records act pursuant to Idaho Code Section §74-206 (1)(d).

Executive Session Roll Call: Mr. Veloz called roll and determined that the Chair, Mr. Settles, Rep. Packer (via teleconference), Dr. Livingston, and Ms. Maher were present, resulting in a quorum.

The Committee entered into Executive Session at 9:52 a.m. and reconvened at 11:00 a.m. No final action or decisions were made while in Executive Session.

Mr. Settles left the meeting at 10:06 a.m. The Committee maintained a quorum. Mr. Veloz left the meeting at 11:00 a.m. The Committee lost its quorum.

11. 2017 VARIABLE PAY LOW COST OPTION

Mr. Bell said one of our key strategies is that Idaho has a promise of low cost. There are not any competitors in the state that do the same thing as us, nor any other states that do what we do so we are left to internal measures. We are aggressively marketing and pushing enrollment, conservative in our cost management, and to the extent we can we are making wise spending decisions to meet this goal. This goal will be measured by using a cash flow model, and using the cash balance at the end of 2016, compared to the cash balance at the end of 2017. If the cash balance as of June 30, 2017, exceeds the budget of \$7.7M by 5% or cash balance of \$8.1M, there would be a 100% payout of this portion of the variable pay goal. The 100% payout is a stretch goal and would require a significant effort for that type of cash growth. The 80% goal would be met if the cash balance as of June 30, 2017 exceeds the budget of \$7.7M by 3%, or a cash balance of \$7.8M. There is no 60% achievement goal. The weighting is changed based on role, but every employee gets a percentage, with budget owners receiving a higher weighting.

Mr. Bell said a couple of things to recall and in the interest of transparency, we understand there are ways to manipulate this, so we will be looking at measures such as AP turnover and AP balances for consecutive months. Chair Agenbroad is concerned that this could incentivize staff to do the wrong thing so he appreciates the transparency around this.

Ms. Maher asked what the purpose of the cash balance is. Mr. Bell said it is about sustainability. Ms. Maher asked what the defined goal for sustainability is. Mr. Kelly said this is the challenge with the low cost promise goal. The wording around the assessment fee is “substantially lower than the FFM” and the word substantially is the challenge as that could be defined differently by different people. The reason YHI uses the cash balance, and the floor of \$6M in reserves, or 6 – 9 months of operating costs in reserves (depending on the time of the year), is challenging because part of the goal is in the enrollment goal, the operational and Idahoan experience goal and they all interweave, so that is why YHI moved towards the cash balance as the measure.

Mr. Kelly added that part of the goal is the percentage above budget; that is the behavior you are incenting through the goal. The Chair added that as you incent behavior, it is good to see how each position can contribute to this goal.

12. NEXT MEETING

Chair Agenbroad noted that the next meeting is anticipated to take place in September. Ms. Fulton added that as with other Committees, she will be reaching out to see if all of the meetings occurring in FY17 can be scheduled at once.

13. ADJOURN

There being no further business before the Committee, the Chair adjourned the meeting at 11:18 a.m.

Signed and respectfully submitted,


Jeff Agenbroad, Committee Chair