

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

**FINANCE COMMITTEE  
MINUTES  
JUNE 12, 2014**

**1. COMMITTEE MEMBERS PRESENT**

- Mr. Jeff Agenbroad, Chair
- Mr. Kevin Settles, Vice Chair
- Mr. Fernando Veloz
- Ms. Geyer-Sylvia
- Senator Jim Rice
- Representative Kelly Packer (via teleconference)

**2. OTHERS PRESENT**

- Mr. Pat Kelly, Your Health Idaho
- Mr. Trent Cummins, Your Health Idaho
- Ms. Cheryl Fulton, Your Health Idaho
- Ms. Margaret Henbest, YHI Board Member
- Ms. Tresa Ball, HR Precision
- Mr. Kahn, AON Global Risk Consulting

**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 8:02am, Thursday, June 12, 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, Ms. Geyer-Sylvia and Senator Rice were present resulting in a quorum.

Representative Packer joined via teleconference at 8:13am.

Dr. Livingston was absent.

## **5. APPROVE PRIOR MINUTES**

Motion: Senator Rice moved to approve the minutes from the May 9, 2014 meeting.

Second: Mr. Settles.

The motion carried.

## **6. REVIEW OF AGENDA**

There were no changes to the agenda.

## **7. FINANCE COMMITTEE ROADMAP**

Mr. Kelly reviewed the Finance Committee Roadmap and proposed moving the review of the long-term cost, budget and management plan including performance metrics to the August Committee meeting as YHI is still waiting for specific cost allocation numbers from DHW. The Committee agreed. In July the Committee will be looking at the quarterly financial review as well as the travel policy and recommended revisions. The August Finance Committee report on the effectiveness of this Committee, which will be presented to the Governance Committee, will look at key elements of the Finance Committee Charter in a one to two page report.

## **8. MAY 2014 FINANCIAL RESULTS**

### **(a) Financial Highlights thru May 2014**

Mr. Kelly reviewed the financial results for May 2014. Of the total \$4.6M of the May cash spend, \$4.2M was allocated to project expenses, Get Insured and Accenture and \$400,000 to cover remaining operating costs. Overall spending has dropped considerably as we have moved outside of the open enrollment period. First Data, YHI's Independent Verification and Validation vendor, incurred their initial expense of \$135K in May. First Data's most critical project was the first preliminary report of overall risks and problems which is available on Sharefile for review. YHI has not incurred additional GetInsured expenses as YHI is finalizing their contract with respect to the payment schedule and deliverables. Total spent to date is \$14.9M.

### **(b) Grant draws (Operating and Project Costs)**

Looking forward to the next couple of months, technology expenditures will increase rapidly as YHI incurs expenses for the three primary vendors and outreach and education expenses.

### **(c) Assessment Fee and Enrollment Highlights**

The Assessment Fee revenue for May was slightly over \$300K. Total assessment fee revenue to date over \$650K. Currently the \$530K cash in the bank is relative to assessment fee revenue. The effectuated members of insured was 76,275 in May (which is the same number as April). The average monthly premium dropped to \$260. Ms. Geyer-Sylvia reported that there are far fewer children being enrolled. She also mentioned an increase in younger people enrolling than when open enrollment began.

#### **(d) May Results**

Mr. Kelly reported a year to date income of \$800,000. The two large expense items are Outreach and Education expenses as well as call center expenses. Expenses have not been as high as anticipated due to a couple of factors. YHI has not moved to a third party vendor to operate the call center as assumed in the original budget. Also, YHI has fewer IPAs engaged and still has one outstanding tribal agreement. There were a few factors that increased costs which included travel to CMS, strategic Board retreat, professional services and accruals related to the shared resources of DHW.

The Chair asked about the IPA program. Mr. Kelly reported that there is still one tribal agreement outstanding and is not included in the actuals but the cost is continuing to be carried forward in the upcoming months. Mr. Settles asked why the delay in getting this tribal agreement signed. Mr. Kelly said that he does not know, however, the other two executed tribal agreements took longer than expected as well.

Mr. Veloz inquired about depreciation and amortization. Mr. Kelly informed that it is a 5 year period, which is longer for a software implementation, but is tied to the period of the contract. Mr. Kelly said the largest piece is the depreciation of the GetInsured payment. YHI was informed, after discussing with our auditors and consulting the accounting standards, that the depreciation and amortization could begin at the time at which the expenses are incurred.

#### **(e) Operational Expenses**

Project expenses are Accenture PMO \$1.2M; Get Insured \$3.9M; and First Data \$135K.

Ms. Geyer-Sylvia noted that going forward it might be valuable to break out the O&E expenses in more detail to better understand how to manage that item. Mr. Kelly said the challenge is that the media plan has shifted dramatically in terms of the original budget. The budget is not terribly meaningful in a comparison view, but he would be able to provide a breakout of the expenses. Senator Rice said on an ongoing basis it would be valuable to keep track of who the In-Person Assister grants are being awarded to in order to ensure that the organizations are not aligned with a political party.

#### **(f) May Consolidated Cash Flow**

The major item change month over month is the accounts payables associated with the payment to GetInsured of \$4.2M.

#### **(g) Balance Sheet**

Mr. Kelly reported the HIX technology solution of \$3.8M. Ms. Geyer-Sylvia asked about the website development costs. Mr. Kelly mentioned that the cost is specific to the initial development and that YHI owns that asset. Updating website pages and changing the site structure incurs additional costs that are not capital in nature. YHI has chosen to take a more conservative approach with respect to capitalizing assets.

#### **(h) Liabilities & Equity**

The largest liability center on YHI's accrued expenses and receiving invoices from Legal and Marketing and IPA's. YHI also has about \$300K accounts payable for Accenture. The total equity is \$4.8M driven by assets on the balance sheet and assessment fee revenue.

## **9. INSURANCE REVIEW**

Mr. Settles introduced Mr. Kahn, Managing Director for AON Global Risk Consulting. Mr. Kahn provided the Committee with his and his colleague's observations. He said the risks to which YHI is exposed are emerging as the Exchange grows. The overall premiums for business insurance that YHI pays look to be in line. He said he didn't see property damage coverage and it should be addressed. Employee theft including computer crime should be increased. Forgery or alteration is a coverage that would be beneficial if YHI is not already covered.

Ms. Geyer-Sylvia asked about YHI's liability as an Exchange regarding understanding of coverage. A misunderstanding could result in a very large claim. Mr. Kahn posed the question if the insurance companies on the Exchange review the material on the website to be sure it is accurate. Ms. Geyer-Sylvia mentioned that YHI did have an issue with that while on the federal site. But the carriers took on responsibility of ensuring accuracy of the website as opposed to the Exchange. Mr. Kahn asked if the carriers sign an agreement with YHI agreeing with the information on the Exchange. Mr. Kelly confirmed that the Committee is working on that specific agreement now. Ms. Geyer-Sylvia said there are two other agreements that affect this that should be reviewed by the Board; one is the agreement with the agent and broker community and the other is with the In-Person Assister community.

The Committee discussed the insurance matters in depth. There was a discussion held around the insurance coverage held by certified YHI agents, brokers and In-Person Assisters. Another concern is the migration of data from the federal Exchange to the state Exchange. Mr. Kahn mentioned that Cyber Liability is the coverage that would be needed if the system is hacked and confidential personal information is compromised. Loss or corruption of data is covered under the umbrella of Property Insurance. Mr. Kahn suggested that YHI contact the Company's insurance agent, to speak with our carrier to get some points about what should be covered as well as provide him with a copy of our By-Laws. Ms. Geyer-Sylvia questioned the liability coverage held by DHW. It may be that YHI should look at the MOU and at the DHW technology piece and determine where liability lies should a problem occur. Senator Rice mentioned that YHI may want to have legal counsel prepare an overall memorandum for the Board that would evaluate risk to the Exchange resulting from data transfer and the insurance coverage that YHI has and coverage to consider.

## **10. PERSONNEL – COMPENSATION FOR FY15 BUDGET**

The Chair reminded the Committee that there were three pieces from the Personnel and compensation line item carved out for discussion at this meeting. Those include a 3% merit pool, a \$44k contingency and market parity, and a \$75k performance based merit plan for the employees of Your Health Idaho.

Ms. Henbest said the Personnel Committee reviews the compensation policy in detail but then presents at a higher level to the Finance Committee and then to the whole Board. The other issue

is that the Finance Committee initially set the compensation policy and now compensation falls under the Personnel Committee.

With that background, the Personnel Committee looked at performance reviews and annual budgeting. As the Personnel Committee looked at the compensation procedure, the goal was to attract new employees and to retain and motivate current employees. Understanding that YHI is a niche organization and a start-up company involving certain risks, it is important to be market competitive in regards to compensation. A total compensation program was recommended which includes base pay, variable pay and benefits. Components to the plan include performance based merit review and a process for individual position review. The Personnel Committee made the decision to include performance based variable pay. The compensation plan is market based and aligned with achieving specific strategic goals.

The two line items for today's discussion for recommendation by the Personnel Committee are Market Adjustments and Individual Position Reviews. Ms. Ball recommended that a 2% market parity adjustment is what the market is trending, so this percentage was built into the Market Adjustment line item. The second line item relates to Individual Position Reviews. That is a line item addressing changes in job functions during an employee's term due to added or adjusted responsibilities. This line item includes mid-year corrections and bringing new hires on for a specific skill set, which are being referred as Contingency Planning. Mr. Veloz asked if the 2% market adjustment was necessary. Ms. Ball mentioned that while the market may not change drastically, the market adjustment will be available throughout the year for any market changes. Ms. Geyer-Sylvia reminded the Committee that the discussion surrounds a budget rather than a confirmed expense, and that it is unlikely that YHI would use the parity.

Ms. Henbest mentioned that the policies being established should be balanced between being able to attract and retain quality staff and also be responsible to the public for our compensation policies. It is the Finance Committee's responsibility to vet the decisions that are made by the Personnel Committee. Mr. Settles appreciates the work that has been done but thinks it's been over-built for the size of the company. There were concerns expressed about moving forward when YHI becomes self-sustainable and setting the bar too high as YHI is on the high end of the market's compensation which is visible to the press and the public.

The Chair said that YHI's most valuable asset is its Employees. Building something is much different than maintaining something. Our peers are working in organizations that have already been built and they are maintaining those organizations. But the optics, and our most valuable assets, our people, are worth this discussion. It is important to put the tool in the toolbox just in case we need it. This doesn't mean we spend it. Regarding the question of whether there should be a contingency plan and if it should be spent, the Board doesn't want to micro-manage, but probably should be involved to a certain extent.

Ms. Ball is very comfortable with the research performed on market compensation. Variable pay is not unique as 60% of Treasure Valley companies use variable pay. This is performance based pay and will not be awarded to every employee. Mr. Veloz asked what the percentages of variable pay are based on and Ms. Ball said that it is concept vs. amount. Senator Rice disagrees with both merit increase coupled with variable pay as it would be difficult to justify that to the public.

Ms. Geyer Sylvia left at 9:47am.

Motion: Senator Rice moved to approve the merit and individual positions review line items totaling \$30,000, but did not include any dollar amount for market related adjustments.

Second: Mr. Veloz.

The motion carried.

Motion: Mr. Settles moved to put a placeholder in the budget for Variable Pay up to \$75,000 based upon success of the organization to be awarded at the end of FY 2015 based on goals achieved. The variable pay criteria (goals) will be defined by the Personnel Committee by the end of Q1 '15 and presented to the Board for approval.

Second: Mr. Veloz.

Senator Rice was opposed. The motion carried.

## **11. BUDGET UPDATES**

YHI held their first CMS oversight meeting and it was determined that YHI needs additional resources. This is not an FTE, rather it would be an individual to support the requirements that CMS has placed on YHI. The additional resource would be contracted through Gallatin and would result in a budget increase of \$138,000.

Motion: Senator Rice moved that the Finance Committee approve a budget increase of \$138,000 for an additional resource contracted through Gallatin Public Affairs to support the requirements made by CMS.

Second: Mr. Veloz.

The motion carried.


## **12. NEXT MEETING**

The next meeting of the Finance Committee will be held on July 17, 2014 at 8:00am.

## **13. ADJOURN**

There being no further business before the Committee, the Chair adjourned the meeting at 10:31am.

Signed and respectfully submitted,

  
Jeff Agenbroad, Committee Chair