

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

**FINANCE COMMITTEE
MINUTES**

JUNE 25, 2015

1. COMMITTEE MEMBERS PRESENT

- Mr. Jeff Agenbroad, Chair
- Mr. Kevin Settles
- Dr. John Livingston
- Mr. Fernando Veloz (via teleconference)
- Ms. Zelda Geyer-Sylvia
- Representative Kelly Packer (via teleconference)

2. OTHERS PRESENT

- Mr. Trent Cummins, Your Health Idaho
- Mr. Pat Kelly, Your Health Idaho
- Ms. Wanda Smith, Your Health Idaho
- Ms. Cheryl Fulton, Your Health Idaho
- Luke Kilcup, Lobby Idaho
- Mr. Bill Shrum, Harris & Co.

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 (the Chair), at 9:03 a.m., Thursday, June 25, 2015, 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 the roll and determined that Mr. Settles, Dr. Livingston, Mr. Veloz (via teleconference), Ms. Geyer-Sylvia and Rep. Packer (via teleconference) 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 24, 2015 and April 7, 2015 Finance Committee meetings as presented.

Second: Ms. Geyer-Sylvia.

The motion carried.

6. REVIEW AGENDA

There were no changes made to the agenda.

7. REVIEW ROADMAP

Mr. Cummins said the June roadmap includes the review and recommendation of the Q3 financials, review of the long-term cost, budget management plan including performance metrics, and review of insurance policies. Looking ahead to August or September, the Committee will review and recommend the FY15 Financials and auditors report, July financial statement review, Travel policy review, and changes to business insurance requirements with specific focus on Cyber Liability and Errors and Omissions policies.

The Chair asked for the events noted in the August Board column of the Roadmap be moved to the September column.

8. INSURANCE RENEWAL UPDATE

Mr. Cummins updated the Committee on the Directors & Officers policy which renewed on June 1. The policy is for one year with a coverage period from June 1, 2015 to June 1, 2016. YHI received multiple quotes for the first time on this policy. YHI selected Ironshore on the primary policy and remained with Catlin on the second policy. This resulted in an increase of about 4%, which is favorable to the anticipated increase of 10%, and resulted in a favorable FY16 variance of about \$4,000. However it is too early to say if the budget will remain favorable as there are still the Cyber & Media Liability as well as the Errors and Omissions policies that will renew in September.

Ms. Geyer-Sylvia asked if YHI needs to evaluate how much cyber-security should be obtained and if YHI should consider an increase in the Cyber Security policy given all the things that have happened over the past year.

Mr. Cummins said YHI works closely with Hawley Troxell to make sure everything needed (entire scope) is included and make sure the insurers that are providing the quotes have all that information.

Ms. Geyer-Sylvia said they need to not only look at the policy and costs, but also the risks YHI is open to, including within the contracts of third party vendors.

Mr. Kelly said evaluation of YHI's exposure across all contracts is taking place. The second piece is if the limits are sufficient given the risks across third party contract and he assured her those items are being evaluated as well.

Mr. Settles mentioned that the policies and procedures note that YHI's third party vendors are held to the same standard as YHI and they indemnify YHI as well.

The Chair said it would be good to look at the cost based on the potential breaches. Mr. Kelly said there is some potential liability that YHI is exposed to given that the breach could occur through a door on YHI's end, regardless of where the information lies.

Mr. Cummins said as YHI goes through the renewal process, he checks to see if there are any new requirements, but he is not anticipating changing the requirements unless advised to do so.

9. INVESTMENT ADVISOR RFP

Mr. Cummins reminded the Committee that YHI issued an RFP for an investment advisor and received only one response to that RFP. The company that responded suggested laddering CD's and other low risk investment and would charge a fee for those services. Idaho Independent Bank, YHI's current financial institution, can do the same thing with comparable rates and with no annual fees. Preliminary discussions are underway, and if YHI keeps its cash balances with IIB, a line of credit may also be obtained. There is no out-of-pocket cost and YHI would be essentially receiving the same services. The recommendation from the staff is to not accept the one response, but to use the laddering options from IIB to invest reserves at no extra cost to YHI. The Chair suggested YHI open this back up to include other banks and see where it leads. From a fiduciary responsibility perspective, it would warrant checking. Mr. Kelly said from a legal perspective, we would not need to post another RFP because it falls well below the cost threshold. However, YHI currently pays no fees to IIB because it maintains a cash balance there. If YHI were to go with another financial institution, it would need to move the entire banking relationship in order to receive the most benefit and enable YHI to obtain a line of credit.

Mr. Kelly said currently everything above the FDIC secured limit is in a securitized account that is collateralized through short term securities and earning minimal margins. Mr. Kelly said there is no benefit to moving to a new financial institution from a cost perspective as CD's would have nominal differences from one bank to another. Discussion included the line of credit and the potential event that would make YHI utilize a line of credit. The Chair said when YHI chose to establish a relationship with IIB, they offered a limited deal with no fees for two years. He would like to see that deal memorialized with IIB before YHI continues to bank with them.

Mr. Kelly said the motion is to differentiate between whether YHI pursues the RFP response or a bank to do the laddering. The current bank is IIB. What he hears is the Committee feels more comfortable to go with a bank, but not 100% confident that bank is IIB because fees need to be confirmed, how these interact with an LLC. But what is clear is that the Committee does not want to go with an investment firm. The Committee members agreed. There was some discussion about the potential for a conflict of interest for the Chair due to his position at Zions Bank. The Chair suggested in order to resolve any potential conflict of interest, Zions Bank would not participate in the bidding process. Without Zions participation the chair could participate in an advisory role for the benefit of YHI. The Committee agreed that was the proper place to draw the line.

Motion: Mr. Settles moved that the Finance Committee not accept the proposal for the investment advisor RFP, and to instead investigate the CD laddering through a bank to invest cash reserves at the lowest or no cost to YHI in order to maximize the benefit to Idahoans.

Second: Dr. Livingston.

The motion carried.

10. GRANT FUNDS UPDATE

Mr. Cummins said CMS released a FAQs on the clarification of the use of 1311 Funds on June 8th. According to the law, state-based marketplaces must be self-sustaining by January 1, 2015. The new guidance was in direct conflict with all previous guidance from CMS to Idaho. Allowable use of grant funds after January 1, 2015 will be for establishment activities only. Costs related to ongoing operations (unallowable) must be paid using assessment fee revenues. Specific examples of unallowable costs include rent, hardware/software maintenance and operations, telecommunications, utilities, and call center operations that do not constitute establishment activities. YHI is currently working with CMS to get further clarification on how this will apply to Idaho. In calendar year 2016 YHI can use grant funds to pay establishment dollars. So in 2015, YHI would need to use assessment fee dollars for budgeted expenses and then in 2016, YHI could capture back some of that by paying establishment expenses with grant dollars. Under this scenario, YHI's assessment fee dollars would not grow as anticipated.

The Chair said initially YHI had discussions with CMS regarding an additional year. Now they are coming back and saying that some things are not covered in the grant funding this year and what Mr. Cummins has done is try to figure out what some of those things will be.

Mr. Kelly said when one looks at the FAQ's CMS provided, their definitions are relatively broad. For example, in Outreach & Education, one line item says "to support increasing total enrollment" and "to designate a targets and grantees approved work plan." These are things YHI is doing this year and will be doing again next year. With the goal to increase enrollment to a level of participation necessary for the viability of the Marketplace. That is a much broader definition than doing something for the first time. So some of the areas that are not clearly identified in the FAQ's would be seen through the lens of it being the first time we do it. Outreach & Education is one of the largest line items in our budget and its definition is very broad. There are similar things around IT like stabilizing Marketplace IT systems. That would not only be the money we spend with our vendors, but also an allocation of time that staff spends on this activity. It gets into a much broader definition and they clearly articulate that YHI can use indirect costs. YHI is working through those details with them and that will result in a better view on how exactly some of the nuances around time and other items can be included.

Ms. Geyer-Sylvia said we need to be careful that we understand what the range is and not spend beyond our means. One of the successes of YHI has had is that we have been very conservative and she doesn't want us to get away from this. She would prefer to go back and remind them of the promise they made about what could be included. The Chair asked what the timeframe is for clarity on this. Mr. Cummins said CMS has sent a template to YHI to complete on what our view is then they will get back to us around the end of July with their viewpoint.

Mr. Kelly said all of the work plans and grant documents are very clear on their expectations. By virtue of them approving those work plans is how YHI viewed their acceptance. There is no letter that says grant funds can't be used through January 2016. Ms. Geyer-Sylvia asked how they can change things retrospectively. Mr. Kelly said he doesn't think that is what they are doing, but instead they are asking us to be very articulate about how we view these dollars in the lens of establishment activities. The team is very aware of getting this right and clearly articulating what money will be spent on and how it will be spent and what it will be used for in terms of establishment activity or not.

Ms. Geyer-Sylvia suggested YHI's legal team review this before submitting these documents. If they have changed the rules, this is a huge budgeting issue. How YHI responds to this particular request for information can have a dramatic impact on revenues going forward. She asked if perhaps there is someone doing this on a national level that can guide YHI in their response. Mr. Kelly said he will look into this with legal counsel and with Accenture. Ms. Geyer-Sylvia added that once we submit these reports, that's it, and suggested YHI be cautious and ask for a longer period of time to answer the questions. Mr. Cummins added that specifically to Idaho it is a little different than what has been understood all along. At this point this is very preliminary, YHI is in open dialogue with CMS, YHI is receiving positive feedback at this point, and this is simply just to inform the Committee that this is what is being worked on. There is nothing setting off alarms at this point and as things evolve, YHI will continue to keep the Committee well informed as things progress.

11. FINANCIAL RESULTS THRU MAY 31, 2015

(a) Financial Highlights thru May '15

Mr. Cummins shared the highlights from May, 2015 which included Assessment Fee revenue of about \$0.4M and remaining grant funds of about \$40M, including \$4.1M from Grant 2 and \$35.9M from Grant 3. The CMS site visit occurred in May and there were no formal or significant findings at this point to report. Effectuated enrollments for May exceeded 86,000 and YHI is targeting and hiring employees per the organizational chart discussed during the budgeting process.

(a) Grant Draw Summary to date

Mr. Cummins shared the Grant Draw Summary to date and said the balances remain as noted previously.

(b) Assessment Fee & Enrollment Highlights

Mr. Cummins said Assessment Fee's for May were \$387,000 versus May of last year at \$298,000. Assessment Fee revenue for the year to date is a little over \$1.7M and effectuated members of 86,842 in May. Projections made in the budget process was 87,000 enrollees with an average premium of \$310,000. Actuals are 87,000 enrollees with an average premium of \$298. Essentially the increase in effectuated members over the projected number will offset the decrease in the average premium resulting in roughly the same revenue of about \$4.4M to \$4.5M.

12. 3rd QUARTER FINANCIALS

Mr. Cummins said there is unfavorability in call center activities (eligibility determination services). This is because the budget is averaged over a 12 month period and the actual activity from January thru March reflected higher than it would normally for the rest of the year resulting in an unfavorability. The Consumer Connector favorable variance is due to the renegotiation of the IPA contracts. Although there is unfavorability in the current quarter, there is favorability in the year-to-date OPEX budget. Mr. Cummins added that year-to-date professional services should have a slightly unfavorable variance driven by recruiting activities.

There is also a favorable variance in total operating expenses. Those are primarily driven by the IPA contracts. There is also favorability in the O&E budget. At the beginning of March there is some favorability around contracts with DHW and First Data.

Motion: Ms. Geyer-Sylvia moved that the Finance Committee recommend to the Board to approve the Fiscal Year 2015, 3rd Quarter Financial Statements as presented today and asked Mr. Cummins to look at the variance and make corrections prior to Board Approval.

Second: Mr. Settles.

The motion carried.

13. NEXT MEETING

The Chair noted that the next meeting will need to be in late August and Ms. Fulton will send out a poll to find the best day and time for that meeting.

14. ADJOURN

There being no further business before the Committee, the Chair adjourned the meeting at 10:37 a.m.

Signed and respectfully submitted,



Jeff Agenbroad, Committee Chair