

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

**FINANCE COMMITTEE
MINUTES
AUGUST 18, 2014**

1. COMMITTEE MEMBERS PRESENT

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

2. OTHERS PRESENT

- Mr. Pat Kelly, Your Health Idaho
- Mr. Trent Cummins, Your Health Idaho
- Ms. Cheryl Fulton, Your Health Idaho
- Mr. Bill Shrum, Harris & Co
- Mr. Josh Tyree, Harris & Co.
- Mr. Brody Aston, Lobby Idaho

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 3:35 pm, Monday, August 18, 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

The Chair called the roll and determined that Mr. Settles (via teleconference), Mr. Veloz, Dr. Livingston, Ms. Geyer-Sylvia and Representative Packer (via teleconference) were present resulting in a quorum.

Senator Rice arrived at 4:00pm.

5. APPROVE PRIOR MINUTES

Motion: Mr. Settles moved that the Finance Committee approve the minutes from the May 29, 2014 Finance Committee meeting as submitted.

Second: Mr. Veloz.

The motion carried.

6. REVIEW OF AGENDA

There were no changes made to the agenda.

7. FY14 AUDITED FINANCIAL STATEMENT REVIEW

Mr. Shrum walked through the financial statements with the Committee and noted that there was significant growth overall.

(a) Independent Auditors Report (the opinion)

As previously mentioned, unqualified opinion on the financial statements as well as unmodified on the single audit pieces, there is an unqualified opinion on controls as well in there. One thing to note in the opinion is also a reference to required supplemental information. Financial Statements are produced in accordance with Generally Accepted Accounting Standards (GAAP), Government Accounting Standards Board (GSAB), and Enterprise Fund accounting.

(b) Management Discussion and Analysis

The MD&A is essentially just a recap of what's in the financial statements with a little bit of analysis from management. Due to minimal activity in the prior financial year, the year over year analysis is minimal.

(c) Basic Financial Statements

YHI's cash balance of \$0.8M went up significantly primarily driven by the Assessment Fees. Grants receivables also had a significant increase to \$9.8M with the prior year being about \$340k. This is for expenses incurred but not reimbursed yet.

- i. Statements of Net Position: One thing to note on Grants receivable, no allowance is set up against that receivable as it is all being reimbursed by the federal government (CMS) through the grant process so collectability is not really an issue. Prepaid Expenses went up slightly due to the timing of the insurance policies. The Capital Assets were near zero on the books in the prior year and this year is up to \$11M due to the build out of the program. \$6.6 million in accounts payable with accrued expenses of \$3.2 and then payroll costs. One thing that was looked at is the receivable from the carriers, the corrections month over month have been immaterial so no allowance was booked against that receivable.

ii. Statements of Revenue, Expenses, and Changes in Net Position

Year-over-year comparison is difficult here as Operating Expenses this year are much different than last year. Expense categories were reviewed by Mr. Shrum adding descriptions of the costs included in each line item as needed. Interest income, while a relatively small amount, is reported. If the interest income is earned on cash from the federal grants, held for a short period of time, it is deducted from future grant draws. Other expenses are made up of a number of small items, the largest of which are travel for a vendor and use tax paid. It looks like we have a large amount of net income due to grant revenue paying for fixed assets which will be depreciated.

iii. Statements of Cash Flows

Direct method is used and therefore the reconciliation from operating income to net cash from operating activities.

The advance from DHW was paid off early in the fiscal year. The Chair asked about the software not depreciated but once placed in service it will be depreciated over 5 years. The yearend estimates from the vendors were developed by working with each vendor. For the software that is in progress (GetInsured estimate), it will only be depreciated once it is placed in service.

Ms. Geyer-Sylvia asked for clarification around YHI's ownership of the GetInsured technology. At end of development, does everything get depreciated?

Mr. Kelly said the only asset we will carry on the books is GI (not DHW because we won't own that). We own the Software and then at the end of the agreement, we need to move into the maintenance phase. It is an asset. Ms. Geyer-Sylvia didn't think it was an asset and was surprised by this classification. To ensure proper accounting treatment, Mr. Kelly developed a white paper in February to determine how we account for the different streams of work related to the technology solution. Most, if not all, of the GetInsured work will be capitalizable based on the accounting guidance.

The Chair said that from a valuation perspective, what YHI carries on the balance sheet for the technology solution may be very different than what YHI could sell the asset for. Mr. Veloz said it is hard to see an intangible. Software is always difficult to truly value as components of it can be expensed. Depending on the path we take, at the end of the five years, there is a component of ownership.

iv. Notes to the Financial Statements

Note A - Significant Accounting Policies polices were reviewed such as grants receivable, grant revenue, assessment fee revenue, capital assets, and use of estimates around year end accruals and allowance accounts. Allowance accounts were determined to not be required based on the immateriality of the adjustments to the assessment fee revenue.

Note B - Cash and Cash Equivalents – Essentially our bank deposits. Custodial credit risk is any amount held in a financial institution above the FDIC limit of \$250K. YHI holds these excess amounts in a collateralized account.

Note C - Capital Assets include typical physical assets as well as the technology provided by GetInsured. Also reflects depreciation for those assets.

Note D - Advance from Department of Health and Welfare was repaid in September of 2013.

Note E - Compensated absences includes PTO accrued but not taken.

Note F - Contingencies identifies that all YHI funding is dependent on the federal government and therefore change in applicable federal law could put funding at risk.

Mr. Veloz raised a question regarding any liability associated with Ms. Dowd's resignation. Mr. Kelly responded that all expenses related to Ms. Dowd's departure are related to earned but not taken PTO and therefore represent a cash impact but no expenses impact to the P&L. All PTO balances and potential liability related to the employee are reconciled at the time of resignation and before a final paycheck is released to the employee.

Note G - Economic Dependency

Note H - Risk Management

Note I - Commitments typical agreements entered into during the course of doing business.

Note J - Leases

Note K - Retirement Plan

Note L - Related Parties does disclose certain Board members' companies provide insurance policies to YHI.

Note M - Subsequent Events – Acknowledges the departure of the Executive Director and new lease for office space and corresponding lease terminations.

(d) Federal Reports

FEDERAL REPORTS

Internal Control, Compliance, etc.

Page 28 - Schedule of Expenditures of Federal Awards

Page 30 - Schedule of Findings and Questioned Costs – No material weaknesses were reported.

Some progress reporting was not submitted in a timely matter. This was related to communication issues with CMS and technical issues related to browser compatibility.

It is worth noting a material weakness in the prior year related to the lack of segregation of duties. This was resolved through additional staff and despite the amount of turnover we have seen in the accounting department.

Motion: Mr. Veloz moved that the Finance Committee recommend that the Board approve the Audited Financial Statements and additional information contained in the report as presented today.

Second: Ms. Geyer-Sylvia.

The motion carried.

Mr. Shrum said in closing, Mr. Kelly and his team were very responsive which made it easy to complete the financial audit. Mr. Kelly said Mr. Cummins did the bulk of the work and did an outstanding job.

8. JULY FY15 FINANCIAL RESULTS

Mr. Cummins reviewed the preliminary July 2015 financial results. Financial Highlights for July included Assessment Fee Revenues, Cash spend at \$6.9M, and Invoices (GI for \$1.1M and DHW for \$0.4M).

Grant Draw Total - Grant 1.1 we have re-budgeted totals that have been submitted to CMS and the chart reflects those updates. Ms. Geyer-Sylvia asked about applying for additional grants and asked if this will be discussed. Mr. Kelly said there were some incremental grant funds approved during the budget process in June. Since that time, CMS said we can expend the grant funds for DDI beyond December 31, 2015. That means we have looked forward to 2016 and beyond to determine what those funds will represent. We are working with DHW and GI to get costs for 2016, and beyond, and they will communicate with us at the end of August. This will allow time to complete the paperwork and time to re-evaluate costs if needed before the November due date. No cost extensions are in place for the existing grants to make sure these funds are available to us. Ms. Geyer-Sylvia recommend that this is very important activity and there will be a need for further work and she suggests that we get a group together to think about functionality for the future. Ms. Geyer-Sylvia suggested a meeting or brainstorming on forward thinking functionality.

Assessment Fee highlights include as of July \$300k, stable compared to June. Assessment fee rev to date \$1.5M. Effectuated enrollments for July are 78,124.

Operating Expense for July. Employee costs favorability is driven by timing of new hires in July in the budget with actual hire dates in August. Unfavorability in Professional Services is driven by higher HR consulting costs due to exit interviews, new hire activity, organizational assessment and Board Surveys.

Break out for O&E favorability is driven by a delay in spending. Ad space is still being finalized and increased spend in August and September.

Project Expenses for July. End to end testing unfavorability driven by budget testing expenses starting in October and November. Favorability for GI is a timing issue.

Break out for IPA and Tribal Agreements - two current IPA's through November 15, before Open Enrollment begins.

Tribal Favorability - Shoban Tribal Agreement as we continue to negotiate with them.

Cash Flows for July represent business as usual. Cash at end of period was \$2.1M including cash from Assessment Fees was \$1.1M, an increase of \$0.3M from June 30.

Balance Sheet represents normal business activity with Assessment Fee and Grant receivables and typical payables and short-term liabilities.

Equity of \$14M driven by prior financial year Net Income driven by capital assets purchased with grant revenue and Assessment Fee revenue. Essentially fixed assets plus assessment fee revenues, less depreciation = Equity.

9. FINANCIAL COMMITTEE ROADMAP

Mr. Kelly said the Committee effectiveness and report to the Board moved to September to allow for time to complete those evaluations. Other key items will be around insurance policies (Error and Omissions and the Cyber Liability policy) and to ensure they cover areas of operations for YHI. Also to make sure the current policies are aligned with YHI business practices. YHI currently has an excess policy for Errors and Omissions and the team is working to ensure the policies do not conflict in terms of coverage and that the supplemental/excess coverage fills any gaps that may exist in the primary policy. Policies expire at the end of September.

Carrier rates and plans the Board meeting is likely to be the last of Sept to allow for the plans and rates. This aligns with the dates for QHP approvals.

The Chair suggested we add review and approval for approval of the no cost extensions. Mr. Kelly responded that the no cost extensions do not require formal Committee action. However, new grant funding, if different from the amounts approved in June would require Committee and Board approval. Ms. Geyer-Sylvia raised the question if the plans and plan rates required Finance Committee approval. Mr. Kelly acknowledged the need to review and possibly remove plans and plan rates from the roadmap as this only applies to the YHI Board.

10. OTHER UPDATES

Mr. Kelly updated the Committee on 3 new employees that joined YHI today and the lease on the new space. YHI has submitted a termination notice effective September 30 for the lease at State Street and in progress lease for the 2nd floor at the Jefferson Street building. YHI is moving the server and technology supporting our email on Saturday. YHI expects email to be down until noon on Saturday and potentially longer if there are problems encountered in the server move.

The Chair mentioned the delegation of authority has been reviewed as it relates to Mr. Kelly's dual role as Executive Director and Finance Director. YHI's auditors were helpful in

understanding the temporary solution as the organizational transitions evolve. This will ensure proper separation of duties during the transition.


YHI is still looking for a book keeper and this is a top priority. Mr. Kelly explained how the separation of duties is being maintained during this search.

11. NEXT MEETING

The next meeting of the Finance Committee will be held the week of September 12, 2014. A poll will be sent to the Committee to determine an exact date and time.

There being no further business before the Committee, the Chair adjourned the meeting at 4:41 pm.

Signed and respectfully submitted,


Jeff Agenbrood, Committee Chair