

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

**FINANCE COMMITTEE
MINUTES
THURSDAY, SEPTEMBER 1, 2016**

1. COMMITTEE MEMBERS PRESENT

- Mr. Jeff Agenbroad, Chair
- Mr. Kevin Settles
- Mr. Fernando Veloz
- Rep. Kelley Packer (via teleconference)
- Senator Jim Rice

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
- Mr. Josh Tyree, Harris & Co. PLLC

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 9:03 a.m., Thursday, September 1, 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

The Chair called roll and determined that Mr. Settles, Mr. Veloz, Rep. Packer (via teleconference), and Senator Rice were present resulting in a quorum. Dr. Livingston and Ms. Maher were absent.

5. PRIOR MEETING MINUTES

The Chair noted two corrections on the June 9, 2016, minutes that included the acronym JFAC on page five and adding the word "is" on page six where the sentence reads "Mr. Bell said it is about sustainability."

Motion: Mr. Settles moved to approve the meeting minutes from the June 9, 2016, Finance Committee meetings with the two changes as noted. **Second:** Mr. Veloz. The motion carried.

6. REVIEW AGENDA

There were no changes made to the agenda.

7. REVIEW ROADMAP

The Chair asked if there were any additions or changes to the roadmap. Mr. Kelly noted that the Committee Effectiveness Survey has dropped off and should be added for today and annually.

8. FY16 FINANCIAL AUDIT

Mr. Bell introduced Mr. Josh Tyree, Harris & Company, who led the engagement and was instrumental in completing the project. Mr. Tyree presented the financial audit documents and highlighted the important items, discussed the process his firm went through, and the results. He noted that there were no significant adjustments to the financials and the numbers remain the same as this Committee has been viewing throughout the financial year.

Mr. Tyree reviewed the Independent Auditors' Report which states that YHI's Financial Statements are done in accordance with generally accepted accounting principles and, because of the nature of the exchange, it is audited like a government agency, but as an enterprise fund that follows for-profit accounting practices. He said the most important section, the Unqualified Opinion, is clean and exactly what the Board and the Exchange would expect to see.

Mr. Tyree said the Management's Discussion and Analysis was reviewed to ensure the auditors and the Exchange are on the same page as far as what has changed from year to year. What the auditors are looking for are any inconsistencies from what the management reported and what the auditor's findings are. If there were any inconsistencies, those were worked out during the audit process.

The Chair pointed out the statement on page nine at the end of the first paragraph that states "YHI's reduction in Net Position does not indicate any cause for concern for the long-term sustainability of the Exchange." He suggested that the word "any" be struck as it is too absolute.

Mr. Tyree spoke about the Statement of Net Position and noted the increase in investments from 2015 to 2016 resulting from YHI's new investment plan. He said the risk is minimal since all the investments are in CDs. He also noted that there was considerable time spent on Capital Assets since the technology platform is constantly changing. He noted that everything checked out.

Mr. Tyree moved on to the Statement of Revenues, Expenses, and Changes in Net Position and noted changes resulting from YHI's change in the rate of the Assessment Fee from 1.5% to 1.99%. Everything is tracking correctly. As for the federal grants, Mr. Tyree said they spent a considerable amount of time here to ensure there are no issues. For the year, YHI shows a loss in Net Position of \$2.1M, but there was a lot of depreciation that took place, so it isn't representative of a red flag.

Mr. Tyree moved on to the Statement of Cash Flows and said this shows cash flow from operating activities (\$7.2M), from capital assets (-\$4.7M), and from investing activities (-\$5M). This shows as a movement in cash because of the \$5M being moved into CDs. The Chair noted that in reading the cash equivalent line from the beginning of the year to the end of the year is a

little misleading because it shows a decrease of about \$2.5M but really that is a result of investment activities.

Mr. Tyree said the remainder of the notes are related to the previously reviewed statement. Note A shows that all accounting policies are standard and are very consistent. The Chair noted a reference to December 31, that should represent YHI's fiscal year that ended on June 30. Mr. Tyree will make that correction prior to this report going to the Board later in September. Note B shows the investment of cash in CDs. Note C is the roll forward of Capital Assets. Note F is the economic dependency on federal grants because they still make up a significant portion of revenues, but that will begin to wind down in FY17. Note G is another vendor concentration and this will go away as grants go away. Mr. Veloz asked about the nature of the loss in Capital Assets and Mr. Bell said this was the old phone system that was retired and then donated to a local charity per CMS guidelines. Mr. Tyree continued with Note J, which is related to Leases and are operating leases that are not considered a liability but a future commitment.

Mr. Tyree skipped to the Federal reports and said the second piece of the audit is what's called a Single Audit, or Uniform Guidance. These reports look at the federal grants and results in two reports, a report on internal controls that are considered significant in relation to the federal grants, and second is a compliance report. This report gets filed with the Federal Government.

Mr. Tyree said the last thing to consider is the Summary of the Audit results and said an organization would strive to have all the questions answered with a "no", and YHI did just that. There was some discussion around the final question of whether or not YHI is qualified as a low-risk auditee, and Mr. Tyree said because there was one small finding in 2014, and because an organization needs no findings for two years in order to be considered low-risk, next year the answer to this question will be yes and YHI will be considered low-risk. All three reports were unmodified, which is exactly what the Board will want to see.

9. FY16 PROGRAMMATIC AUDIT

Mr. Tyree continued with the programmatic audit and said the threshold for reporting findings for a programmatic audit are much different than a financial audit. In a financial audit there are three buckets that findings are reported on. First are material weaknesses which are errors that are found that need to be corrected immediately. Second are significant deficiencies which are findings that represent an area where a lack of controls may result in a significant error. And finally are the recommendations. In a program audit, there is just testing and a report of what was found. Overall, the programmatic audit came back very clean. There were two items noted that include one consumer that was deemed ineligible but received 6 months of APTC and the second finding was missing documentation for eligibility. Steps have already been taken to resolve the two findings and they are not considered significant.

Mr. Tyree noted the final steps are to send the Financial Statement Audit to the Federal Government, the Program Audit goes to CMS and the last step is the management letter which goes to management and the Board and is not submitted. If there had been significant items to report, that would have been included in the Management Letter. There were three recommendations and it is entirely up to the Board and YHI to follow the recommendations. The recommendations include: itemized receipts for meals, the timeliness of the close process (due to software issues), and public reporting requirements (RFP should show the percentage of federal

funding involved). Senator Rice noted a spelling error which Mr. Tyree noted and will fix it prior to this going to the Board.

Mr. Settles asked about the missing documentation and questioned if the documentation stays with DHW, and not with YHI. Mr. Kelly said yes, although ultimately, YHI is responsible and action has been taken to correct that. Senator Rice noted another edit for the word “the” to “they.”

Mr. Tyree wrapped up by stating that this was a very clean audit with very little to report on and said the YHI team is doing an excellent job. The Chair suggested the status of these three recommendations be on the agenda for the next meeting. Mr. Bell said many of these items have already been addressed and have been solved, or in progress, on all of the recommendations. Mr. Bell said an internal memo was distributed regarding the itemized receipts and we have already seen compliance with that. In regard to the timeliness of close, YHI moved to a new platform that is supported, but because of limited resources, YHI did not have duplicate systems in parallel. In the future, a parallel system will be running. The outreach team has already changed the wording in the RFP’s so the language is included regarding the percentage of dollars coming from the federal government.

Mr. Tyree thanked Mr. Bell, Mr. Kelly and the team for their commitment to closing the books and getting through the audit process so quickly.

Motion: Mr. Settles moved that the Finance Committee recommend that the Board approve the Financial Audit for the financial year 2016 and additional information contained in the report, with the four modifications noted, and as presented today. **Second:** Senator Rice. The motion carried.

Motion: Mr. Settles moved that the Finance Committee recommend that the Board approve the Programmatic Audit for the financial year 2016 and additional information contained in the report as presented today. **Second:** Senator Rice. The motion carried.

10. EXECUTIVE SESSION

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

Executive Session Roll Call: The Chair called roll and determined that Mr. Settles, Mr. Veloz, Rep. Packer (via teleconference), and Senator Rice were present, resulting in a quorum.

The Committee entered into Executive Session at 9:49 a.m. and reconvened at 10:01 a.m. No final action or decisions were made while in Executive Session.

11. FY16 FINANCIAL UPDATE

Mr. Bell provided a quick overview of the financial report and noted the new Assessment Fee Matrix at the top which divided out the year due to the change in assessment fee percentages from 1.5% to 1.99%. The ratio is a fairly even split resulting from effectuated enrollments and monthly premiums. An item to note is the number of actual effectuated enrollments was only 1%

lower than the highest point. Mr. Kelly said approximately 60% of enrollments were renewals and 40% were new subscribers.

Mr. Bell looked at the operating revenues vs. expenses for the year and noted that YHI did finish out the year with a higher spend with DHW than projected. Looking forward, YHI will need to fine tune the predictability on this with DHW. One thing DHW committed to is that there would be no more development work charged to YHI and any change would be done under Medicaid grants. Mr. Kelly added that last fall at this time, there was discussion around the cost allocation from DHW. At that point, DHW had provided YHI with an estimate of \$2.7M for the year and in further discussions that was reduced to \$2.5M. In hindsight, it would have been better to go with the original estimate and would have resulted in a much lower variance for the year. In terms of development, it is not a separate line item for DDI expenses. However, the automated support, which is a line item, will capture any YHI specific development as required by YHI's enabling legislation.

Senator Rice asked if there was discussion with YHI before those additional licenses were purchased by DHW? Mr. Kelly said not to his knowledge, however DHW would incur the cost of those licenses even if YHI were not in existence. It would have only been discussed if DHW required additional licenses due to YHI being in existence. These licenses were part of the cost allocation model.

Mr. Bell shared YHI's view versus the audited financials, and said this particular view looks at the actual cost of running YHI. The variance was favorable compared to the approved budget. Relative to that, the impact shows all of the depreciation that occurred this past year, and the loss is smaller than what was originally anticipated.

Mr. Bell said regarding the project income statement, this view is consistent with prior reports. One note is there were more change requests than anticipated and more work was done than was originally planned and that speaks to the largest variance for the fiscal year from a project perspective.

Mr. Veloz asked about privacy & security and why that number had a large variance. Mr. Bell said YHI was extremely conservative with that budget initially due to not having a full understanding of what was required in the privacy & security space. He assured Mr. Veloz that YHI's privacy & security measure are very robust, it simply came in under what was estimated.

12. CSC INTEGRATION COSTS/CASH UPDATE

Mr. Bell reminded the Committee about the discussion that this venture would be a considerable lift in a relatively short period and from a budgetary perspective, YHI had an approved budget of \$326,000 and came in under budget by about \$80,000. YHI spent more on technology than was anticipated, but the furniture and fixtures came in less. The Chair asked where the additional expenses came from and Mr. Kelly said that came from upgrades in technology, like servers, racks and switches, that would have had to happen at some point in the near future. The save on cubicles was due to a competitive bidding process and YHI taking the lowest bid.

13. GRANT EXTENSION UPDATE

Mr. Bell shared a table that shows YHI's anticipated spend versus the grant funding remaining. YHI anticipates releases of change requests going in through the end of 2016 and again through the end of 2017. There is a remaining balance of \$1.8M and since that is still available, we are asking CMS for a no-cost extension of the grant that is currently planned to expire on December 21, 2016. It is not possible to spend all of those dollars by that deadline, hence the no-cost extension YHI will submit to CMS on October 1, 2016. That request to CMS will demonstrate that the request is reasonable and accounts for progress to date, it will include a revised work plan, and include a revised budget. Mr. Kelly said it is important to note that YHI is not required to spend those funds, but anticipate a few change requests will come out of those funds.

14. COMMITTEE EFFECTIVENESS SURVEY

The Chair said on an annual basis the Committee's do a Committee effectiveness survey and reminded the Committee members that if they ever have suggestions for improvements or changes to please not wait for the annual discussion, but instead, reach out to him with those suggestions.

- Do Committee meetings (frequency and length) as well as actions align appropriately with its defined charter? The Chair noted that sometimes the agenda length does not always match the scheduled time. Others agreed.
- Do Committee meetings have written agendas and materials related to significant decisions, and are materials provided to Committee members in advance? Mr. Settles said they come in more timely than the other boards he serves on. Mr. Veloz agreed that getting the preliminary documents a week in advance is nice. The Chair suggested that the changes between the preliminary documents and the final documents be noted in the email.
- What improvements to the effectiveness of this Committee occurred over the last year? Mr. Settles said he can't remember the last time he caught errors and Mr. Veloz said the level of disclosure is very nice and is backed up by what the audit showed. The Chair said the evolution has been very consistent.
- What suggestions for improvement should this Committee consider? Mr. Veloz asked if there is a way to monitor the investments to ensure YHI is getting the best return possible. The Chair said the Committee looked at low risk and there are multiple CDs with insurance from the bank. And the maturity of those CDs being staggered to enable the freeing up of those CDs when YHI expects to need the funds. Low Risk is unfortunately low return. Mr. Kelly said this isn't necessarily an improvement for the Committee, but more robust cash forecasting along with visibility into what cash flow will be.

15. LESSONS LEARNED

Mr. Bell noted that the first item in lessons learned is project planning. Given the limited resources available (funding and FTE), YHI needs to plan sufficient time for future projects. He

said the scope of projects won't have much flexibility, so the timeframe that it's done in needs to be altered to accommodate the lack of resources available.

Mr. Bell said the second item is YHI's purchasing power. He suggests creating a process whereby YHI can purchase larger volumes or higher cost equipment for technology refreshes in the future.

Finally, Mr. Bell said YHI will do a better job of sharing YHI's financial performance with all employees by providing ways for the larger group of employees to see and understand YHI's fiscal performance, how they can have an impact, and why it benefits them.

16. NEXT MEETING

The Chair noted that the next meeting is anticipated to take place in early December.

17. ADJOURN

There being no further business before the Committee, the Chair adjourned the meeting at 10:41 a.m.

Signed and respectfully submitted,


Jeff Agenbroad, Committee Chair