

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

**FINANCE COMMITTEE
MINUTES
SEPTEMBER 9, 2015**

1. COMMITTEE MEMBERS PRESENT

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

2. OTHERS PRESENT

- Mr. Trent Cummins, Your Health Idaho
- Mr. Pat Kelly, Your Health Idaho
- Ms. Cheryl Fulton, Your Health Idaho
- Ms. Sherri Boyce, Your Health Idaho
- Mr. Bill Shrum, Harris & Co.

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., Tuesday, September 9, 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 website and at the meeting location.

4. ROLL CALL

The Chair called roll and determined that Mr. Settles, Dr. Livingston, Mr. Veloz, 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 June 25, 2015 Finance Committee meeting as presented.

Second: Dr. Livingston.

The motion carried.

6. REVIEW AGENDA

There were no changes made to the agenda.

7. REVIEW ROADMAP

The Chair said the September Roadmap includes the review and recommendation of the FY15 financial statements, the review and recommendation of the business insurance requirements for Cyber Liability and Errors and Omissions policies, and review via email the financial statements for August.

8. AUDITED FINANCIALS FOR FISCAL YEAR 2015

Mr. Cummins introduced Bill Shrum from Harris & Company CPA's who presented the audit report. Mr. Shrum acknowledged that the team at YHI was very helpful and responsive and provided all information needed in a timely matter. The Committee has been provided with the Audit Report and the CMS Program Audit report. He noted there were a couple of cleanup items with grammar and punctuation but nothing fundamentally changed in the document.

(a) Financial Statement and Additional Information

Mr. Shrum started with the Financial Statements and said the Independent Auditors report reflects a clean opinion, which is what one wants to receive based on the financials, and says everything is correct financially. The Management Discussion and Analysis was written by the team at YHI and provides some additional information and color to what the financial statements alone provide. There is more discussion this year than prior years as far as the future outlook regarding sustainability.

Mr. Shrum said the basic Financial Statements of Net Position show that cash balance has been increasing primarily due to the Assessment Fee Revenue. Prepaid expenses also went up (due to insurance and contractor advances) and accounts receivables went down (a product of collecting the assessment fees). Net investment in capital assets continues to grow as expected.

Mr. Shrum moved to the Statement of Revenues, Expenses and Changes in Net Position and said the highlights include the federal grant funding being up significantly and the assessment fee revenues being up as well. Operating expenses trended in line with what was expected. One thing to call out is depreciation and amortization, which jumped this year, and we anticipate significant depreciation and amortization in coming years. The Chair asked about assessment fee receivables and Mr. Cummins said for the most part, receivables from the carriers are received ahead of time but YHI doesn't get the actual check until the following month.

Mr. Shrum noted that the marketing and advertising spend is declining and we should expect to see that trend down or flat line in the future. Payroll expenses went up due to the increase in staffing.

Mr. Shrum moved on to the Statements of Cash Flows. The main thing to note here is the addition of the depreciation and amortization. Mr. Veloz asked about the utilities and Mr. Shrum

noted that this was in relation to conference calling and once management took note of the rapid increase in costs associated with this, they immediately re-negotiated that deal and those fees have now decreased significantly.

On the next few pages of the audit documents are the Notes to the Financial Statements, which are similar in content to last year's audit. Note A covers the basis of YHI's accounting and describes the entity. Note A states that YHI is an enterprise fund so accounting would be more similar to a private business. It also describes revenue receivables, grant receivables, and prepaid expenses.

Mr. Shrum said in regards to Capital Assets, detail was added to describe the computers, furniture and fixtures and the useful lives of those items. Use of Estimates related to financial statement are not expected to change significantly. Notes B relates to Cash and the custodial credit risk of cash in regards to the FDIC limits. YHI has taken the necessary steps for going forward in regards to the risk associated with the FDIC limits. Note C shows the Capital Assets activity for the year and this is a rolling schedule by asset class and the corresponding depreciation. Note D talks about PTO for employees. Note E is regarding contingencies.

Note F is the Economic Dependency and notes the lifecycle of YHI and the grants coming to an end here soon and the need to be self-sufficient after that. Note G is the Vendor Concentration related to YHI's software vendor. Note J includes the lease of the new office space, Note K talks about retirement plans and Note L relates to the relationships with Board members from Carrier companies.

Mr. Shrum said because YHI receives Federal funding, it needs to do a "Single Audit." So this next section of the financial statements covers off on that. There are two clean opinions in here.

The first one is the Independent Auditors Report on Internal Control over Financial Reporting and on Compliance and Other Matters. The second one is the Independent Auditors Report on Compliance for each Major Program and on Internal Control over Compliance.

The unmodified opinion states that there were no significant findings and no non-compliance.

The final piece is the Summary Schedule of Prior Audit Findings which states that YHI has fixed the item that was noted last year.

Chair Agenbroad asked if YHI should address the changes with CMS grant funding and payouts and Mr. Shrum said it is something they are tracking and if it happened it would be addressed, but we don't anticipate issues here.

Mr. Veloz asked about the SHOP budget and the status of that going forward. Mr. Kelly said currently SHOP is via direct enrollment through the carriers. We will continue with this through Open Enrollment 2016, but have not received formal guidance from CMS for OE 2017. Mr. Veloz asked if there are funds in the budget for SHOP. Mr. Kelly said originally the SHOP budget was set aside, but is now included in general development and YHI would need to increase the spending level with GI.

Rep. Packer (via teleconference) left the meeting at 9:30 a.m. The Committee still maintains a quorum.

(b) CMS 2015 Audit Report

Mr. Shrum said CMS came out with additional guidance this year that said based on what auditors have historically done, CMS provided us with guidance and essentially they wanted additional procedures performed to ensure Private Information is protected and money is being spent accordingly.

Harris & Co. met with management at YHI and DHW to gather information to provide assurances on the specific program requirements. As we worked through the entire process, a couple of items came to light (which management was already aware of).

Finding #2015-001 – It was found that one individual was able to self-attest, which is within the guidance of CMS, for non-subsidized health insurance. This person was not a resident of the State of Idaho. There was additional testing done to ensure this wasn't repeated.

Ms. Geyer-Sylvia asked how they tested this because it is a very complicated process. Mr. Shrum said the testing doesn't follow all the way through to find if consumers were a resident of the State. Ms. Geyer-Sylvia said it is not just one person as Blue Cross has found several folks that were not residents of the State. Mr. Shrum will take that offline with management to change the wording of the issues and the response.

Finding #2015-002 – this was regarding the reconciliations between the QHP and Health and Human Services (HHS). The guidance is out there, but the process is still being developed and will be implemented in January 2016.

Ms. Geyer-Sylvia said the process is only for SEP's and isn't sure that it affects a new open enrollment period. Mr. Kelly said the process today is for SEP's or when the carrier questions residency. He will follow up with the Operations team to find out what the process is for Open Enrollment. Ms. Geyer-Sylvia said Blue Cross is developing a special eligibility unit that will look at triggers that flag potential offenders regarding residency.

Ms. Geyer-Sylvia said there has been a lot of fraud for eligibility for exchanges. Mr. Shrum said as the exchanges evolve, he anticipates additional guidance from CMS.

Mr. Kelly said we can use the self-attestation for residency. Fraud and abuse is not in YHI's best interest and we will confirm how YHI will address this during open enrollment. Ms. Geyer-Sylvia said there could be a hold up in the enrollment process and this is an important issue. This goes beyond that in terms of eligibility and we should put this on the agenda for the Marketplace or Board meeting. Figuring it out before a person is effectuated is important, particularly to the carriers. Dr. Livingston said he is concerned that a consumer may think they are eligible, have a major procedure done, and then find that they are not covered because they were not eligible. Ms. Geyer-Sylvia agrees and said it is important to catch those eligibility issues prior to the consumer being enrolled and effectuated.

Motion: Ms. Geyer-Sylvia moved that the Finance Committee recommend that the Board approve the Audited Financial Statements for financial years 2014 and 2015 and additional information contained in the report and as presented today.

Second: Mr. Veloz.

The motion carried.

Mr. Kelly said regarding the CMS report, YHI will go back and fix the rewording of the document and get agreement via phone or email and then bring it to the Board. So that it reflects what was discussed at the Finance Committee meeting today. Mr. Shrum said if corrective action needs to take place, it could occur at a future time. Ms. Geyer-Sylvia suggested adding the wording “an eligibility process is being developed” and then take it to the Board. This is management’s response and is included in the report. So management would need to make a new response and then Harris & Co will update the document.

Motion: Mr. Settles moved that the Finance Committee recommend that the Board approve the CMS Audit with the modified Management’s response.

Second: Dr. Livingston.

The motion carried.

During the time the public line was muted, the Committee discussed the auditor’s report and ensured there was nothing the auditors were concerned about beyond the discussion held in public session. The auditors shared no additional concerns.

Ms. Geyer-Sylvia left the meeting at 10:00 a.m. The Committee still maintained a quorum.

9. FINANCIAL RESULTS FOR FISCAL YEAR 2015

Mr. Cummins reviewed the FY 15 financials and noted that the Assessment Fee Revenue is unfavorable driven by lower enrollments than budgeted. However, that is offset by higher premiums than budgeted.

Overall for FY 15 there was some favorability in the project expenses and this is primarily due to timing of the GI payments. Call Center Services, which includes eligibility shared services with DHW and IPA’s, has favorability. Payroll and related expenses was \$5k under budget. Utilities are being managed more closely.

The Chair noted that the overall Net Income for the year is misleading because much of that included grants, which will be going away in the near future.

CMS released an FAQ around acceptable use of 1311 grant funds going forward. As a result, YHI submitted a re-budget in accordance with this new guidance. YHI received approval of this re-budget from CMS earlier this week. YHI will be able to use grant income for some activities after January 2016. As a result of the re-budget, YHI’s revenue budget needs to be adjusted:

- Cash reserves and grant revenues are projected to be the same at June 30, 2016 as originally budgeted.
- Monthly timing of grant draws and cash reserve balances are different.
- At the April 2015 Board meeting, the Board approved Fiscal Year 2016 operating and project expenses. Monthly revenue projections were not included in the approval.

- YHI staff will use the re-budgeted monthly grant revenue projections to avoid revenue variances driven solely by timing.
- Board action is not required, as the total budget for FY16 will remain unchanged.

10. INSURANCE RENEWAL UPDATE

Mr. Cummins updated the Committee on the insurance changes with Errors & Omissions/Cyber & Media Liability and Excess Liability Policies which are set to renew on September 30, 2015.

Mr. Cummins has been working closely with Mr. Owen and Mr. Reddish to ensure the proper scope in the policy. Also working with Dick Riley at Hawley Troxell with the verbiage to make sure it is including everything it needs to. At this point, the final application version will be submitted and we are on track to be renewed and covered by the end of the month. This will be included as an update when the Committee receives the September financial statements for review in October.

Mr. Veloz asked if the policy covers YHI's exposure and is it enough. Mr. Kelly said he thinks it is \$5M and it should be enough but we don't really know because we can't anticipate what could be brought against YHI. We make sure we have enough to cover legal fees and some to cover any potential expenses beyond that based on the outcome of the legal process. If the policy is within our budget, we will renew the coverage. However, if it is over budget, we will bring it back to the Committee for approval.

Mr. Cummins said in regards to the Idaho Independent Bank (IIB) CD Laddering Program, YHI is working with IIB to finalize the program through Cedars, which is a national network of banks, allowing for full FDIC coverage. There is a two week set-up and training period for IIB and YHI and we anticipate being enrolled with IIB at the end of September.

11. ANNUAL COMMITTEE SELF-EVALUATION

The Chair conducted the Committee Self-Assessment with the following results:

(a) Do Committee meetings (frequency and length) as well as actions align appropriately with the defined Charter?

The Committee members agreed that yes they are appropriate in length and frequency and they do align with the Charter.

(b) Do Committee meetings have written agendas and materials related to significant decisions, and are materials provided to Committee members in advance?

The Committee members agreed yes.

(c) What improvements to the effectiveness of this Committee occurred over the past year?

The Committee members said that meeting materials are getting out sooner for review prior to the meeting and the Chair added that the preparations for the meetings has been

outstanding and thorough. The Chair said he would like to see a high level outline of what changes were made to the documents in the second set that goes out 2 days prior to the meeting.

(d) What suggestions for improvement should this Committee consider?

Mr. Settles asked about adding insurance coverage review. Mr. Veloz said he would like to see a high level of the risks that might affect us. The Chair asked if there are lessons learned from other Exchanges to see what our risks are.

Mr. Kelly added that Mr. Cummins is working on quarterly budget projections for this fiscal year. At the December meeting, Mr. Cummins will provide a full year forecast to really highlight anticipated budget overages or potential budget shortfalls so that corrective action can be taken.

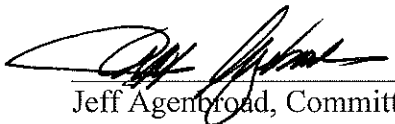
12. NEXT MEETING

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

13. ADJOURN

There being no further business before the Committee, the Chair adjourned the meeting at 10:36 a.m.

Signed and respectfully submitted,



Jeff Agenbroad, Committee Chair