



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

**FINANCE COMMITTEE
MINUTES
WEDNESDAY, DECEMBER 6, 2017**

1. COMMITTEE MEMBERS PRESENT

- Mr. Kevin Settles, Chair
- Mr. Fernando Veloz
- Dr. John Livingston
- Dr. John Rusche (via teleconference)

2. OTHERS PRESENT

- Mr. Layne Bell, Your Health Idaho
- Mr. Pat Kelly, Your Health Idaho
- Ms. Cheryl Fulton, Your Health Idaho
- Ms. Alanee DeRouen, Your Health Idaho
- Ms. Mandi Shawcroft, Your Health Idaho

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. Kevin Settles, Chair of the Committee (the Chair), at 9:00 a.m., Wednesday, December 6, 2017, 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. Veloz and Dr. Livingston were present, resulting in a quorum. Dr. Rusche joined (via teleconference) at 9:04. Senator Rice and Director Barron were absent.

5. PRIOR MEETING MINUTES

Motion: Dr. Livingston moved to approve the meeting minutes from the September 6, 2017, Finance Committee meeting as presented today. **Second:** Mr. Veloz. **The motion carried.**

6. REVIEW AGENDA

There were no changes made to the agenda.

7. REVIEW ROADMAP

The Chair reviewed the Roadmap and there were no questions or comments.

8. FINANCIAL RESULTS THROUGH SEPTEMBER 30, 2017

a) Financial and Enrollment Highlights

Mr. Bell noted that the overall expectation for revenue for the quarter was higher than actual results by about \$64K, with the bulk of that due to lower effectuations than anticipated. There is variability in here that is not typical due to ongoing reconciliation activities with one carrier. Earlier months were slightly inflated and adjustments were made in later months.

Mr. Bell said YHI uses a cash model for sustainability projections. The sustainability projections include the assessment fee at 2.29% as of January 1, 2017. He called attention to the changes in the sustainability curve since last reviewed with the Committee. Management estimated a 5% increase in average premiums from Plan Year 2017 to Plan Year 2018. The change year over year appears to be closer to an average 25%, a 20-point increase over the budget. That materially changes the cash balance out to 2020. We still aren't sure what enrollments will look like, but when we start the budgeting process and apply our seasonality and assumptions in January, this Committee will see the effects on the current open enrollment. Not all of the assumptions are solid yet, but this is provided as a point of reference and to provide opportunity to ask questions.

Chair Settles asked if YHI will get more clarity at year end if the Tax Bill is signed and will it have an impact on what will happen next year? Mr. Kelly said as of this morning, the CR on December 8 will be relatively clean and the only attachment to that will be some minor adjustment to CHIP for states that need gap funding assistance. There is some debate as to whether the long-term CR will occur on the 22nd or later. There are some assurances that that continuing resolution would include Alexander-Murray, though support has waned. We have some real operational challenges if CSR's change at that point. Specific to tax reform, if the mandate makes it through conference, we think there is 5 to 10 points of potential impacts. Time will tell. As for the sustainability risk, it is all dependent on enrollments. For every 10,000 enrollments, it's about \$1M per year. There is a lot moving in the federal policy space that remains unclear about timing and what exactly will happen. We will have a much better picture in February.

Mr. Veloz asked if the sustainability projections are based on business as usual. Mr. Bell said yes, and relative to the mandate or CSR changes, we will try to include those in the budgeting process moving forward. The challenge is it is a compounding effect as any loss or increase in cash availability follows through to 2020.

b) 1st Quarter 2017 YTD OPEX Income Statement

Mr. Bell said thru September we did have some small grant related spends for equipment, we increased functionality in the support center and purchased some additional furniture. There

will not be any additional grant related spending in the future. The assessment fee revenues are down by about \$64K due to lower than anticipated effectuations.

Dr. Livingston noted the jump in Interest Income. Mr. Bell said YHI is pleased with its bank as they work really hard to ensure our stability.

Mr. Bell said relative to expenses, the favorability in employee and related cost is due primarily to timing of hires. In regard to the current favorability in DHW Eligibility, we project we will be billed at the budgeted rate, but we are working to see if that predictability can be improved.

Mr. Bell said one of the things that resulted from the financial audit is we were a bit aggressive in our depreciation policy relative to the HIX. It will be fully depreciated by the end of calendar year 2018. We are working with the auditors to determine how to capitalize and depreciate any future investments in the HIX. He added that for this quarter, we budgeted \$300K for the HIX however we spent approximately \$750K, and we have about \$250K remaining for the fiscal year. We don't anticipate any end-of-year variances.

Motion: Dr. Rusche moved that the Finance Committee, recommend to the Board, the approval of the 1st quarter financial statements for Fiscal Year 2018 through September 30, 2017, as presented today. **Second:** Dr. Livingston. **The motion carried.**

9. FINANCIAL FORECAST

Mr. Bell shared the FY '18 financial forecast, which is our current belief as to where we will end up from a net income perspective through June of 2018. This is based largely on our current understanding of what the average premium is, though we don't know what effectuations will be. These numbers will be tightened up in the new year during the budgeting process.

Favorability in salaries and wages and employee related costs is expected to continue. The challenge here is normal attrition versus planned hires.

Mr. Veloz asked what the current employee count is. Mr. Bell said 51 and we have a couple of folks planning to leave in the next month or so. We have been load balancing to prepare for that. There have been significant efforts in training in the support center and that training has proven to be highly effective. YHI's SLA's continue to be met, or in some cases improving.

Mr. Kelly added that morale is really high and service levels are high despite the increasing workload. The number of employees for Finance, IT, and Communications is pretty set, while the variances remain in the support center due to two things: 1) we set the budget early before we really understood how to run a call center, and 2) the efficiencies in the increased training effectiveness.

Mr. Bell said the Outreach & Education and Communication spend are expected to be at budget. But what may change is some of the variability of what might happen coming out of Congress may require us to spend more in Communication and Outreach efforts. We don't know what that looks like yet.

In most of the other categories, we estimate the spend to come in very close to budget. The DHW Eligibility piece will remain an unknown until we get more information, as discussed earlier.

10. DELEGATION OF AUTHORITY

Mr. Bell stated there were no changes to the DoA, however because it is on the roadmap, it was reviewed and shared for your review.

11. TRAVEL POLICY UPDATES

Mr. Bell recommended a change to the Travel & Other Expense Reimbursement Policy which is the term “Limo” to “Car Service” for efficiency. It sometimes makes economic sense for a YHI employee to use a car service in a city unfamiliar to them. The intent of this policy change is to communicate the importance of utilizing the most reasonably priced option for such a service.

Motion: Dr. Livingston moved that the Finance Committee recommend the Board approve the changes to the Travel Policy as presented today. **Second:** Mr. Veloz. **The motion carried.**

12. FINANCE POLICY UPDATES

Mr. Bell said the roadmap also included a review of YHI’s accounting policies. He noted that there are a couple of changes being recommended today and include a change in the fixed assets section and two changes in the disbursements section. The policy was updated to reflect depreciation for fixed assets to match our current practices (which are reviewed each audit) and include all YHI assets. The second change was to reimbursements which is now in line with the Delegation of Authority. Finally, the policy was updated to reflect YHI’s use of credit cards and require dual written approval for purchases over \$5000.

Dr. Livingston asked how does the reconciliation of an invoice for a purchase and the actual bank statement containing that purchase occur and are those reviewed? Mr. Bell said yes, for credit cards, monthly statements are received and require physical invoices and receipts for purchases, which are all compliant with the financial policy and CMS guidelines. Those are matched and approved by Ms. Fulton or the accounting team. All transactions in relation to the cash account are also reconciled and then reviewed by the Controller. Reconciliations will never go away as a financial control. The Chair asked if the auditors look at those reconciliations. Mr. Bell said yes, those are standard audit procedures every year. The controller does not perform reconciliations. A standard financial control, which YHI follows, is finance team performs required cash and credit card reconciliations, which are then reviewed by him.

The Chair asked how secure our information is should someone leave the company. Mr. Bell said we have a layer of control including Mr. Kelly as a system back up for our systems and most transactions around the cash funds. The Controller prepares cash transactions, and those transactions are reviewed and processed by the Executive Director. Neither the Controller nor the Executive Director have full control over the cash expenditure process.

There was additional discussion around security of YHI’s financial information. The YHI general ledger is maintained in the cloud by Intuit, with regular backups and contractually guaranteed access to records. YHI’s file system of electronic records are backed up hourly and

archived for retrieval as needed. Archives are maintained in offsite secure electronic storage consistent with best practices.

Motion: Mr. Veloz moved that the Finance Committee recommend the Board approve the changes to the Financial Policy as presented today. **Second:** Dr. Livingston. **The motion carried.**

13. FINANCE COMMITTEE TRAINING

Mr. Bell shared a list of best practices and added that the Finance Committee is really comparable to an Audit Committee. As you review best practices of an Audit Committee, we are already performing consistent with such standards. He said everyone on the Committee needs to be qualified to serve on a finance committee, or financially literate, and one member must have experience in finance or accounting. That role is filled by Mr. Veloz. The Committee has a written Charter approved by the Board and we have a Roadmap showing those responsibilities set out in the Charter.

Mr. Bell said typical responsibilities of this Committee includes oversight of external auditors, including review of all audit reports, with the best practice of Committee members talking and meeting with the auditors privately at least annually. This Committee also regularly reviews and assesses the auditor's independence and performance.

The Chair asked about the length of service of our current auditors and Mr. Veloz asked if that is something we will need to put out an RFP for in the near future. Mr. Bell said Sarbanes-Oxley for SEC registered companies requires a change in audit firms. YHI is not subject to the requirements of Sarbanes-Oxley, however we believe it is a best practice. We also think it allows for partner change but it has to be someone that has not been involved at all in prior audit engagements. Mr. Kelly said Harris & Co has been retained twice for 3 year engagements. YHI will be moving away from Harris & Co at the end of that second 3-year agreement (at the end of FY'19), unless we believe they can meet the independent Audit partner stipulation. The Chair noted Harris & Co's excellent performance over the period of their engagement with YHI.

Mr. Bell added that the Finance Committee meets regularly and discusses with management the review of quarterly and annual financial statements. When the Committee looks at risk management, forecasting, expense management and risks to the business are all best practices. We spend a great deal of time talking about impacts to revenues and expenses and the associated risks. From that standpoint, this Committee functions very well.

In relation to business risk management, we address that by ensuring we have adequate insurance coverage in all areas. YHI consults with an outside counsel, Mr. Riley, to review the policies we look at so the risk is mitigated given Mr. Riley's expertise. The only change to our current practices we would make is to provide a summary to this Committee of what Mr. Riley does before we purchase an insurance contract. Dr. Livingston suggested a risk register that can be presented to the Board, similar to what was done when YHI was created.

Mr. Bell concluded that the Finance Committee appears to be following current best practices for successful oversight and governance of YHI's finance and accounting functions.

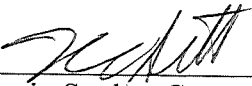
14. NEXT MEETING

The next two meetings will be the budget meetings that will be held in late February, leading up to the March Board meeting.

15. ADJOURN

There being no further business before the Committee, the Chair adjourned the meeting at 10:05 a.m.

Signed and respectfully submitted,



Kevin Settles, Committee Chair