

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

**FINANCE COMMITTEE
MINUTES
DECEMBER 8, 2015**

1. COMMITTEE MEMBERS PRESENT

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

2. OTHERS PRESENT

- Mr. Trent Cummins, Your Health Idaho
- Mr. Pat Kelly, Your Health Idaho
- Ms. Cheryl Fulton, Your Health Idaho
- Ms. Wanda Smith, Your Health Idaho
- Ms. Lori Wolf, DHW
- Mr. Greg Kunz, DHW
- Mr. Norm Varin, Pacific Source Health Plans
- Ms. Carlie Foster, Lobby 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. Jeff Agenbroad, Chair of the Committee (the Chair), at 8:00 a.m., Thursday, December 8, 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 roll and determined that Mr. Settles, Mr. Veloz, Rep. Packer (via teleconference), Ms. Geyer-Sylvia, Dr. Livingston and Senator Rice were present resulting in a quorum.

5. PRIOR MEETING MINUTES

Motion: Mr. Settles moved to approve the meeting minutes from the September 9, 2015 and September 17, 2015 Finance Committee meetings as presented.

Second: Mr. Veloz.

The motion carried.

6. REVIEW AGENDA

There were no changes made to the agenda.

7. REVIEW ROADMAP

The Chair said the action items this quarter include reviewing and recommending to the Board for approval the FYQ1 financials, the Delegation of Authority amendments, and the Auditor RFP. Looking ahead to February, he noted that the Committee will review the first pass of the FY 2017 budget and sustainability analysis and review and recommend the Audit RFP selection. In March, the Committee will take a second pass at the FY 2017 budget and sustainability analysis for CY 2016 and look at policies around employee continuing education and training, key accounting policies and changes to the travel policy. There will also be conversations around best practices and sustainability and staff will gather relevant info from other exchanges to aid in this process.

8. RFP FOR AUDITOR

Mr. Cummins said the grant funding, enabling legislation and CMS all require YHI to have an annual audit. Harris and Co. has performed the last 3 audits. YHI is now required to post a new RFP to cover these services. This new RFP will be issued for fiscal years 2016 through 2018 for auditing services to include a Financial Audit, OMB Circular A-133, and Programmatic Audit for CMS.

Mr. Cummins said it is also recommended that YHI establish a Proposal Evaluation Team (PET) consisting of the Executive Director (Pat Kelly), the Controller, (Trent Cummins), and the Finance Committee Chair (Jeff Agenbroad).

The timeline for the RFP includes the Finance Committee motion to proceed today, the Board delegation back to the Finance Committee on December 17th, the release of the RFP in early January 2016, the review of responses by the PET in mid-February 2016, and finally the PET recommendation and contract execution in March 2016. The draft RFP has been included in the packet of materials today.

Motion: Senator Rice moved that the Finance Committee recommend to the Board that the Board authorize the Finance Committee to (1) conduct an RFP for Auditing Services (for FY'16 through FY'18), (2) establish a Proposal Evaluation Team (PET) to evaluate responses to the RFP, (3) accept the recommendations of the PET, and (4) execute the contract in an amount consistent with sustainability model.

Second: Mr. Veloz.

The motion carried.

9. DELEGATION OF AUTHORITY

The Chair noted that the changes to the Delegation of Authority (DOA) include two changes around signatures and approval levels.

The Chair proposed the first change regarding invoice approvals. He said the current policy requires anything \geq \$500,000 must have 3 approvals (Executive Director, Controller and Board Member). The proposed policy change would still require 3 approvals, but instead of the Board member approval, it would need to be approved by the Director level employee that is responsible for that vendor/invoice. Currently, the Director responsible for the vendor makes recommendations for payment, but cannot formally approve invoices.

Ms. Geyer-Sylvia wondered if every invoice has a purchase order or approval with it. Mr. Cummins said the approval is attached. She is concerned that all expenditures have an approved purchase order or contract/SOW associated with them and is already approved by the Board. There was additional discussion around the approval process currently used at YHI.

Mr. Cummins said the second change is around check and ACH approvals/signatures. The current policy requires dual signatures from the Executive Director and a Board member (Chair, Vice-Chair or Treasurer) for any payments \geq \$5,000. The proposed policy change would require a single signature by the Executive Director for anything under \$50,000 and then for payments \geq \$50,000, a dual signature by the Executive Director and a Board member (Board Chair, Vice-Chair or Treasurer). This proposed change would reduce dually signed checks/ACH by 65%.

Ms. Geyer-Sylvia asked if the auditors have been consulted on the dollar levels of these proposals. The Chair said that every check that is signed has backup and approvals from the appropriate people. Mr. Cummins added that no, we have not run this through the auditor. Ms. Geyer-Sylvia suggested that Mr. Cummins investigate the dollar levels to make sure that YHI is protected. Mr. Settles said this is a big step up in dollar amounts and agreed with Ms. Geyer-Sylvia that the auditor should be consulted. Senator Rice suggested we consult the auditor before approving the motion. Levels that should have 2 signatures and also who might be an appropriate staff member for signatures for the in-between level.

Motion: Senator Rice moved that the Finance Committee recommend that the Board accept the changes to the Delegation of Authority, an appendix to the Procurement Policy, that have been reviewed and presented today, with the agreement that staff will obtain a recommendation for any potential alterations and amendments from the auditor prior to approval at the Board meeting on December 17.

Second: Mr. Settles.

The motion carried.

Ms. Geyer-Sylvia suggested we look at our internal controls annually. Mr. Kelly said that YHI has auditing standards that must be adhered to (OMB Circular A-133, Government Accounting Standards, and GAAP) and internal separation of duties as well as this Delegation of Authority so there is a broad set of controls that YHI adheres to. Ms. Geyer-Sylvia pointed out that audits and internal controls are two separate things and suggested reviewing internal controls annually.

10. FY16 Q1 FINANCIAL STATEMENTS

Mr. Cummins shared the financial results for the first quarter of operations. Regarding the 1st Quarter OPEX Income Statement, he noted a favorable variance in employee and related costs due to timing of hiring to fill budgeted staff positions. The second item is in the outreach and education category which shows favorability mostly due to the timing of the advertising spend with a small portion of the favorability due to YHI employees being transitioned more efficiently reducing reliance on the vendor. Another item to note is the call center category, which is the shared eligibility services provided by DHW. The budget assumes a flat monthly amount while the actuals reflect July through September, YHI's non-open enrollment months, so this favorability will be offset by future open enrollment month activities and some other changes that will be discussed later in this presentation.

Mr. Cummins said the unfavorability in regards to meetings and travel was driven by staff and a Board member attending the CMS Sustainability conference in Washington D.C. YHI will reduce future travel to remain within budget for the rest of the year. The final item of note is the facility costs. The favorability here is driven primarily by the phone vendor ATT. YHI has renegotiated that contract and, as a result, YHI is seeing considerable savings.

Mr. Cummins walked through the Project Income Statement for the first quarter and said overall, project activities in the first quarter remain within budget with the exception of two categories. Both the Accenture services and the DDI project expenses have unfavorable variances primarily driven by the timing of the budget compared to actual activities.

Mr. Settles asked about the enrollment numbers and if they are under the fairly conservative estimates. Mr. Cummins said the variance here is driven by YHI's estimate, which include the entire calendar year of 2015 and the portion here is just through July. The carriers report to YHI on a monthly basis which includes any adjustments. January to June timeframe adjustments fall into the July timeframe because YHI's books are closed for 2015. The Chair added that the numbers were above budget on number of enrollees but the premiums were slightly under budget. He wondered how that might affect the assessment fee. Possible reasons were briefly discussed by the Committee.

Motion: Dr. Livingston moved that the Finance Committee recommend that the Board approve the 1st quarter financial statements for Fiscal Year 2016 as presented today.

Second: Senator Rice.

The motion carried.

11. FINANCIAL RESULTS THRU OCTOBER 31, 2015

Mr. Cummins reviewed the financials through October 2015 and said the first slide is the financial and enrollment highlights. The next slides are the OPEX and Project income statements. Variances remain stable during the first quarter with the exception of two items. The Accenture services category has a favorable variance primarily driven by the prepayment agreement YHI set up with Accenture as well as the Accenture resources rolling off ahead of schedule. The second favorable item, the DHW DDI, is favorable because YHI had budgeted for all DDI activity to be in October, but after discussions with DHW, the remaining amount in the DDI budget will be used in the remainder of the year.

Ms. Geyer-Sylvia suggested that YHI look at member months instead of a point in time due to members taking premium holidays, which might result in an overestimation of actuals. Mr. Cummins said that when he does his projections, he does include member months and understands this needs to be accounted for in order for projections to be accurate.

Mr. Cummins continued with the assessment fee revenue cash balance through October 2015 and said this is in accordance with YHI's work plan that was approved by CMS that all operational activities are funded by assessment fee revenues. He said the actual withdrawals actually dipped under the budgeted withdrawals as October came to a close. The items that primarily drove that variance include call center temps at YHI starting ahead of schedule and the other was the treatment of insurance policy renewals. Both of these items related to a dollar amount are within budget, but the timing came in ahead of when it was originally scheduled. YHI should recapture that variance by the end of the fiscal year.

12. FORECASTING DISCUSSION

Mr. Cummins reviewed the forecasting process and said the process is similar to the budget development process in early 2015. It is developed from a bottom-up approach with each functional owner updating their own expenses. Mr. Cummins said he used actual expenses and assessment fee revenues through October 2015 and forecasted the remaining 8 months of FY'16 and 12 months of FY'17 using a combination of obligated contracted amounts, functional owner inputs, historical monthly averages, assumed cost of living increase, and assumed 10% cost increase for general operations expenses.

Mr. Cummins said he then took the forecasted results and compared them to the budget for FY16 and FY17 and then came up with new forecasts for FY16 and FY17. The approved FY16 budget is about \$9.7M and the new forecasted budget is roughly \$9.18M. Six major areas of change were identified as compared to the budget.

The first area is salaries and related costs. YHI is projecting a reduction of costs of approximately \$40,000. This is a result of the budgeted staff positions for the 12 months compared to the actual hires for those positions.

The second area is outreach & education with a projected decrease in costs of about \$430,000. This is driven by onboarding of FTE's and reducing reliance on vendor support.

The third area is around professional fees and business insurance and has a projected decrease of about \$111,000. When business insurance plans were renewed, there was some favorability around that. The larger amount of favorability is a result of professional fees dropping and the IT Audit which was moved to FY17.

The fourth area involves office expenses and travel with a projected decrease of about \$84,000, which is primarily driven by the reduction in costs with YHI's phone vendor.

The fifth area is DHW eligibility shared services. Mr. Cummins said he would come back to that momentarily.

The sixth area is around IPAs and Tribal with favorable variance of about \$73,000. Resulting IPA contract renewals in September are coming in under budget and fewer Native American tribes are participating in the tribal portion than originally budgeted for.

Mr. Cummins said looking back at the DHW eligibility shared services, this area is projecting an increase in costs of approximately \$173,000 for FY16. This change resulted from discussions that took place between YHI and DHW in the June/July timeframe of this year where DHW let YHI know of changes to the DHW cost allocation plan. The new plan was put in place to increase accuracy and to align better with CMS requirements. The new cost allocation was not approved until September, at which time discussions were held again to review the cost implications for YHI. From there, we ran projections and came out with a high-end estimate of \$3.1M or \$258,000 per month. YHI informed the Committee about these changes in an email at the beginning of November. Then we looked at the current agreement which has a not-to-exceed amount of \$18.025M with an end date of July 31, 2016. The cumulative amount through October is about \$14M which leaves YHI approximately \$4M budgeted to spend through the end of the agreement. If you take the adjusted amount of \$258,000 per month for the remainder of the contract, that equals about \$2.3M, which leaves YHI with about \$1.7M for DDI expenditures through the rest of the year.

DHW recently shared an actual projection of what call center and eligibility services would be using call volumes and caseloads to date and their estimate was \$2.6M for annual costs, which would equate to about \$2M for the remaining 9 months to provide those services.

Overall, the forecasted amount shows a reduction in expenses of about \$400,000 from the budgeted amount of \$9.7M, to the new forecasted amount of about \$9.2M. This is a fairly lean model and if YHI needed to increase costs in certain areas, these areas previously noted would be areas where we could reduce spend. But if YHI doesn't need to reduce spend, it would serve these areas well to spend up to their approved amount.

Ms. Geyer-Sylvia said it appears that YHI will be coming in under budget and Mr. Cummins said yes, in these areas it would appear that YHI will come in under budget with the exception of the shared eligibility expenses. He said that this forecast shows that the eligibility and shared services will increase from \$2.5M to \$3.1M annually, and this projection shows where we can make that up and what action we can take to offset those increased costs. Mr. Kelly said Ms. Geyer-Sylvia is exactly right that the projected budget looks like it will come in under the original projections.

Senator Rice pointed out that the statute states that state monies are not to be spent on the exchange. CMS required consolidation of the process, resulting in that work done by DHW, but we have to watch the department to make sure they are not moving any costs across. It all needs to be done very carefully.

Mr. Cummins continued with key risks and opportunities that were assumed in this forecast. There are a couple of sensitivities around revenues including premiums and effectuated enrollments, some possible grant funding interruptions or extensions and changes in expenses.

Mr. Cummins said the forecast for FY17 was based on the FY16 assumptions. The assessment fee revenues were adjusted with a favorable variance due to the changes in premium amounts.

Ms. Geyer-Sylvia said we need to look at the history on revenues as closely as we look at our expenses. She said the average premium will likely be lower because people tend to buy down on policies. Mr. Kelly said the percentage was provided by the Department of Insurance (DOI) and based on the changes from last year to this year. Mr. Settles added that this is only a 3% increase which shouldn't result in a large change in forecasted revenues. Ms. Geyer-Sylvia said she would like to see how the DOI ended up on an average 23% premium increase as it seems an unlikely number. Revenue history should be a very refined guess in the future and the process for coming up with this number will be critical.

Last slide is the sustainability projection slide which incorporates all of the forecasted changes, use of grant dollars, assessment fee revenues, etc. The forecasted sustainability line closely mirrors the projected numbers. Mr. Veloz asked why the line dips in the November/December timeframe. Mr. Cummins said that is a result of call center costs, outreach and education activities, and other open enrollment activity expenses.

13. DHW COST ALLOCATION

Ms. Wolff from the Department of Health & Welfare (DHW) shared the cost allocation model. First, the Department has two main goals. The first one is meeting the responsibility of ensuring no state or federal funds are used for YHI activities. The second goal is the department wants to make sure that the services they provide are sustainable and in line with the sustainability of the exchange. DHW was able to leverage certain infrastructures and opportunities that exist within the department. The cost allocation plan is approved through CMS and a federal cost allocation entity. DHW has about 400 staff members processing eligibility and within those 400, about 15 FTE's are assigned to Your Health Idaho in the cost allocation plan. This doesn't mean that at any given time only 15 people are working on behalf of YHI. During open enrollment that number goes much higher and then outside of open enrollment it goes much lower. DHW uses a cost allocation method that takes into account random moment time studies and caseloads. CMS says the Idaho plan is very good because a high portion of the cost is allocated to the Medicaid program because Medicaid determination comes first.

Greg Kunz explained that in the call center, they do random moment time studies which shows us that 50% of the staff is doing YHI work at any given period of time. This can vary depending on many factors, but the average is 50%. This is applied to tech support on the phone system and the interpreter. The YHI case count is buried in the allocation process. 29% of DHW cases have

something to do with YHI, 11% of the cases are YHI and about 3% of staff time is charged to YHI.

As for technology, there are two pieces. One is the maintenance of the eligibility system where DHW extracts all technology related items that are not related to YHI. This results in 11% of the automated systems paid for by YHI. Second is the DDI work which is whenever there is a benefit to the Medicaid program, it is charged to Medicaid even if it benefits YHI. Realistically, the Affordable Care Act spent so much on Medicaid, if YHI or another program benefits, it is inconsequential. It is very straightforward in determining how much to charge YHI.

The OMB Circular A87 Exceptions, which apply to all programs, means when YHI has costs, and when DHW uses 90/10 for Medicaid automation, YHI does not pay for that. When DHW uses 75/25 for a portion of the APTC eligibility costs, YHI does not pay for that. When DHW uses operational infrastructure for Medicaid, department infrastructure for Medicaid, or business supports for Medicaid, YHI does not pay for that. Other programs at DHW also benefit from this.

Ms. Geyer-Sylvia asked how frequently the department changes the cost allocation method. Ms. Wolff said DHW changed it this year and it is approved and an additional change is not anticipated in the near future.

Senator Rice said this methodology is within the guidelines of how to determine the actual cost for various programs that the OMB has put out and then checked as an accurate reflection by CMS. He asked if there had been inquiries on how this is being done from legislators or the public at this point. Ms. Wolff said they have not had inquiries, however, DHW now has a federally-approved cost allocation plan that ensures the proper dollars are being charged to YHI.

The Chair asked if there were a Medicaid expansion, how would this affect YHI within the model. Ms. Wolff said should Medicaid allocations increase, because this is still layered, it would work exactly the same and would likely not affect costs to YHI at all.

The Chair asked if they see any major changes in the cost allocated to YHI as we work to budget for next year. Ms. Wolff said no, that the biggest impact to the numbers would be the hits on the random case study - number of calls, number of changes, etc.

14. ADJOURN

There being no further business before the Committee, the Chair adjourned the meeting at 10:15 a.m.

Signed and respectfully submitted,



Jeff Agenbroad, Committee Chair