



**Idaho Health Insurance Exchange
DBA Your Health Idaho**

**Finance Committee Minutes
Friday, February 18, 2022**

Committee Members Present

- Mr. Kevin Settles, Chair
- Mr. Greg Donaca, Vice Chair (via videoconference)
- Dr. Cynthia Fairfax
- Ms. Tara Malek (via videoconference)
- Representative Rod Furniss (via videoconference)

Others Present

- Mr. Pat Kelly, Your Health Idaho
- Mr. Kevin Reddish, Your Health Idaho
- Ms. Meghan McMartin, Your Health Idaho
- Ms. Julie Sparks, Your Health Idaho

1. Call to Order

Following proper notice in accordance with Idaho Code Section 74-204, the Finance Committee meeting of the Idaho Health Insurance Exchange (Exchange) was called to order by Mr. Settles (Chair) at 3:01 pm, Friday, February 18, 2022, at the offices of Your Health Idaho. In accordance with Idaho Code Section 74-203 (1), the meeting was open to the public and streamed in video conference format via GoToMeeting and the Idaho Public Television web site. Members of the public were encouraged to access the audio stream by dialing into a telephone number and view the materials by accessing a meeting link that were included in the notice of meeting posted on the Exchange Board's website, social media platforms, and at the meeting location.

2. Roll Call

Chair Settles called roll and determined that Mr. Donaca, Ms. Malek, and Representative Furniss were present, resulting in a quorum. Dr. Fairfax arrived at YHI (Your Health Idaho) offices at 3:03 pm. Senator Rice and Shane Leach for Director Jeppesen were absent.

3. Prior Meeting Minutes

Chair Settles asked if there were any changes to the minutes from the prior meeting and there were none.

Motion: Ms. Malek moved to approve the meeting minutes from the December 2, 2021, finance committee meeting as presented today. **Second:** Mr. Donaca **The motion carried.**

4. Review Agenda

Chair Settles reviewed the agenda, no changes were made.

5. Review Roadmap

Chair Settles reviewed the roadmap, no changes were made.

6. Financial Results October through December 2021

Your Health Idaho (YHI) ended up with negative net operating income for the second quarter which is not unusual due to the seasonality of our operating costs surrounding open enrollment. However, we beat budget for the quarter by \$200,000 by controlling expenses and we had strong revenue, so it was still a good quarter.

Assessment fee revenue was \$2.3 million compared to budget of \$2.4 million. This negative variance is driven primarily by lower average premiums than anticipated, as well as lower enrollments.

Our biggest cost for the quarter was personnel and related costs such as meetings and conferences. We were slightly unfavorable for the quarter, which is primarily driven by salary actions that we took in October, as well as being more fully staffed than we have been at other times during the year.

Marketing and outreach shows about \$100,000 in favorability, which is due to timing of when invoices come in versus when our budget was planned out.

Professional fees include primarily legal and HR costs and were favorable by about \$20,000.

General operating includes facility costs, travel, and IT subscriptions. The favorability of about \$50,000 is due to lower facility costs, less travel than planned, and timing of IT software subscriptions.

Eligibility and enrollment is a combination of our GetInsured and Department of Health and Welfare (DHW) costs and our temporary services for customer facing roles. The

primary driver of this favorability is the lower than anticipated DHW and temp service costs. (\$173,000)

The last item, connectors or enrollment counselors, is on budget since those are fixed-cost contracts.

Year to date (YTD), through December 31, YHI expects to be about \$175,000 unfavorable for assessment fees, primarily driven by lower than expected average premiums.

Expenses are expected to be favorable by \$732,000, which is split almost evenly between favorability in personnel related costs, marketing, and eligibility and enrollment.

Regarding financial results for View Pointe, overall revenue was unfavorable for the quarter by about \$10,000, which is related primarily to recovery income associated with electricity and other common expenses that are recovered from the tenants. Operating expenses were also unfavorable by about \$3,000, due to some necessary landscaping updates that were done in the fall. Overall, net income was \$111,000 for the quarter, which is \$18,000 unfavorable.

YTD through December, our revenue is essentially on budget at \$437,000. Operating expenses are \$143,000, which is about \$20,000 over budget and that is primarily driven by some one-time repairs to our HVAC system and higher electrical costs during the summer.

Net income was \$237,000 for the quarter, which is unfavorable to the budget by about \$25,000. Also of note are our capital expenditures. The backup generator in October was \$10,000 more than the budget. As such, capital expenditures are unfavorable. Since the budget was spread evenly through the year, that unfavorability will diminish throughout the year.

Mr. Donaca asked if the income shown included the imputed lease charges that YHI pays or if it was just the rent income from other tenants.

Mr. Kelly responded that it includes rent that is imputed for YHI. It is included to ensure that property management fees are calculated correctly.

Mr. Donaca commented that overall, he thinks that the P&L is great and that the purchase of the View Pointe building is proving to be a very wise decision.

Chair Settles asked if we expect to see continued expenses savings for the remainder of the year.

Mr. Kelly replied that we expect to see some significant savings from DHW, but the personnel related items should be very close to budget by the end.

Motion: Dr. Fairfax moved that the finance committee recommend to the board the approval of the financial results through December 31, 2021, as presented today. **Second:** Mr. Donaca **The motion carried.**

7. FY22 Financial Forecast

The forecast for FY22 is from July 2021 through June 30, 2022.

We expect YHI operations revenue to be above budget, primarily driven by grant income as we have a shortfall in assessment fee revenue. Assessment fee revenue will be short by about \$339,000. The short fall due to lower premiums is \$371,000 which is offset by \$32,000 due to higher than expected enrollments. Operating expenses are also projected to be lower by almost \$800,000, driven by marketing spend, temporary services, and DHW related costs.

View Pointe revenue is expected to be on budget and expenses are expected to miss budget by about \$20,000 due to the one-time repairs and higher electrical costs from the warm summer. It was previously thought that we were going to have to replace our fire panel. A second vendor was able to make the existing fire alarm panel work and that replacement cost of \$40,000 was deferred for now.

Moving to enrollments, YHI ended up with about 79,600 enrollments for January 2022. A breakout by percentage of enrollments shows the largest market share belongs to SelectHealth and Blue Cross of Idaho. There was nice growth in our dental space, as well as with our new carriers EMI and Molina.

Enrollment projections are shown for the plan year, which is January through December 2022. We expect to see some fluctuations in our enrollments as carriers re-start billing practices that had been put on hold as we worked through our backlog of tax credit applications. The projections assume the Public Health Emergency (PHE) will lift, resulting in higher enrollments starting in July and August. There are about 24,000 enrollments that are protected Medicaid that are believed to be Advance Premium Tax Credit (APTC) eligible, and we have assumed that we would get about half of those enrollments when the PHE lifts.

Chair Settles asked if the people who will lose coverage when the PHE lifts will be informed about YHI.

Mr. Kelly replied that when the PHE lifts, DHW will go through the redetermination process to determine eligibility. DHW will send the information for people who are APTC eligible to YHI and we will do direct outreach to those people to ensure that they know that they need to come onto the exchange, select a plan, and complete their enrollment. We will also connect them with agents in their area and have repeated outreach to make sure everyone gets through the final steps to ensure coverage.

Moving to YHI operations' quarterly income statement with a full year forecast compared to FY22 budget. For assessment fees, we are projecting to end the year at about \$9.3 million, which is about \$300,000 lower than budget. As mentioned earlier, that is driven almost entirely by lower than expected average premiums. Grant income is planned for the second half of this financial year. We have finally been approved to draw funds from our grant and we will begin that process next week. The grant income will ensure that we beat budget; we expect to end the year at \$2.3 million, about \$700,000 higher than the original budget.

Overall operating expenses are projected to be about \$9.7 million, which is about \$800,000 below budget. Our personnel related costs are projected to be right at budget. Marketing is favorable by about \$180,000 and DHW costs drive the remaining savings.

Chair Settles asked if the costs would go back up when we switch to GetInsured.

Mr. Kelly responded that overall, eligibility and enrollment costs will go up slightly in FY23, then they will go up by a little over \$1 million in FY24.

Overall, we are expecting net operating income to be favorable to budget by \$1.5 million.

Mr. Donaca asked if the grant expenses will show up in the capital expenditures or if they will be under operating expenses.

Mr. Kelly replied that the grant is made up of both operating and capital expenditures, with all but about \$400,000 of the \$1.1 million being capital and the rest is operating.

Mr. Donaca then asked if the operating and capital expenditures of the grant were accounted for separately.

Mr. Kelly responded that all of the costs that we included in the grant were already budgeted so we will essentially be reimbursed for costs in our existing budget. It will be primarily in a lift to our cash balance. There should not be any change to the budget or the actual expenditures that we expect to have.

Dr. Fairfax asked if the grant was something that we sought out or if it was just given to us.

Mr. Kelly replied that this grant was part of ARPA. About \$20 million was set aside for the purpose of education on the enhanced subsidies and exchange modernization.

Moving on to the View Pointe forecast, revenue should be very close to budget with a bit of unfavorability in our operating expenses due to HVAC and electrical costs. There was some depreciation expense that was higher than expected which is due to some repairs that we capitalized as well as the generator. Overall, net income will be \$32,000 under budget, primarily driven by the operating expenses and the incremental depreciation, but still generating a good cash flow.

The next slide is a consolidated look at the overall forecast. For the full year, we expect to have \$11.2 million in revenue, which is almost \$700,000 above budget. That is due to grant income offset by lower assessment fee income. Operating expenses are expected to be right at \$10 million for the year, about \$750,000 favorable to budget. Overall, net income should be \$485,000 which is \$1.5 million better than budget for this year.

At this point, there were some technical difficulties and the recording failed to capture audio for the remainder of the meeting. From this point, these minutes are largely taken from the slides. Some questions and discussion are included but do not capture all discussions in their entirety.

8. FY23 Expense Budget

Budget Overview and Commentary

We expect the staffing challenges that dominated 2022 will continue to do so and we have developed a budget that aligns with YHI's compensation policy which states that we "provide compensation that is market competitive as well as internally equitable ... and to retain and motivate highly-qualified employees."

Market and economic realities over the past year drives the need at all levels of the organization to retain and attract a highly qualified workforce. Several external forces, such as COVID and federal policy, will continue to place increased demands on the organization.

The primary change for the View Pointe budget is an increase in operating expense due to increased labor costs for vendors.

a) Budget Assumptions: Preliminary Revenue

While the focus of this meeting is on expenses, projected revenue through 2029 is included to give an overall view of financial performance.

We expect to see reductions of assessment fees in PY25 and PY26, with rates down 2.19% and 2.09%, respectively. Premium trends align with market dynamics and exchange competition. Enrollment trends align with real-time eligibility, population changes, and strategic initiatives.

b) Budget Assumptions: YHI Operations

The proposed budget is aligned with what YHI needs to be successful in FY23 and beyond. New technology and retaining and motivating highly qualified people are the primary tools YHI needs to be successful.

Compensation and the proposed headcount in the FY23 budget is critical to ensuring YHI delivers on our promises to Idahoans and positions us to meet our strategic goals.

Merit assumed at 3% is consistent with current practices and historical norms. Market at 7% for FY23 reflects national economic trends and growth in the Treasure Valley and assumes market will return to traditional levels in FY24 and beyond.

Given market dynamics, YHI requested a compensation survey from HR Precision. Findings include that merit remains in the traditional 3% range for most companies with a few going to 3.5% or 4.0%. Market adds another 2% to 3%. The compensation survey and discussions with HR Precision indicate a 6-7% total compensation pool is more common. It was noted that market dynamics are moving more swiftly than compensation data supports.

Mr. Kelly noted that the Governance committee meets on March 1 and any recommended changes will be incorporated into the final budget to be presented to this committee on March 7.

Mr. Donaca asked if any of the merit/market adjustment would be held back for use later in the year.

Mr. Kelly stated that we had not done a person by person analysis of compensation adjustments, so it is difficult to answer this directly. However, YHI has historically tried to carry some extra funds forward for unanticipated costs.

Employee benefits assume 15% growth in medical, with historical increases for other programs.

Business insurance assumes 12% growth, which is consistent with historical experience.

Always Present marketing and outreach continue.

Real-time eligibility is included and nominal DHW costs beginning July 1, 2022.

New Customer Support Center technology will be deployed in the first quarter of FY23, which is expected to drive efficiency and improve the customer experience.

YHI has also looked at lessons learned from open enrollment 2022. While real-time eligibility will address the technology challenges, we also need to address the potential for staffing challenges.

FY23 assumes a total of 52 customer facing headcount, both direct hire and seasonal, to ensure we can deliver on our customer experience.

For redundancy, YHI has conducted preliminary discussions with GetInsured to serve as an overflow support center if staffing challenges do not improve for open enrollment 2023. Given the preliminary nature of these discussions, these costs are not included in BAU.

c) Budget Assumptions: Capital Expenditures and View Pointe

FY23 captures the first of six payments for Eligibility Design Development and Implementation of \$183,000. With the focus on real-time eligibility, technology enhancements will be minimal in FY23. The FY23 budget assumes technology enhancements of \$150,000. The CSC technology platform assumes \$100,000 for implementation and upfront non-recurring charges. Other capital expenditures are assumed at \$100,000 for break/fix items and contingency.

Regarding View Pointe, revenue aligns with current leases and assumes lease renewal for existing tenants. Expenses reflect current contracts and CPI increase of 3%. Capital expenditures of \$60,000 is break/fix contingency, there are no specific capital expenditures planned.

d) YHI Operations Quarterly Income Statement

FY23 Assessment fee income is projected to increase by \$1.4 million compared to FY22. This is driven by \$1.3 million due to higher enrollments and \$100,000 due to higher premiums.

Grant income is expected to be minimal due to the grant period of period ending September 2022.

Expenses relating to personnel are projected to \$1.1 million higher year over year driven by \$268,000 in backfilling open positions, \$158,000 in new hires, \$319,000 in merit/market adjustments, \$317,000 in benefits and payroll taxes, and \$102,000 other expenses.

Representative Furniss asked what was included in other. Mr. Kelly said that other includes items such as the commuting stipend and other minor incentive programs YHI leverages to recognize exceptional performance.

Capital expenditures are projected to be lower than FY22 by \$266,000 which is driven by fewer technology enhancements due to focus on real-time eligibility.

e) View Pointe Quarterly Income Statement

Total income is projected to be \$28,000 higher than FY22. This is driven by annual lease increases for existing tenants.

Total operating expenses are expected to be \$6,000 lower than FY22, driven by \$9,000 CPI increase which is offset by one-time expenditures in FY22.

9. Financial Sustainability

The long-term cash forecast was reviewed and show the strategic investments drive revenue growth and lower assessment fee in PY25 and PY26.

Cash balance remains above the cash reserve threshold while lowering the assessment fee in 2025 and 2026.

10. Scenario Planning and Sensitivity Analysis

YHI evaluated several different scenarios including operational dynamics, federal policy, enrollment growth rates, and premium fluctuations. Each scenario's impacts are captured separately but can be mixed and matched. It is possible that parts of different scenarios could occur simultaneously, but the financial impacts would likely be only partially additive.

a) Federal Public Health Emergency (PHE)

The current budget assumes the PHE will end on June 30, 2022.

This scenario assumes that the PHE does not end until December 31, 2022, and enrollment growth in 2023 does not increase above BAU levels. This would drive a cash decline of \$547,000 for FY23.

The likelihood of this scenario is medium to low.

b) Premium Increases Do Not Occur

The current budget assumes premium growth of 1% in PY23 and then increases at medical inflation, with PY24 being 7% and PY25 being 5%.

This scenario assumes smaller premium increases in PY24 and PY25. which would reduce cash in FY24 by \$268,000 and FY25 by \$721,000.

The likelihood of this scenario is low.

c) Enrollment Growth (Enhanced Subsidies End)

BAU assumes 18% enrollment growth in PY23 due to strategic initiatives.

This scenario assumes 10% per annum growth through PY25 and corresponding operating expense savings. No assessment fee change is assumed. This change would drive a reduction in cash of \$258,000.

The likelihood of this scenario is low to medium.

d) Assessment Fee

The current budget assumes the assessment fee remains at 2.29% for FY23.

This scenario assumes an assessment fee increase in 2023 to 2.39% with 0.1% point reductions in following years settling at 2.09% in PY26 2.09%. This scenario generates and additional \$283,000 in cash for FY23.

The likelihood of this scenario needs to be discussed.

e) 1332 Reinsurance Waiver

There is a proposed 1332 waiver which may drive about a 4% decrease in premiums in 2023 from what is assumed in the budget.

This scenario demonstrates what assessment fee and enrollment growth would be needed to maintain cash balances in the proposed budget.

The likelihood of this scenario is to be determined.

11. Financial Policy Review

As part of our ongoing internal review process, one financial policy, the IHIA Financial Policy Guidelines, was reviewed to ensure alignment with operational practices. These guidelines were last updated in April 2020. Updates made during this review include changes to reflect the manual process to sweep funds in excess of the \$250,000 FDIC limit, an inclusion of “dba Your Health Idaho” and other minor grammatical changes.

Mr. Settles asked if we should add that the sweep process could be either manual “or” automated.

Mr. Kelly agreed this would be a smart addition to the policy.

Motion: Dr. Fairfax moved that the finance committee recommend to the board the approval of the Financial Policy Guidelines as presented today, including the suggested edit to add “or” to the policy. **Second:** Ms. Malek **The motion carried.**

12. FY22 Goals Update

Operational goals were set in March 2021, prior to YHI taking over the APTC eligibility work from DHW. Goal metrics were not revisited after the decision to take over APTC eligibility and therefore do not reflect attainable goals. Staffing challenges added additional barriers to achieving our goals.

After much discussion internally, YHI has distilled three possible options for the FY22 goals for the open enrollment period of performance.

1. Goals that are set and approved by the board are what we measure against. We do not deviate from those goals once approved.
Outcome: \$0 payout for the goals that are missed.
Impacts: Despite the staffing challenges, system limitations, and increased demand for health insurance, team members worked tirelessly to serve Idahoans. Not paying anything seems to run counter to YHI's cultural value of Do the Right Thing.
2. Revisit goal metrics and bring to the board for approval.
Outcome: Possible payout would require resetting metrics which are difficult to determine given the backlog, operational impacts from Covid, and ongoing system limitations.
Impacts: Determining a new baseline and associated metrics would take time. Energy could be better used to ensure successful launch of the new eligibility system and ensuring the team has the right tools in place for success this fall.
3. Pay out goals at 80% threshold which is middle tier payout level. This would recognize the incredible work of the team during YHI's most challenging year.
Outcome: Payouts would align with period of performance for goals and provide recognition of the team's efforts.
Impacts: Aligns with the extraordinary effort by the team in the face of oftentimes insurmountable odds. Matches payout with incenting the right behaviors with the team which, at the very core, is what variable goals are intended to do.

Mr. Settles asked how much money was associated with these goals.

Mr. Kelly stated that the Idahoans' Experience was about \$20,000 and the Risk Management goal was about \$11,000.

Mr. Donaca commented that Delta Dental had experienced a similar situation in prior years. About 85% of the Delta Dental entities chose something similar to options three while the remaining 15% chose option one. Mr. Donaca felt comfortable that option three was the best option for YHI.

Mr. Settles agreed with Mr. Donaca.

Mr. Kelly noted that he would report back to this committee following the Governance committee discussion on this topic.

Regardless of goal payout decision, YHI would continue to track goal metrics as they are a key tool for managing KPIs.

YHI would also move the Gallup survey to August to reflect the new eligibility system and ensure we have a baseline to compare against for future years.

Continuing to a summary of the progress on FY22 operational goals, The Idahoans' Experience goal includes First Contact Resolution, Turn Around Time, and Net Promoter Scores. All three categories were below threshold for payout during the open enrollment period of performance.

For Retention and Enrollment, April enrollments are projected at 76,000 which is right at the 60% threshold. This means no compensation for most YHI team members.

For the Risk Management goal, proper reporting and response rates for the initial phishing campaign were 92% and 6.8%, respectively, which is the 60% goal threshold.

There is still a lot of pressure on our Low-Cost Promise goal, but it is slightly above the 80% threshold for payout.

Regarding Employee Engagement, COMPASS card participation is at the 60% threshold with 71%. High customer volume and open enrollment have created some challenges with participation. Employee Engagement task force recommendations are being finalized and will be deployed post open enrollment.

13. Next Meeting

The next meeting will be held on Monday, March 7 at 8:00 a.m.

14. Adjourn

There being no further business before the committee, the Chair adjourned the meeting at 4:50 pm.

Signed and respectfully submitted,



Kevin Settles, Committee Chair