Idaho Health Insurance Exchange
DBA Your Health Idaho

Finance Committee Minutes
Monday, March 7, 2022

Committee Members Present

- Mr. Kevin Settles, Chair
- Mr. Greg Donaca, Vice Chair
- Dr. Cynthia Fairfax
- Ms. Tara Malek (via videoconference)
- Representative Rod Furniss (via videoconference)
- Mr. Shane Leach for Director Dave Jeppesen (via videoconference)

Others Present

- Mr. Pat Kelly, Your Health Idaho
- Mr. Kevin Reddish, Your Health Idaho
- Ms. Meghan McMartin, Your Health Idaho
- Ms. Frances Nagashima, Your Health Idaho
- Ms. Julie Sparks, Your Health Idaho
- Mr. Robert Schmidt, Milliman (via videoconference)

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 8:05 a.m., Monday, March 7, 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 Dr. Fairfax, Ms. Malek, Representative Furniss, and Mr. Leach for Director Jeppesen were present, resulting in a quorum. Mr. Donaca arrived at YHI (Your Health Idaho) offices at 8:08 a.m. Senator Rice was 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:** Dr. Fairfax moved to approve the meeting minutes from the February 18, 2022, Finance Committee meeting as presented today. **Second:** Ms. Malek. 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. **Milliman Premium and Revenue Forecast**

Mr. Schmidt stated that the model is updated every year with data from the open enrollment period, insurer market data, and other publicly available data. This model includes medical and pharmacy benefits only.

This year, we looked at a real-time eligibility system change. We assumed a potential increase of 5% in enrollment for 2023, which is above the .8% baseline that we have been using as an enrollment increase.

There are several potential upcoming changes in legislature but the only one we are looking at is the potential end of protected Medicaid. Other than that, the model does not include any impact due to future legislative changes to the Affordable Care Act (ACA) or Idaho state law. Any changes made may have a significant effect on enrollment and premium estimates.

Mr. Schmidt began with a base projection (Scenario 1) which looks at monthly members and assessment revenue through 2028. The projection starts with 2021 actuals for context then shows projected trends from 2022 through 2028.

2021 ended with around 66,000 average monthly members. Based on early enrollment information in January we are seeing an uptick and projecting an average of 77,000 for 2022 and gradually trending up at about .8% per year.

Assessment revenue is sitting at about $10 million this year. It goes up with headcount and it also goes up with trend on premiums. After 2022, that is assumed to be about 5% per year.
Mr. Schmidt said that the scenarios presented model successive changes. Scenario 2 assumes a 5% bump in in enrollment in January 2023, caused by the implementation of the new system.

Scenario 3 layers another potential change, which is the assumption that the Public Health Emergency (PHE) ends in July of this year. It is estimated that enrollment could go up by 10,000 at that time. That enrollment increase is projected to occur between July and October, because it would take time for the enrollment to phase up. This means that an increase would be seen in 2022 but the full impact to the average monthly member increase would be felt in 2023.

Scenario 4 assumes the previous scenario but projects a decrease to 2023 enrollment growth from 5.0% to 4.0% due to the potential end of the reduced maximum premium allowed under the American Rescue Plan Act (ARPA). In 2021, ARPA expanded Advance Premium Tax Credits (APTC) to individuals with household income above 400% of the federal poverty level.

Dr. Fairfax asked if population growth, specifically from people moving to Idaho from other states, had been factored into the scenarios.

Mr. Schmidt responded that they use population projections from the Idaho Department of Labor and are projecting overall population growth. He said that the scenarios reflect some of the commonly accepted population projection parameters.

Mr. Kelly commented that in the most recent open enrollment, YHI saw a one percentage point increase in enrollments aged 55-64. We believe that was caused by a combination of people moving into the state and part of the great resignation from early retirees. Several national studies have shown that a large portion of people who have left the workforce are ages 55-64, which roughly correlates to what we saw in terms of an increase in enrollment in that demographic. Anecdotally, we hear that a lot of people who are moving here are maintaining their jobs elsewhere, which could indicate employer sponsored coverage.

Mr. Donaca stated that the assumptions shown assume the PHE will end in June. He asked if there would be much change to the model if the PHE is extended.

Mr. Schmidt replied that the amount of change to the model would depend on how long the PHE was extended. If it is extended, the increase shown from 2022 to 2023 would be delayed.

Chair Settles asked Mr. Kelly if the PHE had been officially extended.

Mr. Kelly replied that there is no official statement from Health and Human Services (HHS), however, it is generally understood that it will be extended. On February 18, President Biden issued a letter to the Speaker of the House and the Senate Pro Temp that the PHE would be extended.
Chair Settles asked where Idaho was sitting in comparison to other states.

Mr. Schmidt replied that Idaho has several programs that help the individual market and we have had a reinsurance program for a long time. There is a bill going through the Idaho legislature to allow for an application for a 1332 waiver that would help put more money into the individual market to help keep premium rates reasonable.

7. FY23 Budget

Mr. Kelly stated that YHI typically has two Finance Committee meetings relating to the FY23 budget. The first meeting on February 18 was focused on expenses. The Governance Committee met on March 1 to review compensation and employee related expenses. There were no changes recommended and they recommended to the board approval of the compensation plan as well as the staffing changes. That means that there were no updates to expenses for YHI operations or for capital expenditures.

For View Pointe, there were minor changes to operating expenses as they relate to YHI tying out to our property manager’s recommendation. We also added a small contingency given some of this year’s unexpected expenses, and there was no change to capital expenditures for View Pointe.

The primary change to the summary of the revenue by plan year from 2023 through 2029 is the assessment fee increasing to 2.49% for plan year 2023 and beyond. The PHE is assumed to continue through the end of 2022. Enrollment trends align with real-time eligibility, population changes, and strategic initiatives.

Comparing YHI’s budget assumptions to Milliman projections, YHI’s average premium reflects medical and dental enrollments vs. medical only for Milliman model. This difference is reflected in the respective projections for average premiums and member months. Despite these differences, YHI is projecting assessment fee revenue to be lower in plan years 2023 and 2024.

Representative Furniss asked how the numbers would change if the PHE was lifted.

Mr. Kelly replied that it depends on when it is lifted. An easy way to look at it is for every 1,000 enrollments, that is $10,000 in revenue. We earn about $10 per member, per month for assessment fees. When it is lifted and how many people choose a plan with YHI would dictate the change in revenue.

Representative Furniss asked if the PHE were lifted today, how would that affect it over a 12-month period. He added that there is a bill (HCR 40) to end the emergency status.

Mr. Kelly responded that there are roughly 108,000 Idahoans that are on protected Medicaid; about 23,000 of those may be eligible for APTC. However, it is not an automatic enrollment process so those consumers would have to come onto the exchange and select a plan, which means that there would be some people who do not complete
that process. We have estimated that about 10,000 of those individuals will select a plan on the exchange. That would be $100,000 per month. If you annualized that over a 12-month period, you could see $1 million.

Chair Settles asked Representative Furniss if the bill he mentioned was a federal bill or a state bill.

Representative Furniss replied that it is a state bill to not accept funding.

Mr. Kelly added that he did not think the bill would lift the PHE, which is what drives protected Medicaid. He said that it would be important to understand how the bill would interact with the PHE if it passed.

Chair Settles asked if the federal funding would go through the state to the carrier or directly to the carrier.

Mr. Kelly stated that it was his understanding that what created protected Medicaid is an increased Federal Medical Assistance Percentage (FMAP), which is Medicaid funding directly to the state. He said that it is unclear to him whether that would effectively lift the rules on what is keeping people on Medicaid. He added that it is a continuing resolution so it would not require Governor Little’s signature.

Mr. Kelly moved on to review the seven-year Consolidated Income Statement, which is projected through the expiration of the GetInsured contract in 2029. The current budget runs a net operating income deficit in fiscal year 2023. This is primarily because the operating expenses are for a full 12 months, whereas the assessment fee revenue only recognizes the change in the assessment fees for six months. Investment in strategic initiatives drives enrollment and revenue growth. Expenses assume a return to more traditional year over year increases in fiscal year 2024. The cash balance remains above the cash reserve threshold of $6 million.

The quarterly financials show fiscal year 2023 broken down by quarter with a comparison to our most recent fiscal year 2022 forecast.

The primary driver for revenue increase year over year is increased enrollments. That is to align our enrollments with our strategic investments, real-time eligibility, always present advertising, increasing the number of agents and brokers who we work with, and overall market trends that are seen with potential population growth. There is a slight offset due to the premiums, but overall, we expect assessment fee revenue to grow by about $1.1 million.

The decline in grant revenue is due to the period of performance for the grant with only three months in FY23 vs ten months in FY22.

Operating expenses are projected to go up just over $2 million year over year. This increase is driven by a number of factors.
Personnel related expenses are expected to increase by $1.2 million. These costs consist of backfills and new hires in both FY22 and FY23, the commuting stipend, merit and market recommendations, and benefits and payroll taxes.

Marketing and outreach see an increase due to having nine months of always present advertising in FY22 vs 12 months in FY23.

Other expense items of note are a new call center platform driving an increase in general operating expenses. An increase in eligibility and enrollment of $550,000 is primarily driven by $430,000 in real time eligibility, with $120,000 for seasonal staffing. We want to make sure that we have enough people to serve Idahoans for open enrollment in 2023. We will have one of the largest numbers of customer facing roles that we have ever had at 52, made up of both seasonal and direct hires.

Depreciation shows a slight increase, which is primarily driven by the real time eligibility asset. That is offset by longer useful life of those assets given the GetInsured contract period.

Our capital expenditures investment for FY23 shows a decline of about $260,000. That is primarily driven by our major focus on real time eligibility, meaning less bandwidth to do other technology enhancements in the coming year.

Representative Furniss asked how many of the operating expenses are one-time costs.

Mr. Kelly replied that there are some costs for capital expenditures that we expect to be non-recurring charges for the new customer support center (CSC) technology. Other than that, there are no one-time costs in the FY23 operating budget.

Mr. Donaca questioned a difference in slides seven and nine, which show a net loss of $1.4 million and $1.9 million, respectively.

Mr. Kelly responded that the consolidated statement on slide seven includes the View Pointe building and slide nine is YHI operations only.

Mr. Donaca asked what percent of total expenses are fixed vs variable.

Mr. Kelly replied that approximately 70% of YHI’s costs are either fixed or semi-variable. It is important to note that changes to variable expenses, such as marketing or personnel costs, could drive a corresponding decline in enrollment.

Looking at the View Pointe Quarterly Income Statement, revenue is primarily driven by rent income. We have confirmed intent to renew with any tenant whose lease is expiring so we are comfortable with the assumption for revenue. The only change to operating expenses since we met in February is that we added $12,000 of contingency and tied out to the property management’s recommendation for the operating costs of the building. The building is still a tremendous investment, and we expect it to generate almost
$600,000 net operating income. There has been a rate of return of almost 12% on our investment; that does not account for appreciation of the property value itself.

Looking at the cash balance of the proposed budget through 2029, investment in strategic initiatives drives enrollment growth. This budget assumes a change in assessment fee to 2.49% in plan year 2023. Cash balance remains above cash threshold.

Dr. Fairfax asked if the cash reserve is $6 million or $8 million.

Mr. Kelly replied that the assumption is $6 million, which is six to nine months of operating expenses, depending on the time of year.

Chair Settles stated that YHI and the board came up with that amount back in the early days of the exchange when its future was uncertain. It was determined that if the exchange was legislated out of existence, it would cost approximately $6 million to unwind the business. He stated that if we were to dip below the $6 million threshold, the ability to meet our obligations would be greatly diminished.

Mr. Kelly added that the cash balance historically has remained above the minimum threshold. YHI has generally held that additional money for things that require significant changes to our system based on federal policy. While we do not articulate exactly how much that might be, it would not take a large change for it to be a six to seven figure expense.

For all financial models that are considered, countless scenarios are run. Those have been distilled down to two scenarios for today as we discussed other scenarios during the first meeting.

The first assumes no change to the assessment fee, meaning it would run at 2.29% through the end of 2029. This scenario puts us well below our minimum cash threshold relatively quickly.

The second scenario assumes increasing the assessment fee to 2.39%. In this scenario, we do not dip below the minimum threshold as quickly as in the previous scenario, but it still does not provide us with the cash balance that we would need for any federal policy changes.

Chair Settles commented that when the exchange was started, the decision was made to fiscally mimic a state agency, with the fiscal calendar aligned with the state’s, running July 1 through June 30. However, our revenue is tied to the carriers who run their fiscal year January 1 through December 31. He said that this means that we are essentially keeping track of two different budgets and that it is difficult to ensure that we are still whole at this point next year when we can modify our fee. We prefer to err on the side of having enough cash.

Mr. Donaca asked what the federal assessment fee is and if anything had been heard regarding a potential change to that fee.
Mr. Kelly replied that the equivalent federal fee is 2.75% and will remain as such through the end of plan year 2023 with no indication of change.

Mr. Donaca stated that the modeled scenarios show the average premium increasing through 2026 and then decreasing. He asked Mr. Kelly for an explanation of what would cause that.

Mr. Kelly replied the fluctuations seen in the average premium are based primarily on market dynamics and competitive factors, so more competition in plan year 2023 is expected. Medical and overall inflation will catch up in 2024 and 2025 with stabilization afterward.

Chair Settles commented that YHI has always been proud of the fact that our assessment fee is below the federal assessment fee. He asked Mr. Kelly how much has been saved by Idahoans being on the state exchange vs the federal exchange.

Mr. Kelly replied that $41 million has been saved by Idahoans since the beginning of the exchange. He added that the gap was larger in the early years but that our assessment fee has always been substantially lower than that of the federal exchange.

Chair Settles noted that the amount saved is not inconsequential and that when we are looking at possibly raising our assessment fee, even though it is just two tenths of a percent, we need to be cognizant of that spread and our overarching mission to provide health insurance as affordably as possible.

Representative Furniss remarked that he has been in insurance for 35 years and has yet to see premiums reduce due to market value. He said that he disputes the average premium going down as shown in the model.

Mr. Kelly said that YHI saw a 6% decline in premiums for plan year 2022 and they were relatively stable in 2021 as well.

Chair Settles stated that while it sounds unrealistic, the committee has been reviewing the financials for a year and we missed budget because the average policy came in under the amount that was forecast.

Representative Furniss said that in the model, the cash does not dip below $6 million until about 2026, then we see the premiums drop from $436 to $411 in 2029. He stated that he thinks that is an aggressive drop, especially considering health insurance inflation over the years.

Mr. Kelly stated that we plan for cash above the minimum threshold to account for policy changes that need to be reflected in our technology. The $6 million cash reserve is only for operating expenses.

Chair Settles requested a motion to recommend increasing the assessment fee to 2.49% for plan year 2023. He said that he thinks that 2.49% is a legitimate request and a smart
move. He added that wages in his industry are up 11% and he expects wage pressure to continue for some time. He is comfortable with the proposed increase to help support the overall health of the organization.

Mr. Donaca said that YHI’s plans are just a subset of the plans at Delta Dental and these plans have a low margin. He said that when more carriers come onto the exchange it increases competition and could possibly reduce premiums. Mr. Donaca stated that he is comfortable with the increase to 2.49% as 0.2% is not much of an increase and still well below the federal rate. He thinks it is important to continue to grow that $41 million that Idahoans have saved on the state exchange to show the value of the state plans.

Chair Settles said that increasing the assessment fee is not something that we take lightly and asked Mr. Kelly how many times YHI has changed the assessment fee.

Mr. Kelly replied that we have not changed the assessment fee since 2018.

**Motion:** Dr. Fairfax moved that the Finance Committee recommend to the board the assessment fee of 2.49% for Plan Year 2023. **Second:** Mr. Donaca. Representative Furniss voted no. The motion carried.

**Motion:** Dr. Fairfax moved that the Finance Committee recommend to the board approval of the Fiscal Year 2023 YHI operating expense budget at a not-to-exceed amount of $11,775,207 as presented today. **Second:** Ms. Malek. The motion carried.

**Motion:** Dr. Fairfax moved that the Finance Committee recommend to the board approval of the Fiscal Year 2023 YHI capital expense budget at a not-to-exceed amount of $533,000 as presented today. **Second:** Mr. Donaca. The motion carried.

**Motion:** Dr. Fairfax moved that the Finance Committee recommend to the board approval of the Fiscal Year 2023 View Pointe operating expense budget at a not-to-exceed amount of $261,144 as presented today. **Second:** Mr. Donaca. The motion carried.

**Motion:** Dr. Fairfax moved that the Finance Committee recommend to the board approval of the Fiscal Year 2023 View Pointe capital expense budget at a not-to-exceed amount of $60,000 as presented today. **Second:** Mr. Donaca. The motion carried.

8. **Next Meeting**

Ms. Sparks will be reaching out to schedule the next committee meeting and the next board meeting will be held next Friday, March 18.
9. Adjourn

There being no further business before the committee, the Chair adjourned the meeting at 9:18 a.m.

Signed and respectfuully submitted,

[Signature]

Kevin Settles, Committee Chair