

FILED
JUN 15 2021
Department of Insurance
State of Idaho

BEFORE THE DIRECTOR OF THE DEPARTMENT OF INSURANCE

STATE OF IDAHO

In the Matter of:

BOISE MUNICIPAL HEALTH CARE
TRUST

Idaho Registration No. 4257

Docket No. 18-3928-21

**ORDER ADOPTING REPORT
OF EXAMINATION AS OF
DECEMBER 31, 2019**

The State of Idaho, Department of Insurance (“Department”), having conducted an examination of the affairs, transactions, accounts, records, and assets of Boise Municipal Health Care Trust (“Boise Municipal”), pursuant to Idaho Code §§ 41-4113 and 41-219(1), hereby alleges the following facts that constitute a basis for issuance of an order, pursuant to Idaho Code §§ 41-4113(3) and 41-227(5)(a), adopting the Report of Examination of Boise Municipal Health Care Trust as of December 31, 2019 (“Report”), as filed.

FINDINGS OF FACT

1. Boise Municipal is an Idaho-domiciled joint public agency self-funded health care plan, which was duly registered with the Department on December 31, 2013, under Registration No. 4257.

2. The Department completed an examination of Boise Municipal, pursuant to Idaho Code §§ 41-4113 and 41-219(1) and (5) on or about May 21, 2021. The Department’s findings are set forth in the Report.

3. Pursuant to Idaho Code § 41-227(4), a copy of the Report, verified under oath by the Department's examiner-in-charge, was filed with the Department on May 21, 2021, and a copy of such verified Report was transmitted to Boise Municipal on May 24, 2021. A copy of the verified Report is attached hereto as Exhibit A.

4. On or about June 3, 2021, the Department received a Waiver from Boise Municipal signed by Jodi L. McCrosky, Chairperson. By execution of such Waiver, a copy of which is attached hereto as Exhibit B, Boise Municipal consented to the immediate entry of a final order by the Director of the Department ("Director") adopting the Report without any modifications; waived its right to make a written submission or rebuttal to the Report; and waived its right to request a hearing and to seek reconsideration or appeal from the Director's final order.

5. No written submissions or rebuttals with respect to any matters contained in the Report were received by the Department from Boise Municipal.

CONCLUSIONS OF LAW

6. Idaho Code § 41-227(5) provides that "[w]ithin thirty (30) days of the end of the period allowed for the receipt of written submissions or rebuttals, the director shall fully consider and review the report, together with any written submissions or rebuttals and relevant portions of the examiner's work papers" and shall enter an order adopting the report of examination as filed or with modifications or corrections, rejecting the report and reopening the examination, or calling for an investigatory hearing.

7. Having fully considered the Report, the Director concludes that the Report should be adopted.

ORDER

NOW, THEREFORE, based on the foregoing, IT IS HEREBY ORDERED that the Report

of Examination of Boise Municipal Health Care Trust as of December 31, 2019, is hereby ADOPTED as filed, pursuant to Idaho Code § 41-227(5)(a).

IT IS FURTHER ORDERED, pursuant to Idaho Code § 41-227(8), that the adopted Report is a public record and shall not be subject to the exemptions from disclosure provided in chapter 1, title 74, Idaho Code.

IT IS FURTHER ORDERED, pursuant to Idaho Code § 41-227(6)(a), that, within thirty (30) days of the issuance of the adopted Report, Boise Municipal shall file with the Department's Chief Examiner affidavits executed by each of its directors stating under oath that they have received a copy of the adopted Report and related orders.

DATED and EFFECTIVE this 15 day of June, 2021.

STATE OF IDAHO
DEPARTMENT OF INSURANCE



DEAN L. CAMERON
Director

NOTIFICATION OF RIGHTS

This is a final order of the agency. Any party may file a motion for reconsideration of this final order within fourteen (14) days of the service date of this order. The agency will dispose of the motion for reconsideration within twenty-one (21) days of its receipt, or the motion will be considered denied by operation of law. See Idaho Code § 67-5246(4).

Any such motion for reconsideration shall be served on the Director of the Idaho Department of Insurance, addressed as follows:

Dean L. Cameron, Director
Idaho Department of Insurance
700 W. State Street, 3rd Floor
P.O. Box 83720
Boise, ID 83720-0043

Pursuant to Idaho Code §§ 67-5270 and 67-5272, any party aggrieved by this final order or orders previously issued in this case may file a petition for judicial review in the district court of the county in which:

- i. A hearing was held;
- ii. The final agency action was taken;
- iii. The party seeking review of the order resides, or operates its principal place of business in Idaho; or
- iv. The real property or personal property that was the subject of the agency action is located.

A petition for judicial review must be filed within twenty-eight (28) days of: (a) the service date of this final order, (b) the service of an order denying motion for reconsideration, or (c) the failure within twenty-one (21) days to grant or deny a motion for reconsideration, whichever is later. *See* Idaho Code § 67-5273. The filing of a petition for judicial review does not itself stay the effectiveness or enforcement of the order under appeal. Idaho Code § 67-5274.

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that, on this 15th day of June, 2021, I caused a true and correct copy of the foregoing ORDER ADOPTING REPORT OF EXAMINATION AS OF DECEMBER 31, 2019 to be served upon the following by the designated means:

Boise Municipal Health Care Trust
Attn: Alex Alvarez
P.O. Box 500
Boise, ID 83701-0500

☐ first class mail
☒ certified mail
☐ hand delivery
☐ email

Eric Fletcher
Chief Examiner, Company Activities Bureau Chief
Idaho Department of Insurance
700 W. State Street, 3rd Floor
P.O. Box 83720
Boise, ID 83720-0043
eric.fletcher@doi.idaho.gov

☐ first class mail
☐ certified mail
☐ hand delivery
☒ email

Edith L. Pacillo
Lead Deputy Attorney General
Idaho Department of Insurance
700 W. State Street, 3rd Floor
P.O. Box 83720
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☐ hand delivery
☒ email



DEPARTMENT OF INSURANCE

STATE OF IDAHO



REPORT OF EXAMINATION

Of

BOISE MUNICIPAL HEALTH CARE TRUST
(joint public agency health care plan)

as of

December 31, 2019

EXHIBIT

 A

exhibitsticker.com

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Boise, Idaho
May 21, 2021

The Honorable Dean L. Cameron
Director of Insurance
State of Idaho
700 West State Street
P.O. Box 83720
Boise, Idaho 83720-0043

Dear Director:

Pursuant to your instructions, in compliance with Idaho Code §§ 41-219(1) and 41-113(1), we have conducted an examination as of December 31, 2019, of the financial condition and corporate affairs of:

Boise Municipal Health Care Trust
150 N. Capitol Boulevard
Boise, ID 83701

Hereinafter referred to as the "Trust", at its offices in Boise, Idaho. The following report of examination is respectfully submitted.

SCOPE OF EXAMINATION

Period Covered

We have performed our full-scope single state examination of Boise Municipal Health Care Trust. The last exam was completed as of December 31, 2014. This examination covers the period of January 1, 2015 through December 31, 2019.

Examination Procedures Employed

The examination was conducted in accordance with Idaho Code §§ 41-219(1) and 41-4113(1). Due to the nature of the Trust, the examination was conducted as a modified risk-focused examination; key exhibits from the NAIC Financial Condition Examiners Handbook were utilized and customized as appropriate for this examination.

The Trust retained the services of certified public accounting firms to audit its financial records. Eide Bailly, LLP audited years 2015, 2016, 2018 and 2019, and Grow Rasmussen LLP audited 2017. Eide Bailly, LLP allowed the examiners access to requested work papers prepared in connection with its 2019 audit. The external audit work was relied upon where deemed appropriate.

All accounts and activities of the Trust were considered during the examination process. The initial phase of the examination focused on evaluating the Trust's corporate governance and control environment, as well as business approach, in order to develop an examination plan tailored to the Trust's individual operating profile.

The examination determined the risks associated with identified key functional areas of the Trust's operation and considered mitigating factors. Interviews were held with the Chairperson of the Board of Trustees ("Trustees"), the Benefit Liaison, and the Financial Liaison of the Trust to gain an understanding of the Trust's operating profile and control environment.

The examination relied on the findings of the actuarial firm, Lewis & Ellis, Inc., contracted by the Idaho Department of Insurance ("Department") to review the Trust's Incurred But Not Reported (IBNR) liability.

A letter of representation certifying that administrative staff disclosed all significant matters and records was obtained from the Chairperson and the Plan Administrator and included in the examination working papers.

Status of Prior Examination Findings

Our examination included a review to determine the current status of the ten (10) examination findings in our preceding Report of Examination, dated December 31, 2014 which covered the period from October 1, 2008 to December 31, 2014. We determined that the Trust had satisfactorily addressed all of those examination findings.

SUMMARY OF SIGNIFICANT FINDINGS

Our examination did not disclose any material adverse findings or any adjustments that impacted the Trust's reported fiduciary net position.

SUBSEQUENT EVENTS

The following is a summary of significant events that occurred subsequent to December 31, 2019 and prior to the report date:

On March 11, 2020, the World Health Organization declared the spreading Novel Coronavirus Diseases, COVID-19, a pandemic. On March 13, 2020, the United States declared the COVID-19 pandemic as a national emergency. COVID-19 has created economic disruptions on a global scale which has led to uncertainty about the overall economic impact to financial markets. At this time, the full effect of COVID-19 on the Trust is unknown. In a coordinated effort, the Trust and the Department will continue to monitor the effects of the pandemic to the Trust.

HISTORY

General

The City of Boise ("City"), as the plan sponsor and employer, created the Trust effective January 1, 2005. The purpose of the Trust is to receive contributions to the Health Care Plan Trust established by the City; hold, manage, and invest Trust property and income thereon; make distributions from the Trust fund; and be responsible for the Trust's long term financial stability, among other things.

The Trust was registered with the Department as a self-funded health care plan under the name "City of Boise Employee Health Care Plan Trust" effective December 19, 2005, and registered and regulated under Title 41, Chapter 40, Idaho Code.

On August 27, 2013, the City and Valley Regional Transit ("VRT") executed a Joint Powers Agreement ("JPA") for the purpose of establishing a joint public agency self-funded health care plan. The Trust changed its registration with the Department from a single employer self-funded

health plan regulated under Title 41, Chapter 40 to a JPA self-funded health plan subject to registration and regulation under Title 41, Chapter 41, Idaho Code, effective December 31, 2013. With this change, Certificate of Registration Number 4257 was granted to the Trust to transact business in the State of Idaho. The new Trust's name is Boise Municipal Health Care Trust. Employees of VRT were eligible to participate in and receive health care benefits of the Trust effective January 1, 2014.

Through an amendment to the Trust Agreement and the JPA, Community Planning Association of Southwest Idaho ("COMPASS") became a new party to the Trust effective January 1, 2015. Starting that date, employees of COMPASS were eligible to become members/beneficiaries of the Trust and received optional health care benefits provided by the Trust.

The Trust provides optional health care benefits to all employees who regularly work at least 20 hours per week, and their dependents, or a retiree from City, VRT, and COMPASS. Coverage commences on the first day of the month following a 60 day waiting period.

CORPORATE RECORDS

The meetings of the Trustees were conducted on a monthly basis for all the years under examination. All regular and special meetings of the Trustees are open to the public and as part of each agenda, there was an opportunity for public participation.

The minutes contained high-level descriptions of information discussed about the Trust's administrative, financial, legal, and quality improvement activities that are necessary to maintain a financially sound Trust Fund.

The minutes indicated that the Trustees approved the Treasurer's Report. Idaho Code § 41-4109(4) states that no investment shall be made unless authorized in writing by the board and shown in the records of the trust fund. The Treasurer's Report includes a record showing the type of investment purchased or disposed during the month. The minutes also indicated that the Trustees approved the quarterly reserves, the annual funding projections, audited financial statements, and changes to the investment policy.

The Prior Examination Report as of December 31, 2014, was distributed to the Trustees on October 19, 2018, and reviewed at the Trustees meeting on October 24, 2018, in accordance with Idaho Code § 41-227 (6) (a).

MANAGEMENT AND CORPORATE GOVERNANCE

The bylaws of the Trust indicated the number of Trustees may be five (5) members appointed by the Boise City Council and one (1) member from each additional public agency elected by the governing body of that public agency as its representative. The members appointed by the Boise City Council are voting members of the Trustees and are subject to term limits. Trustee terms begin on January 1 of each year and are for a term of two (2) years and until his or her successor is appointed. Voting Trustees can serve no more than three (3) full consecutive terms. The members appointed by the governing body of each additional public agency member shall be non-voting members of the Trustees and shall not be subject to any term limits.

The Trustees also includes non-voting members or administrative staff as needed. The nonvoting members include a benefits liaison and a financial liaison(s). The benefit liaison is appointed to the Trustees by the City's Department of Human Resources Director and serves as the Trust Secretary who sets the meeting agendas, present items for discussion, and facilitates Trust meetings. The financial liaison is appointed to the Trustees by the City's Department of Finance and Administration Director and provides the Trustees with budget and financial assistance as needed, and presents the Treasurer's Investment Report on a quarterly basis.

The following persons served as Trustees of the Trust as of December 31, 2019.

<u>Name</u>	<u>Principal Occupation</u>
<i>Voting Members</i>	
Craig Croner Boise, Idaho	Administrative Services Senior Manager City of Boise
Rebecca Hupp Boise, Idaho	Airport Director Boise Airport
Jodi McCrosky Boise, Idaho	Police Support Services Manager City of Boise
Sharon Jensen Boise, Idaho	Manager, IT Planning & Analysis City of Boise
James Parle Boise, Idaho	PW Supply/Inventory Specialist City of Boise

Non-Voting Members

Kelli Badesheim
Boise, Idaho

Executive Director
Valley Regional Transit

Megan Larsen
Boise, Idaho

Director of Operations
Community Planning Association of Southwest Idaho

Alex Alvarez
Boise, Idaho

Payroll & Benefits Manager; Trust Benefit Liaison
City of Boise

David Hasegawa
Boise, Idaho

Deputy Treasurer; Trust Financial Liaison
City of Boise

Effective January 16, 2020, Craig Croner and James Parle were no longer Trustees. Kyle Patterson, Enterprise Data Strategist for the City, and Ryan McPherson, Fleet Maintenance Supervisor for the City, became Trustees effective January 16, 2020.

Effective January 14, 2021, Rebecca Hupp was no longer a Trustee. Steve Burgos, Public Works Director for the City, became a Trustee effective January 14, 2021.

The Trust's bylaws authorize the Trustees to establish subcommittees necessary to effectively conduct the business of the Trust. The subcommittees are organized on an as needed basis and may be temporary or permanent. As of December 31, 2019 there were no operating subcommittees.

Section 4 of the Trust Agreement provides for principal officers to consist of the positions of Chair and Vice Chair. The Chair and Vice Chair each serve a two-year term and are elected by majority vote of the Trustees at the first regular Trust meeting of each calendar year. The Chair and Vice Chair can serve multiple two-year terms. Section 3.2 of the bylaws provides the role of the Trust Secretary to be a Trust officer role.

The following persons served as officers of the Trust as of December 31, 2019.

Craig Croner, Chair
Rebecca Hupp, Vice Chair

Alex Alvarez, Trust Secretary

Rebecca Hupp was appointed as Chair effective January 16, 2020 replacing Craig Croner. Jodi McCrosky was appointed as Vice Chair effective January 16, 2020 replacing Rebecca Hupp.

Jodi McCrosky was appointed as Chair effective January 14, 2021 replacing Rebecca Hupp. Kyle Patterson was appointed as Vice Chair effective January 14, 2021 replacing Jodi McCrosky.

The Audited Financial Statements identify the City as a related party. The Trust reimburses the City for managerial and administrative duties performed by its Human Resources and Finance Departments. Additionally, the Trust reimburses the City for a Wellness Specialist who is a full time employee performing duties for the trust.

The Trust had the following agreements in effect at December 31, 2019:

Service Agreement

Effective on March 12, 2019, the Trust entered into a Service Agreement with the City. The agreement is automatically renewed for successive one calendar-year terms on the first day of January of each year until canceled by either party. The Amended and Restated Boise Municipal Health Care Trust Agreement, as amended and restated on December 5, 2019, authorizes the City to provide certain services to the Trust through the City's various departments and authorizes the Trust to pay for those services as provided herein. The City, through assigned City personnel, shall provide the following categories of services to the Trust:

- a. Financial Administration for the Trust - This includes cash management, the preparation and submission of financial reports and statements for internal and external reporting, investment management and transaction services, accounts payable, maintaining financial records, coordination and execution of required audits, and vendor management services related to the bank, auditor and any investment manager;
- b. Benefits Administration for the Trust - This includes day-to-day management of the health and welfare benefits, payroll and information system operations, coordination with the Trust's professional advisors, coordination with the Trust's Board of Trustees, general vendor management, reconciliation of vendor accounts, RFP process, contract negotiation and management, regulatory compliance, clerical support for meeting agendas and logistics, records retention, COBRA administration (as it may apply to the Trust), payment of Trust expenses, collection of employee contributions, communications to Health Plan participants, wellness program administration, reconciliation of participant accounts, and management of City personnel working on Trust matters. The scope of services includes services and advice necessary for the Board of Trustees to meet their fiduciary duties and to achieve the purpose of the Trust to provide health care service benefits to the employees and dependents (beneficiaries) of the public agencies participating in the joint public agency self-funded plan.
- c. Data Security and Privacy - The City agreed that use, storage, and access to data shall be performed with that degree of skill, care, and judgment customarily accepted as professional practices necessary to safeguard the confidentiality, availability, and integrity of data.

The Trust agreed to pay the City for the cost of the Trust related services performed under this Agreement during the calendar year by selected City employees. The annual fee for such services was mutually calculated and agreed upon by the Parties at the end of each calendar year based on a percentage of City employee time and/or pay that is specifically allocated to services for the Trust.

Administrative Services Agreement

Effective on January 1, 2014, the Trust entered into an Administrative Services Agreement with Blue Cross of Idaho Health Service, Inc. ("BCI"). The agreement was automatically renewed for successive 12 months periods until it was not renewed effective January 1, 2017. Under the terms of this agreement BCI provided general administrative services, benefit payment services, and excess of loss coverage to the Plan.

On June 7, 2017, the Trust entered into an Administrative Services Agreement with BCI with an effective date of January 1, 2017. The agreement is automatically renewed for successive twelve month periods until canceled by either party. Under the terms of the agreement BCI is to provide general administrative, benefits payment, run-out of claims, medication and pharmaceutical rebates, provider credit balance audit, provider claims audit and behavioral health management services to the Trust in exchange for a per enrollee per month fee. This agreement was amended effective January 1, 2018 and January 1, 2019 updating several clauses in the original agreement, adding a confidentiality clause, adding a customer feedback and research data clause and changing the amount of fees charged.

Dental Plan Service Agreement

On January 14, 2014, the Trust entered into a Dental Plan Service Agreement with Delta Dental of Idaho ("Delta Dental") with an effective date of January 1, 2014. The agreement continues in full force and effect until the expiration of the initial term of the Trust's Dental Plan and renews automatically with the renewal of the Trust's Dental Plan. Under the terms of the agreement Delta Dental is to provide all of the administrative services for the Trust related to the Trust's dental plan including but not limited to: plan design, provider access to the Delta Dental provider network, initial adjudication, processing and payment of claims, in exchange for a per participant per month fee.

Effective January 1, 2016, the Trust entered into the Dental Blue Connect Master Group Contract and Enrollee Certificate ("Dental Blue Connect") with Blue Cross of Idaho Health Service, Inc. ("BCI"). The Trust agreed to pay a specified percentage of the premium for each eligible employee, and a specified percentage of the premium for each eligible dependent, for the dental coverage underwritten by BCI. As a result, effective January 1, 2016, the Trust offered two dental plans; the first plan had three tiers and was administered by Delta Dental of Idaho ("Delta Dental") (Comprehensive Dental, Core Dental, and Preventative Dental) and the second was the Dental

Blue Connect plan that was underwritten by BCI. Delta Dental is a standard PPO plan with deductibles and in/out of network costs. An employee can visit any practicing dentist that accepts Delta Dental. The Dental Blue Connect plan is on a per procedure fee basis and services can only be rendered at Willamette dental clinics.

On January 16, 2019, the Trust entered into a new Dental Plan Service Agreement with Delta Dental with an effective date of January 1, 2019. The agreement continues in full force and effect until the expiration of the initial term of the Trust's Dental Plan and renews automatically with the renewal of the Trust's Dental Plan. Under the terms of the agreement Delta Dental is to provide all of the administrative services for the Trust related to the Trust's dental plan including but not limited to: initial adjudication, processing and payment of claims, enlisting dentists, generating reports, and customer service functions which includes participant identification cards and provider directories, in exchange for a per participant per month fee.

Subsequent to the examination date on September 5, 2019, the Trust entered into a new Dental Plan Service Agreement with Delta Dental with an effective date of January 1, 2020. This new agreement updated the compensation terms to reflect a per participant per month fee that was set for the period of January 1, 2020 through December 31, 2021.

Custody Agreement

Investments of the Trust were held under a custody agreement with U.S. Bank National Association effective July 3, 2018.

FIDELITY BONDS AND OTHER INSURANCE

A fidelity bond policy for the protection of the Trust against employee dishonesty was maintained through the period under examination under an authorized insurer in the State of Idaho. The Trust does not have employees. Receipts and disbursements are handled by the City, for which the Trust does have a service agreement. Pursuant to Idaho Code § 41-4114(3), the board is required to cause all individuals handling receipts and disbursements for the trust fund to be covered under a dishonesty insurance policy or surety bond in specified amounts. The coverages provided in the fidelity bond policy were in excess of the highest requirement of Idaho Code § 41-4114 so the Trust had sufficient fidelity bond coverage.

No other insurance coverages in the name of the Trust were in place due to the Trust being administered by the City through a service agreement.

TERRITORY AND PLAN OF OPERATION

As of December 31, 2019, the Trust was licensed in Idaho as a JPA self-funded health plan. Operations of the Trust are performed at the City office in Boise, Idaho. Operations related to claims are handled by Blue Cross of Idaho Health Service, Inc. and Delta Dental.

The Trust provided medical, dental, pharmacy, and vision benefits to approximately 2,900 individuals. These individuals included employees, retirees and their dependents from City, VRT, and COMPASS.

GROWTH OF THE TRUST

A summary of significant financial data for the fiscal years covered by this examination is presented below based upon the audited financial statements filed by the Trust with the Department.

<u>Year</u>	<u>Total Assets</u>	<u>Total Liabilities</u>	<u>Total Fiduciary Net Position</u>	<u>Total Contributions</u>	<u>Total Contributions to Total Fiduciary Net Position</u>
2015	\$5,980,123	\$1,159,514	\$4,820,609	\$15,186,470	315%
2016	\$7,526,274	\$1,270,715	\$6,255,559	\$16,105,032	257%
2017	\$8,512,338	\$1,359,756	\$7,152,582	\$17,179,302	240%
2018	\$10,382,803	\$1,316,889	\$9,065,914	\$17,699,017	195%
2019	\$10,587,749	\$1,672,895	\$8,914,854	\$18,142,280	204%

Contributions increased during the examination period due to the combination of increased membership and rate increases. Total assets and total fiduciary net position increased over the examination due to the favorable claims experience from 2015 to 2018.

REINSURANCE

Assumed

The Trust did not assume any reinsurance during the examination period.

Ceded

The Trust, in conjunction with the Administrative Services Agreement with BCI has also requested that BCI provide excess of loss coverage pursuant to the terms of the agreement. The period runs on a calendar year and is automatically renew for successive twelve (12) month periods, unless terminated. The agreement provides for the following:

- Specific Excess of Loss Coverage - The Trust has financial responsibility to pay for benefits paid on behalf of a participant until such payment reaches \$200,000. Thereafter, BCI shall have financial responsibility to pay for benefit claims for that participant only if such benefit claims are paid by BCI during the agreement period or during the six months immediately following that agreement period. Effective January 1, 2020, the specific excess loss coverage increased to \$250,000.
- Aggregate Excess of Loss Coverage - BCI agrees to reimburse to the Trust if any amounts paid during the agreement period, or during the six months immediately following that agreement period, exceed the aggregate excess of loss calculated amount. The aggregate excess of loss amount is based on a set factor multiplied by the number of enrollees over twelve months (agreement period).

On October 17, 2019, the Trust was granted a waiver from the Department for the aggregate excess of loss coverage for the 2020 plan year.

ACCOUNTS AND RECORDS

General Accounting

The Trust's business and accounting records were maintained at the office of the City. The Trust uses the information technology capabilities and support of the City. The City's Lawson Software's Human Resource Management and Enterprise Financial Management suites are used for the Trust's revenue, receivables, cash receipts, credit card receipts, accounts payable, disbursements, treasury, financial reporting and close process.

Claims data were maintained by its claims service administrators, BCI on its Administrative Services Contracts Claims and Membership Processing System and Delta Dental on its ProClaim Claims and Membership Processing System.

Independent Auditor

The annual independent audits of the Trust for the years 2015, 2016, 2018 and 2019 were performed by Eide Bailly LLP, Boise, Idaho. In the auditor's opinion, the financial statements of the Trust present fairly the financial position of the Trust in accordance with accounting principles generally accepted in the United States of America.

The annual independent audit of the Trust for the year 2017 was performed by Grow Rasmussen LLP, Boise, Idaho. In the auditor's opinion, the financial statements of the Trust present fairly, in all material respects, the respective financial position of the Trust and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

The annual audited reports for all years under examination were made available for review during the examination. The examination place reliance on the 2019 audit workpapers.

Actuarial Certification

Actuarial certifications for 2015 Incurred But Not Reported (IBNR) claims were prepared by Segal Consulting. Actuarial certifications for 2016 – 2019 IBNR claims were prepared by Arthur J. Gallagher & Co.

Review of the IBNR claim reserve by the examining actuary determined the actuarial methodology utilized in the reserve process to be reasonable and that the IBNR reported at December 31, 2019 is reasonable.

FINANCIAL STATEMENTS

The financial section of this report contains the following statements:

Statement of Fiduciary Net Position as of December 31, 2019

Statement of Changes in Fiduciary Net Position as of December 31, 2019

Reconciliation of Fiduciary Net Position December 31, 2015 through December 31, 2019

Statement of Fiduciary Net Position

	<u>Per Trust</u>	<u>Examination Adjustments</u>	<u>Per Examination</u>
Assets:			
Cash and cash equivalents	\$ 131,445	\$0	\$ 131,445
Accounts receivable	864,978	0	864,978
Interest and dividends	42,518	0	42,518
Investments	9,548,808	0	9,548,808
Total assets	<u>\$10,587,749</u>	<u>\$0</u>	<u>\$10,587,749</u>
Liabilities:			
Accounts payable	\$ 664,895	\$0	\$ 664,895
Incurred but not reported claims liability (IBNR)	1,008,000	0	1,008,000
Total liabilities	<u>\$ 1,672,895</u>	<u>\$0</u>	<u>\$ 1,672,895</u>
Fiduciary Net Position	<u>\$ 8,914,854</u>	<u>\$0</u>	<u>\$ 8,914,854</u>

Statement of Changes in Fiduciary Net Position

Additions:		Examination	Per
	Per Trust	Adjustments	Examination
Contributions:			
Plan members	\$1,212,308	\$0	\$1,212,308
Employer	16,929,972	0	16,929,972
Total contributions	\$18,142,280	\$0	\$18,142,280
Rebates	\$588,656	\$0	\$588,656
Net appreciation of investments	387,809	0	387,809
Total additions	\$19,118,745	\$0	\$19,118,745
Deductions:			
Claims	\$16,554,475	\$0	\$16,554,475
Dental premiums	113,465	0	113,465
Change in IBNR	11,000	0	11,000
Wellness	730,065	0	730,065
Administrative	1,860,800	0	1,860,800
Total deductions	\$19,269,805	\$0	\$19,269,805
Net Change in Net Position	\$ (151,060)	\$0	\$ (151,060)

Reconciliation of Fiduciary Net Position

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Fiduciary Net Position, End of Previous Year	\$4,044,653	\$4,820,609	\$6,255,559	\$7,152,582	\$9,065,914
Net Change in Net Position	<u>775,956</u>	<u>1,434,950</u>	<u>897,023</u>	<u>1,913,332</u>	<u>(151,060)</u>
Fiduciary Net Position, End of Current Year	<u>\$4,820,609</u>	<u>\$6,255,559</u>	<u>\$7,152,582</u>	<u>\$9,065,914</u>	<u>\$8,914,854</u>

Analysis of Changes in Financial Statements Resulting From Examination

There were no adjustments to surplus as the result of the examination.

NOTES TO FINANCIAL STATEMENTS

Note (1) – Cash and Cash Equivalents

The Trust considers cash and cash equivalents to represent demand deposits, cash on hand, and Local Government Investment Pool funds only.

Note (2) – IBNR

The actuarial certification for the year 2015 for incurred but not reported (IBNR) health claims were prepared by Gary L. Peterson, FCA, ASA, MAAA of The Segal Company, Tempe, Arizona.

The actuarial certifications for the years 2016 through 2019 for IBNR health claims were prepared by John Albrecht, ASA, MAAA of Arthur J. Gallagher & Co., Princeton, New Jersey.

The December 31, 2019 statement of actuarial certification stated that the valuation has been conducted in a consistent manner and accordance to generally accepted actuarial principles and practices as set forth in the Actuarial Standards of Practice No. 5 – Incurred Health and Disability Claims.

The IBNR is composed of the following items as presented in the 2019 actuarial certification:

	IBNR Estimate (without margin)	IBNR Estimate (with 10% margin)
Medical	\$851,000	\$ 936,000
Prescription Drug	3,000	3,000
Dental	56,000	61,000
Vision	<u>7,000</u>	<u>8,000</u>
Total	<u>\$917,000</u>	<u>\$1,008,000</u>

Note (3) – Claims Settlement Expense

As of December 31, 2019, the Trust did not establish a claims settlement expense. Typically, a claim settlement expense are those costs expected to be incurred in connection with the adjustment and reporting of health claims and a range of 2%-5% is applied to the outstanding IBNR for unpaid claim adjustment expenses. According to the Idaho Code, there is no requirement for a claims settlement expense.

As of year-end 2019, the Trust's best estimate of the IBNR was \$917,000. The Trust's consulting actuary included a 10% margin on top of the best estimate, for a reported amount of \$1,008,000. Based on claims paid through December 2020, for claims incurred in December 2019 and prior, the hindsight analysis shows a reserve estimate of \$968,455 compared to the reported amount of \$1,008,000 or a sufficiency of approximately 4.1%. Given there is approximately a 4.1% sufficiency in the 2019 IBNR estimate, the examining actuary concluded this sufficiency would cover the estimated claims settlement expense of approximately 2%-5% of the outstanding IBNR.

Note (3) – Payment of Benefits

Claim payments are recorded at the time the third-party claims processor has been reimbursed by the Trust for the payment of the claims. Amounts due to claims processors that have yet to be reimbursed by the Trust are recorded as accounts payable in the accompanying statement of net position.

Note (4) – Fiduciary Net Position

Idaho Code Section 41-4110(3)(d) states that a joint public agency self-funded plan shall establish and maintain in its trust fund surplus of at least the amount certified annually by a member of the American academy of actuaries as sufficient without aggregate stop-loss coverage, but no less than three (3) months of contributions.

The results of this examination disclosed that as of December 31, 2019, the Trust had a fiduciary net position of \$8,914,854 and total contributions of \$18,142,281. Average monthly contributions were calculated to be \$1,511,857 so the Trust's three (3) months of contributions as of December 31, 2019 was \$4,535,570. The Trust's fiduciary net position of \$8,914,854 was determined to be in compliance with Idaho Code Section 41-4110(3)(d).

SUMMARY OF RECOMMENDATIONS

There were no findings and recommendations as a result of the examination.

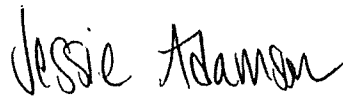
ACKNOWLEDGEMENT

Michael Mayberry, FSA, MAAA, of Lewis & Ellis, Inc., performed the actuarial phases of the examination. In addition to the undersigned, Heidi Carey, CPA, of Idaho Department of Insurance participated in the examination. Jan Moenck, CFE, CIA, CBA, CFSA, CISA, CIRD, of Risk & Regulatory Consulting, LLC, supervised the examination. They join the undersigned in acknowledging the assistance and cooperation extended during the course of the examination by officers and representatives of the Trust.

Respectfully submitted,



Shawn Towchik, CFE
Examiner-in-Charge
Risk & Regulatory Consulting, LLC
Representing the Idaho Department of Insurance

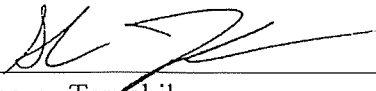


Jessie Adamson, CFE
Deputy Chief Examiner
Idaho Department of Insurance

AFFIDAVIT OF EXAMINER

Texas
Tarrant County

Shawn Towchik, being duly sworn, deposes and says that he is a duly appointed Examiner for the Department of Insurance of the State of Idaho, that he has made an examination of the affairs and financial condition of Boise Municipal Health Care Trust the period from January 1, 2015 through December 31, 2019, that the information contained in the report consisting of the foregoing pages is true and correct to the best of his knowledge and belief; and that any conclusions and recommendations contained in this report are based on the facts disclosed in the information.



Shawn Towchik
Examiner-in-Charge
Risk & Regulatory Consulting, LLC
On behalf of Idaho Department of Insurance

Subscribe and sworn to before me the ____ day of ____, ____, at ____ (City), ____ (State).

Notary Requirement Waived by Department of Insurance Due to COVID-19 Limitations

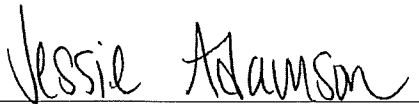
Notary Public

My Commission Expires: _____

AFFIDAVIT OF EXAMINER

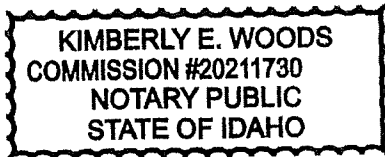
Idaho
Ada County

Jessie L. Adamson, being duly sworn, deposes and says that she is a duly appointed Examiner for the Department of Insurance of the State of Idaho, that she has made an examination of the affairs and financial condition of Boise Municipal Health Care Trust for the period from January 1, 2015 through December 31, 2019, that the information contained in the report consisting of the foregoing pages is true and correct to the best of her knowledge and belief; and that any conclusions and recommendations contained in this report are based on the facts disclosed in the information.



Jessie Adamson
Deputy Chief Examiner
Idaho Department of Insurance

Subscribe and sworn to before me the 21st day of May, 2021, at
Boise (City), Idaho (State).



Kimberly E. Woods, Commission Exp. 04/05/22

State of Idaho
DEPARTMENT OF INSURANCE

BRAD LITTLE
Governor

700 West State Street, 3rd Floor
P.O. Box 83720
Boise, Idaho 83720-0043
Phone (208)334-4250
FAX # (208)334-4398

DEAN L. CAMERON
Director

WAIVER

In the matter of the Report of Examination as of December 31, 2019 of the:

Boise Municipal Health Care Trust

By executing this Waiver, the Company hereby acknowledges receipt of the above-described examination report, verified as of the 21st day of May 2021, and by this Waiver hereby consents to the immediate entry of a final order by the Director of the Department of Insurance adopting said report without any modifications.

By executing this Waiver, the Company also hereby waives:

1. its right to examine the report for up to thirty (30) days as provided in Idaho Code section 41-227(4),
2. its right, after the date of this waiver, to make a written submission or rebuttal to the report prior to entry of a final order as provided in Idaho Code section 41-227(4) and (5),
3. any right to request a hearing under Idaho Code sections 41-227(5) and (6), 41-232(2)(b), or elsewhere in the Idaho Code, and
4. any right to seek reconsideration and appeal from the Director's order adopting the report as provided by section 41-227(6), Idaho Code, or elsewhere in the Idaho Code.

Dated this 3rd day of June, 2021

Boise Municipal Health Care Trust

Jodi L. McCrosky

Name (print)

Jodi L McCrosky

Name (signature)

Chair to the BMHCT

Title

EXHIBIT

B

exhibitstickers.com