

FILED
NOV 02 2021
Department of Insurance
State of Idaho *AT*

BEFORE THE DIRECTOR OF THE DEPARTMENT OF INSURANCE

STATE OF IDAHO

In the Matter of:

UNIVERSITY OF IDAHO HEALTH
BENEFITS TRUST

Idaho Registration No. 3857

Docket No. 18-3992-21

**ORDER ADOPTING REPORT
OF EXAMINATION AS OF
DECEMBER 31, 2018**

The Idaho Department of Insurance (“Department”), in accordance with Idaho Code §§ 41-219(1) and 41-4013(1), examined the affairs, transactions, accounts, records, and assets of University of Idaho Health Benefits Trust (the “Trust”), for the period of January 1, 2014, through December 31, 2018. The Department then prepared a corresponding Report of Examination (“Report”) under Idaho Code §§ 41-227 and 41-4013(3).

Having reviewed the Report and record, the Department’s Director (“Director”) enters this order adopting the Report as filed.

FINDINGS OF FACT

1. The Trust is an Idaho-domiciled self-funded health care plan, which was duly registered with the Department on January 30, 2008, under Registration No. 3857.

2. The Department completed an examination of the Trust under Idaho Code §§ 41-219(1) and 41-4013(1) on or about October 20, 2021. The Report sets forth the Department’s findings.

3. Pursuant to Idaho Code § 41-227(4), the Department's examiner-in-charge filed the verified Report with the Department on October 20, 2021, and the Department transmitted a copy of the Report to the Trust on the same date. A copy of the verified Report is attached as Exhibit A.

4. On or about October 26, 2021, the Department received a Waiver from the Trust signed by Trina Mahoney, Board of Trustees Chair. By executing the Waiver, a copy of which is attached as Exhibit B, the Trust agreed the Director could immediately enter a final order adopting the Report without modification; 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.

CONCLUSIONS OF LAW

5. Idaho Code § 41-227(5)(a) provides that, after "the period allowed for the receipt of written submissions or rebuttals" expires, 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.

6. Having fully considered the Report, the Director concludes that, regarding the matters examined, the Report's comments, findings, and recommendations are appropriate and are incorporated herein as if set forth in full.

ORDER

NOW, THEREFORE, based on the foregoing, IT IS HEREBY ORDERED that the Report is ADOPTED as filed, pursuant to Idaho Code §§ 41-227(5)(a) and 41-4013(3).

IT IS FURTHER ORDERED, pursuant to Idaho Code §§ 41-227(8) and 41-4013(3), 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 30 days of the issuance of the adopted Report, the Trust shall file with the Department's chief examiner affidavits executed by each of its trustees stating under oath that they have received a copy of the adopted Report and related orders.

DATED AND EFFECTIVE this 14 day of November, 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 14 days of the service date of this order. The agency will dispose of the motion for reconsideration within 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 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 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 2nd day of November, 2021, I caused a true and correct copy of the foregoing ORDER ADOPTING REPORT OF EXAMINATION AS OF DECEMBER 31, 2018, to be served upon the following by the designated means:

University of Idaho Health Benefits Trust
Trina Mahoney, Chairman of the Board of Trustees
P.O. Box 443166
Moscow, ID 83844
tmahoney@uidaho.edu

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

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

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

Karl T. Klein
Deputy Attorney General
Idaho Department of Insurance
700 W. State Street, 3rd Floor
P.O. Box 83720
Boise, ID 83720-0043

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



DEPARTMENT OF INSURANCE

STATE OF IDAHO



REPORT OF EXAMINATION

Of

University of Idaho Health Benefits Trust
(self-funded healthcare plan)

as of

December 31, 2018



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Boise, Idaho
October 20, 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 in accordance with the practices and procedures promulgated by the National Association of Insurance Commissioners (NAIC), we have conducted an examination as of December 31, 2018, of the financial condition and corporate affairs of:

University of Idaho Health Benefits Trust
P.O. Box 443166
Moscow, Idaho 83844

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

SCOPE OF EXAMINATION

Period Covered

We have performed our single-state examination of the University of Idaho Health Benefits Trust. The prior exam was completed as of December 31, 2013. This examination covers the period of January 1, 2014, through December 31, 2018.

Examination Procedures Employed

Our examination was conducted in accordance with Idaho Code §§ 41-219(1) and 41-4013(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 a certified public accounting firm, Eide Bailly, LLP, to audit its financial records for the years under examination. The firm provided the examiner with access to requested work papers prepared in connection with its audits. The external audit work was relied upon when 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 Board of Trustee members, as well as key personnel, including the CPA firm, Eide Bailly, LLP, to gain an understanding of the entity's operating profile and control environment.

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

Status of Prior Examination Findings

Our examination included a review to determine the status of the six examination recommendations in our preceding Report of Examination, dated April 20, 2016, which covered the period beginning with January 30, 2008, the Trust's inception, through December 31, 2013. We determined that the Trust satisfactorily addressed all six prior examination recommendations.

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, 2018, 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.

TRUST HISTORY

General

The Board of Regents of the University of Idaho (the “University”), as the plan sponsor and employer, created the Trust effective June 27, 2007, to provide healthcare coverage to eligible employees, as the beneficiaries of the Trust. The Trust was established under Section 115(1) of the Internal Revenue Code of 1986. Effective January 11, 2019, the Trust agreement was restated to amend and clarify certain terms in compliance with Idaho Code, Title 41, Chapter 40. The purposes of the Trust, amongst other things, are to provide for the payment of covered services incurred by its beneficiaries; appoint Trustees who demonstrate character, fitness and competence; collect contributions; accumulate assets to pay benefits and Trust expenses; and to hold, manage, invest, and reinvest the Trust property in accordance with the irrevocable Trust agreement.

The Department issued Certificate of Registration No. 3857, and the Trust began operating effective January 30, 2008. The Trust offers health benefits to eligible employees and their dependents. Eligible employees, as defined in the benefit plan documents, include full-time and part-time employees, those working for the University on appointment by the Board of Regents, and certain retirees that qualify for benefits. Coverage includes medical, dental, vision, and pharmacy benefit options.

Pursuant to Idaho Code § 41-4004(1)(e), and the Trust agreement, the Trust must remain actuarially sound. The Trustees ensure that at all times the assets and income of the Trust are reasonably adequate to pay covered claims and operating expenses, with the contribution rates calculated by a qualified actuary. In accordance with Idaho Code § 41-4004(1)(a), all contributions are made to the Trust fund in advance. Contributions are a combination of plan sponsor contributions and beneficiary contributions. Active employee contributions are made through periodic payroll deductions. Retiree contributions can include payments from the University’s Retiree Benefits Trust. The Retiree Benefits Trust was created in 2008 to fund certain post-employment benefits other than pensions, it is an irrevocable trust and independent of the Trust.

TRUST RECORDS

The Trust agreement requires the Trustees meet at least bi-annually, though meetings are conducted quarterly when circumstances permit, and more frequently as necessary to conduct Trust business. Meeting minutes were provided for all meetings during the examination period.

The minutes contained high-level descriptions of the information discussed about the Trust's administrative operations, financial performance, and other activities related to governing the Trust. This included indications that the Trustees: reviewed the annual audited financial report and actuarial studies, maintaining full and accurate records in accordance with Idaho Code § 41-4011; oversaw the services provided to the Trust, ensuring payment of the Trust fund liabilities compliant with Idaho Code § 41-4008; and, filed notice to the Department of changes in contribution rates and other documents pursuant to Idaho Code § 41-4004(2).

MANAGEMENT AND CORPORATE GOVERNANCE

The Trust agreement authorizes four (4) Trustees appointed by the University. The Trustees, and any successor Trustees, may be any University employee, except for the President, Vice President for Finance and Administration, and the Assistant Vice President for Human Resources. The Trustees serve until death, incapacity, resignation, or removal.

In accordance with Idaho Code § 41-4004(2)(g), notice and biographical affidavits were submitted to the Department regarding Trustee changes during the examination period. To ensure compliance with Idaho Code § 41-4015, which prohibits pecuniary interests in plan management, the Trust has implemented the practice that each Trustee annually complete a conflict of interest affidavit.

As of December 31, 2018, the following persons, were serving as Trustees:

<u>Name</u>	<u>Trust Position</u>
John C. Keatts III	Trustee - Chair
Trina Mahoney	Trustee
Alan Coker	Trustee
Gerard Billington	Trustee

Subsequently, Mr. Keatts and Mr. Coker have separated from the University, both resigning as Trustees. As of the date of this report, the following persons, are serving as Trustees:

<u>Name</u>	<u>Trust Position</u>
Trina Mahoney	Trustee - Chair
Gerard Billington	Trustee
Mandy Brocke	Trustee
Kenwyn Richards	Trustee

Committees

The Trustees are fiduciaries acting on behalf of the beneficiaries of the plan, in compliance with Idaho Code § 41-4014(1). The Trustees maintain the authority to transact the fiduciary funds of the Trust, pursuant to Idaho Code §§ 41-4007 and 41-4008. The Trustees do not delegate these duties. In carrying out their duties, the Trustees may take into consideration the recommendations of the Benefit Advisory Group. The Benefit Advisory Group is made up of University employees and retirees that make suggestions for benefit changes while decision authority remains with the Trustees. The Benefit Advisory Group has been in place since the inception of the Trust.

Administrative Service Agreements

Since inception, the University and its employees have provided certain services to the Trust. The service agreement detailing those services and conditions was most recently updated effective September 24, 2018. Pursuant to Idaho Code § 41-4004(2)(d), this agreement was filed with the Department. Through the agreement, the University provides day-to-day administrative functions to the Trust and its beneficiaries, including but not limited to staff services, technology support, operational services, records and reporting, and office space as well as furnishings. The agreement establishes the separate status of the parties with the University providing these services to allow the Trust to fulfill its duties.

Since inception of the Trust, the University has maintained an administrative agreement with Blue Cross of Idaho Health Service, Inc. (BCI). The most recent version of this contract was executed October 6, 2014. It has continued to renew automatically for successive twelve (12) month periods. Under the terms of the agreement, BCI provides general administrative services to the Trust and its beneficiaries, including benefits payment, excess loss coverage, run-out of claims, population health management services, provider claims audits, and other certain services. While the University executed the agreement, the Trust receives the services and in exchange pays a per enrollee per month fee, which is considered in the actuarially-calculated contribution rates.

During the entire examination period, various agreements and service contracts regarding certain coverage options offered by the Trust remained in force or were renewed under their existing terms. This included contracts with Delta Dental Plan of Idaho for dental benefits, VSP Vision Care for vision benefits, and SilverScript Insurance Company in conjunction with CVS Caremark for certain prescription drug benefit management and pharmaceutical rebates.

Other Contracts

The University maintains a consulting services agreement with The Segal Group, Inc., formerly Sibson Consulting, whereby the Trust is provided services by qualified actuaries, necessary to ensure the Trust is actuarially sound, and compliant with Idaho Code, Title 41, Chapter 40. The most recent version of this agreement took effect January 1, 2018, with an initial term of two (2) years and it has been renewed at two (2) year increments for a total of up to six (6) additional years. In accordance with Idaho Code § 41-4004(2)(d), this agreement was filed with the Department.

FIDELITY BONDS AND OTHER INSURANCE

A crime policy was maintained by the Trust for protection against crime or dishonesty of an employee, fiduciary, trustee, administrator, or officer. The policy met the requirements specified in Idaho Code § 41-4014(3). The insurance company providing coverage to the Trust was licensed or otherwise authorized in Idaho. The current crime policy contains an endorsement that satisfies the cancellation of bond requirement set forth in IDAPA 18.04.05.027.03.

TERRITORY AND PLAN OF OPERATION

As of December 31, 2018, the Trust was licensed as a self-funded health care plan. Operations of the Trust are performed in the University's offices in Moscow, Idaho. The Trust provides health, prescription, dental, and vision coverages to University employees and retirees.

GROWTH OF THE TRUST

The following is a summary of significant financial data for the fiscal years covered by the examination based upon the audited financial statements filed by the Trust with the Department:

<u>Year</u>	<u>Assets</u>	<u>Liabilities</u>	<u>Net Assets</u>	<u>Contributions</u>	<u>Contributions to Net Assets</u>
2014	4,405,648	3,226,162	1,179,486	24,143,988	2047%
2015	3,879,672	2,261,307	1,618,365	22,198,622	1372%
2016	3,988,530	2,655,403	1,333,127	24,948,767	1871%
2017	5,540,368	2,481,410	3,058,958	27,981,983	915%
2018	5,364,265	3,038,911	2,325,354	29,550,665	1271%

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 requested that BCI provide excess of loss coverage pursuant to the terms of the agreement. For all years under examination, an excess of loss contract was issued by BCI covering the period from January 1 to December 31, having renewed for successive twelve (12) month periods, unless terminated. As of December 31, 2018, the contract provided for specific excess of loss in the amount of \$200,000, which does not apply to the Medicare retirees. The aggregate percentage is 125% with an aggregate excess loss factors per enrollee per month that varies based on the plan selected.

ACCOUNTS AND RECORDS

General Accounting

The Trust's business and accounting records were maintained at the University offices in Moscow, Idaho. The Trust uses the information technology capabilities and support of the University. Claims data were maintained by its claims service administrator, Blue Cross of Idaho Health Services, Inc.

Independent Auditor

The annual independent audits of the Trust for the fiscal years ending December 31, 2014, through December 31, 2018, were performed by Eide Bailly, LLP. In the auditor's opinion, the financial statements presented fairly the financial position of the Trust in accordance with accounting principles generally accepted in the United States of America. Workpapers and other documents as requested were provided to the examiners during the examination. Audit workpapers were relied upon where deemed appropriate.

Actuarial Certification

Actuarial certifications through December 31, 2018, for Incurred But Not Paid (IBNP) claims were prepared by The Segal Group, Inc. The actuarial estimate was prepared by Daniel A. Levin, FSA, MAAA, FCA, CEBS, Senior Vice President and Consulting Actuary.

Review of the IBNP claim reserve by the examining actuary determined that the actuarial methodology utilized in the reserve process to be reasonable, and that the IBNP reported as of December 31, 2018, appeared to be reasonable.

FINANCIAL STATEMENTS

The following financial statements are based on the audited financial statements filed by the Trust with the Department:

Statement of Net Assets as of December 31, 2018

Statement of Changes in Net Assets as of December 31, 2018

Reconciliation of Changes in Net Assets January 1, 2014, through December 31, 2018

Statements of Net Assets
As of December 31, 2018

Assets	
Cash and cash equivalents	\$ 143,892
Receivables - Interest	37,314
Investments, at fair value	
Certificates of deposit	1,754,374
U.S. government issues	3,428,685
Total	<u>\$ 5,364,265</u>
Liabilities and Net Assets	
Liabilities	
Accounts payable	\$ 595,611
IBNP liability	2,443,300
Total Liabilities	<u>\$ 3,038,911</u>
Net Assets	<u>\$ 2,325,354</u>
Total	<u>\$ 5,364,265</u>

Statement of Changes in Net Assets
As of December 31, 2018

Additions		
Employer contributions	\$	23,902,117
Plan member contributions		5,648,548
Net investment income		99,171
Total additions	\$	<u>29,649,836</u>
Deductions		
Health claim benefits	\$	25,908,915
Change in IBNP		141,900
Premiums		119,167
Administrative expenses		4,213,458
Total deductions	\$	<u>30,383,440</u>
Net increases (decrease) during the year	\$	<u>(733,604)</u>
Net assets - beginning of year	\$	<u>3,058,958</u>
Net assets - end of year	\$	<u>2,325,354</u>

Reconciliation of Changes in Net Assets
January 1, 2014, to December 31, 2018

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Net assets, end of previous year	\$866,805	\$1,179,486	\$1,618,365	\$1,333,127	\$3,058,958
Net changes in assets	312,681	438,879	(285,238)	1,725,831	(733,604)
Net assets, end of current year	<u>\$1,179,486</u>	<u>\$1,618,365</u>	<u>\$1,333,127</u>	<u>\$3,058,958</u>	<u>\$2,325,354</u>

NOTES TO FINANCIAL STATEMENTS

There were no changes to the notes to the financial statements as a result of this examination.

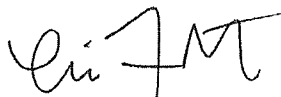
SUMMARY OF RECOMMENDATIONS

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

ACKNOWLEDGEMENT

Michael A. Mayberry, FSA, MAAA, of Lewis & Ellis, Inc., performed the actuarial phases of the examination. He joins the undersigned in acknowledging the assistance and cooperation extended during the course of the examination by employees and representatives of the Trust.

Respectfully submitted,

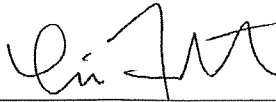
A handwritten signature in black ink, appearing to read "Eric Fletcher". The signature is stylized with a large "E" and "F".

Eric Fletcher, CFE
Bureau Chief/Chief Examiner
Idaho Department of Insurance

AFFIDAVIT OF EXAMINER

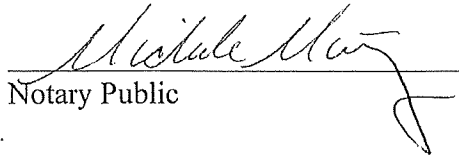
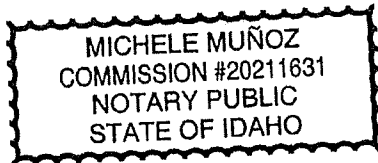
State of Idaho County of Ada

Eric Fletcher, being duly sworn, deposes and says that they are a duly appointed Examiner for the Department of Insurance of the State of Idaho, that they have made an examination of the affairs and financial condition of University of Idaho Health Benefits Trust for the period January 1, 2014, through December 31, 2018, that the information contained in the report consisting of the foregoing pages is true and correct to the best of their knowledge and belief; and that any conclusions and recommendations contained in this report are based on the facts disclosed in the information.



Eric Fletcher, CFE
Examiner-in-Charge
Bureau Chief/Chief Examiner
Idaho Department of Insurance

Subscribe and sworn to before me the 20th day of October, 2021, at
Boise (City), Idaho (State).


Notary Public

My Commission Expires: 03-30-2027

BRAD LITTLE
Governor

State of Idaho
DEPARTMENT OF INSURANCE

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, 2018 of the:

University of Idaho Health Benefits Trust

By executing this Waiver, the Trust hereby acknowledges receipt of the above- described examination report, verified as of the 20th October 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 Trust also hereby waives:

1. its right to examine the report for up to four (4) weeks as provided in Idaho Code section 41-4013(3),
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 26th day of October, 2021

University of Idaho Health Benefits Trust

Trina Mahoney

Name (print)

Trina Mahoney

Name (signature)

Board of Trustees Chair, University of Idaho Health Benefits Trust

Title

EXHIBIT

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