

State of Idaho
Small Employer Health Reinsurance Program &
Individual High-Risk Reinsurance Pool

Board of Directors Minutes

Department of Insurance

April 27, 2022

Board Members Present

Hyatt Erstad, Chairman, Erstad & Company
Norm Varin, Vice Chairman, PacificSource Health Plans
Senator Jim Guthrie, Idaho State Senate
David Pankey, Regence BlueShield of Idaho
Dean Cameron, Director, Idaho Department of Insurance
Mike Reynoldson, BlueCross of Idaho
Representative Rod Furniss, Idaho House Representative
Janice Fulkerson, Board Secretary, Consumer Representative
Dr. Chris Pickford, Consumer Representative

Board Members Not Present

Trent Nate, Select Health

Others In Attendance

Laren Walker, River 9
Bret Busacker, Holland & Hart
Bruce Mohr, Buffington Mohr McNeal
Kathy McGill, Department of Insurance
Wes Trexler, Department of Insurance
Shannon Hohl, Department of Insurance
Robert Schmidt, Milliman
Paul Houchens, Milliman
Zach Hunt, Milliman
Isaac Squire, Select Health
Dave Nesselar-Cass, MODA
Kraig Anderson, MODA
Troy Pritchett, Mtn. Health Co-Op
Hilary Galyean, Mtn. Health Co-op
Public Attendees via WebEx:
YHI
Karl
Vanosa
Natalia

1. **The meeting was called to order by Hyatt Erstad at 12:15 pm.**

2. **A roll call was conducted, a quorum established.**

3. **Minutes of the Previous Meeting**

A motion was made to approve the minutes of the February 28, 2022, meeting of the Board of the Idaho Small Employer Reinsurance Program ("Program") and Idaho Individual High-Risk Reinsurance Pool ("Pool"). The motion was seconded, and carried.

4. **Financial Statement Presentation**

Laren Walker presented the Board with Operations Report for the Small Employer Program ("Program") and the High-Risk Pool ("Pool").

Program Financial Report

- Due to the reduction in lives to none, the financials for the Small Employer Program have been changed to quarterly. The 1st Quarter statement will be presented at the next Board meeting

Pool Financial Report

- **Grandfather Pool Income Statement:** Year to date premiums are \$24,612 compared to \$23,912 last year and YTD claims are \$48,945 compared to \$7,951 prior YTD.
- **Condition Based Pool Income Statement:** Year to date premiums \$272,600 compared to \$428,710 prior YTD. Claims Year to date are around \$2,253,750 compared to \$3,191,529 prior YTD. The premium tax revenue is estimated at \$15 million.
- **Combined Pools:** Cash is over \$26 million. The IBNR estimate is \$300,000 for premiums and \$2.9 million in claims.
- **Enrollment:** holding steady with the 23 in the grandfathered program, condition based at 184.
- **2021 and 2022 ICD-10 Report:** Shows that Multiple Sclerosis (MS), digestive issues, along with Stem Cell transplant are the largest dollar claims in 2021, with MS also having the greatest number of members ceded for that IDC-10 Code for 2021. So far in 2022, MS again has the greatest number of members ceded.

A motion was made to approve the High-Risk Pool's financial report for February 2022, as presented. The motion was seconded, and carried.

5. **Investment Report**

Bruce Mohr reported that as discussed in the February meeting the Federal Reserve has entered a phase of adjusting monetary policy, and raising interest rates to moderate inflation. Whether this rate adjustment will be effective at slowing inflation trends is a great debate that is currently roiling the interest rate and equity markets. Since the February meeting the Federal Reserve has increased short term rates 25 basis points and has signaled intent to raise rates an additional 50 basis points in early May. Additional increases are forthcoming every two months for the rest of the year. The impact across the interest rate yield curve has been evident. At the end of February, the benchmark 10-year Treasury yield was 2%. Currently that yield is 2.75%, evidence of a market anticipating higher interest rates.

For the financial markets the adage "cash is king" is probably appropriate for the short term.

6. 1332 Waiver Update

Wes Trexler updated the Board on the status of the application for the waiver. House Bill 611 passed into law. The \$25 million from the State of Idaho General Fund was transferred to the Pool. The Department of Insurance staff continues to work with CMS and the 1332 Waiver Application. The Department of Insurance posted the draft 1332 Waiver Application on their website, with the public comment period opening April 1, 2022. Four public meetings are being hosted across the State of Idaho, and the goal is to close the open comment period on May 1, 2022. After this process is completed, the 1332 Waiver Application will be submitted to CMS.

The Director thanked all those who helped support the process. He mentioned that the organization will need to be able to track and report the various fund types, such as the \$25 million general fund money, as well as the Federal funds that support the Pool goals and mission.

7. Actuarial Committee Meeting Minutes

Robert Schmidt presented the Actuarial Committee Meeting Minutes from the April 21, 2022. The Actuarial Committee reported the objective of the meeting was to evaluate, develop, and make a recommendation to the Board regarding the impact of the reinsurance program on insurance premium rates in the Idaho Individual Market for 2023. The committee discussed various aspects including different scenarios related to government programs, trends, enrollment, and discussed the presentation that will follow.

A motion was made to approve the Actuarial Committee Meeting Minutes from April 21, 2022. The motion was seconded, and carried.

8. Milliman Report

Robert Schmidt presented the Milliman Report for the pending 1332 Waiver Application, and different scenarios for Board consideration. He presented an executive summary, followed by additional detail, making sure all Board questions were answered.

A motion was made to accept the Milliman Report as presented. The motion was seconded, and carried.

9. 2023 Funding Recommendation

The Director expressed the importance of using the \$25 million. Norm Varin and Robert Schmidt discussed the modeled assumption of using the reserves over 5 years to ensure there is stability in the Pool, and in the market year-over-year; as well as trying to create stability in the 1332 Waiver funds.

Senator Guthrie suggested tracking the usage of the \$25 million to ensure transparency. Discussion ensued regarding all the scenarios, and the impact of each scenario on the premium rates to the consumers in Idaho.

A motion to approve moving forward with scenario number 3 as presented by Milliman, for a 12% reduction in the 2023 individual insurance premium in the Idaho market. The motion was seconded, and carried. Dr. Pickford abstained from the vote because of the complexity of the scenarios; she did not feel she fully understood the scenarios presented and the issues as discussed.

10. Transition of the Small employer Program

Laren Walker noted there are no longer any enrolled individuals in the Small Employer Program and resulting in an expected lack of activity. At the prior Board Meeting, there was discussion related to the anticipated administrative expenses, and the need for an additional assessment to cover final expenses. Discussion ensued regarding the administrative expenses, the potential assessment, and options for moving forward. A recommendation developed to authorize an additional amount to add to the 2021 assessment that included administrative and operational expenses.

A motion was made to authorize an assessment to cover the 2021 and 2022 estimated administrative and operational expenses. The motion was seconded, and carried.

11. Outside Counsel Agreement and Compensation

Bret Busacker from Holland & Hart requested an increase in the legal fees paid by the Board. The current contracted rate is \$325 per hour. Bret and Holland & Hart charge \$640 an hour, and are offering services to the Board at \$520 per hour.

The Department will evaluate the State of Idaho procurement policies and guidelines. The Department will also determine what the State of Idaho pays on average when legal services are contracted out to private firms by other State agencies and boards. No decision was made. The Department will report it's finding at the next Board meeting. If necessary the Board will have a special meeting to make a timely decision before the next scheduled Board meeting.

12. Legislative Update

The Session has ended. The Department shared there are no known 2023 issues for the Board. The Department is going through their normal Zero-Based Regulation review of the rules (20% each year so that in five (5) years all rules have been reviewed).

13. Additional Information

Next Meeting

The next regular Board meeting is scheduled for August 16, at 12:00, at the Department of Insurance Conference Room 3. A Special Board meeting will be held on Thursday May 26th at 1:00.

There being no further business, on motion duly made, seconded, and carried, the meeting was adjourned at 3:00 PM MDT.

Respectfully Submitted,

River 9 Consulting, Inc.