

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

Board of Directors Minutes
Department of Insurance
May 1, 2025

Board Members Present

Hyatt Erstad, Chair, Erstad & Company (arrived at 12:45)
Dean Cameron, Director Idaho Department of Insurance
Norm Varin, Vice Chair, PacificSource
Janice Fulkerson, Board Secretary, Consumer Representative
Trent Nate, SelectHealth
Mike Reynoldson, BlueCross of Idaho
Senator Jim Guthrie, Idaho State Senate (arrived late)
Ann Ibrahim, Regence BlueShield of Idaho

Board Members Not Present

Others In Attendance

Laren Walker, River 9
James Winfield, River 9
Diane Kopecky, River 9
Will Coon, Idaho Department of Insurance
Shannon Hohl, Department of Insurance
Robert Schmidt, Milliman
Eric Walters, Milliman
Clara Comes, PacificSource
Alan Vandagriff, St Lukes Health Plan
Michael Witry, Idaho Attorney General's Office
Kevin Reddish, YHI
Pat Kelly, YHI
Andrea Puopolo, Buffington Mohr
Ali Dang, Buffington Mohr
Micheal Lang, Buffington Mohr (arrived at 1:10 pm)

- 1. Norm Varin called the meeting to order at 12:09 pm.**
- 2. A roll call was conducted, a quorum established.**
- 3. The meeting agenda was reviewed.**
- 4. Minutes of the Previous Meeting**

A motion was made to approve the minutes of February 26, 2025, 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.

5. Update -- Board Members

Norm took a moment to update on Board members. Dave Pankey retired and Ann Ibrahim has been appointed to his position. Dr. Pickford has resigned due to health matters. The Board wishes her the best and thanked her for her generous service on this board and across the community. A consumer representative replacement will be addressed by the Director in the future.

6. Investment Update/Merger

Andrea Puopolo shared that Buffington Mohr will be merging with EP Wealth Advisors. This opportunity will allow for greater resources to be applied to the shared goals. The contacts and staff will be the same and they will be the regional office for EP Wealth Advisors. Ms. Puopolo has an agreement for Hyatt to sign when he joins the meeting to ensure the continuity of services from the new organization. She then gave an update on the portfolio.

The pattern of escalate and reverse was on full display in global markets last month. The introduction of new tariffs raised fresh concerns about cost pressures and business investments, prompting investors to raise questions about the forward path of inflation and the strength of the U.S. consumer. Federal Reserve Chair Powell warned that the central bank could have less flexibility to quickly cushion the economy from the impacts of trade war given the risk of rising costs. While the economy remains on relatively stable footing, signs of deceleration are becoming more evident, with several economists raising the probability of a recession this year – although this is not our base case as markets seem to be latching on to glimmers of de-escalation in tariff negotiations in recent days.

As market participants continue to digest the potential impacts of policy headlines, treasury yields – similar to other asset classes – were also caught up in volatility. Worries about Fed independence introduced more uncertainty, sending yields higher in early April only for them to move back lower as investors flocked to Treasuries to hedge risks in their portfolio. Looking through the recent volatility, it is likely that the U.S. Treasury curve will steepen from here as the market continue to normalize following a long period of yield curve inversion in 2023-24.

We expect the Fed to remain on hold at their May 6-7 FOMC meeting, citing their data-dependent approach. Despite the short-term inflationary pressures from tariffs (if fully implemented), we expect the Fed to deliver three consecutive 25bps cuts starting in July given a weaker growth environment, deterioration in the labor market, and lower oil prices.

Recent portfolio activity has been steady with interest paid to the portfolio and monitoring cash as we continue to look for opportunities to reinvest upcoming called bonds through the end of the year. The current portfolio yield to maturity stands at 4.3% and average duration of the portfolio stands at 1.7 years, with \$11.5 million available for program support in cash and money market funds.

Laren mentioned that we do not have access to the grant yet, so we will be needing to draw funds for the next few months. With this in mind as some of the current assets come up for renewal in the next few months, we will move them to the cash account to maintain the necessary liquidity for paying claims.

A motion was made to have legal counsel to review the agreement for Hyatt to sign on behalf of the Board. The motion was seconded and carried.

7. Operations Report

Laren noted that we have January, February and March financials. Since they are cumulative, he will discuss the March.

Balance Sheet: Cash year-to-date approximately \$60.3 million, we will be using around \$20 million of the assets until we receive the state premium tax allocation and the federal waiver funds.

Revenue Statement: Year to date we are at 15% of the projections of premium and 17% of claims with year to date amount of \$1 million in premium and \$28.7 in claims.

Notes to the financial statements: This is the note for both the IBNR for Claims and for IBNR premiums showing the current status. These entries are only informational they are not reflected in the financial statements. We have around \$3 million remaining in claims IBNR and \$231,000 in premium IBNR.

Cash Flow Estimates: These exhibits are from Milliman and assist in managing the cash flow throughout the year.

Supplemental Information: Everything is following as anticipated.

A motion to accept the January, February, and March financials. It was seconded and carried.

8. Actuarial Committee Meeting/2026 Projections

Robert Schmidt presented the minutes of the Actuarial Committee meeting held on April 24, 2025.

Motion to accept the Actuarial Committee minutes was made, seconded and carried.

Robert discussed the 2026 Estimated Market Impact. The objective is to determine the desired percentage impact of the CBHRP on the 2026 market premiums. He first discussed the prior year Parameters and continued regarding the prior year's premium impact percentages of 12%, 16% and 20%. The Board continued the discussion on whether we should expect CMS to change the preliminary grant estimate, it was concluded that it is unlikely. The Board discussed expectations for Market Impact and the HRP Asset Drawdown. In anticipation of exhausting assets, the Board also discussed scenarios involving a possible Line of Credit, carrier assessments and impact on market stability.

Board members shared this is a challenging decision. Discussion centered on the need to stay close to the existing premium discount of 20% but also carefully consider the amount of assets that could be spent and potentially impairing the ability of the program to make a meaningful impact in 2027.

Motion made that the Board move forward with Scenario 3: 18% Impact. The motion was seconded and carried.

9. Repeal of the Small Employer Reinsurance Program

Michael discussed HB 116 that was signed into law by the Governor on March 12th. The law becomes effective July 1, 2025. The act does not address the dissolving of the funds, so he turned to the Plan of Operations.

Motion to acknowledge HB 116 has been accepted. Everything does need to be cleared by June 30th.

Laren discussed River 9 suggestions on how to disperse the funds. The Director agrees that this seems to be the simplest route. Hyatt agreed with this direction as well.

Motion to have River 9 engage Eide Bailly for the compilation for the bid amount of \$500 was made. It was seconded and carried.

Motion to proceed with the distribution of the remaining funds as recommended by the Administrator was made. It was seconded and carried. River 9 will work with the Bank on options to get these carriers paid their amounts by June 30th as shown.

10. Process for RFP for Administration

This is a follow up topic from the prior meeting. Does the Board want to move up the RFP process? This is the year the Board will go out to bid for administrative services under the new procurement policy. The Board discussed the options and wants to be thorough and follow the procurement policy.

A motion was made to develop and distribute the administration RFP; and establish the officers (chair, vice-chair, secretary) and a representative from the Department as the subcommittee. The motion was seconded and carried.

11. Update on Grant

The public forum has been set for May 30th, the announcement has been posted and invites to the Board sent.

12. Legislative Update from the DOI

Thank you to Senator Guthrie for his assistance with the Small Employer Program and carrying that.

Next Meeting:

The next regular Board meeting is scheduled for August 27, 2025, at 12:00 pm, at the Department of Insurance Conference Room A.

There being no further business, on motion duly made, seconded, and carried, the meeting was adjourned at 2:20 PM MDT.

Respectfully Submitted,
River 9 Consulting, Inc.