

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

Board of Directors Minutes

Department of Insurance

October 8, 2024

Board Members Present

Hyatt Erstad, Chair, Erstad & Company
Wes Trexler, (In Lieu of the Director) Idaho Department of Insurance
Norm Varin, Vice Chair, PacificSource
David Pankey, Regence BlueShield of Idaho
Janice Fulkerson, Board Secretary, Consumer Representative
Trent Nate, Select Health
Mike Reynoldson, BlueCross of Idaho
Representative Rod Furniss, Idaho House Representative
Senator Jim Guthrie, Idaho State Senate
Dean Cameron, Director Idaho Department of Insurance (arrived late)

Board Members Not Present

Dr. Chris Pickford, Consumer Representative
Representative Rod Furness, Idaho Senate

Others In Attendance

Laren Walker, River 9
Diane Kopecky, River 9
Kevin Redish, YHI
Shannon Hohl, Department of Insurance
Will Coon, Idaho Department of Insurance
Ann Ibrahim, Regence BlueShield of Idaho
Robert Schmidt, Milliman
Eric Walters, Milliman
Bruce Mohr, Buffington, Mohr, McNeal
Michael Witny, Idaho Attorney General's Office
Alan Vandagriff, St. Lukes Health Plan

- 1. Hyatt Erstad called the meeting to order at 12:38 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 August 27, 2024, 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 passed unanimously.

5. Operational Report

Laren Walker presented the Board with the July and August Financial Packets for the High-Risk Pool (“Pool”). He proceeded to August since they are cumulative.

Laren discussed a reporting change regarding the IBNR. In the financial report. In prior reports, the IBNR remained constant until the year end. Starting with July, reports will show a cumulative entry for year-to-date 2023 claims, yet on a go forward basis the board will see a monthly entry for any 2023 claims. River9 has made this change for other states and recommends it to this board also. The discussion continued explaining both the IBNR for claims and premiums.

- **Balance Sheet:** Cash year-to-date approximately \$59.2 million. Claims IBNR liability again is a negative due to an under accrual of \$3.5 million and premiums are showing at \$632,496,
- **Revenue Statement:** Premiums are \$4,148,277 year-to-date for both pools with a full projection of \$6.5 million. Year-to-date claims for the grandfathered plan are \$391,763 compared to last year’s \$419,097. Year-to-date for the Conditioned-based pool is \$58,378,658 at the end of August compared to last year’s of \$38,851,257.
- **Notes to the financial statements:** Again, a new note for IBNR for Claims and another for IBNR premiums.
- **Federal Grant Status:** The program began drawing on the grant funds in August this year (much later than prior years) and this note does show the most recent draw of \$13,638,142 in October.
- **Lives:** Grandfathered Plan still has the remaining 14 members, and the Condition-based is 5,258 currently, the program is expecting around 900 more lives in 2024 than 2023 overall.

A motion was made to accept the July - August Operational report as presented. The motion was seconded and passed unanimously.

6. Investment Report

The Federal Reserve cut short term interest rates 50 basis points at their September meeting. Over the past month the 2-year Treasury note yield has increased 33 basis points, the 5-year has increased 37 basis points, and the 10-year has moved higher by 24 basis points.

The interest rate cuts were anticipated and had been factored in by market participants. Declines in interest rates over the summer were in anticipation of rate cuts. “Buy the rumor sell the fact” was certainly true in this case. As the dust settles from the first rate cut in over 4 years, we expect interest rates to slowly drift lower through year end. The US economy appears poised to achieve the ultimate soft landing without a recession. We anticipate additional cuts this year and in 2025, but modest in nature.

Rate stability is a positive for the portfolio. We continue to purchase securities with yields near 4.75%. Year to date the portfolio has enjoyed mark to market price increases and has generated over \$1.8 million in interest income. Modest declines in interest rates over the next 6 – 9 months should not negatively impact the portfolio.

7. Procurement Policy

Michael noted that the policy prepared for this meeting is very similar to the one we reviewed at the last meeting with a couple of minor adjustments from the discussion. Wes reported that the Director has accepted this version.

A motion to accept the procurement policy as written and submitted in the packet to replace the prior adopted policy was made. The motion was seconded and passed unanimously.

River 9 will use this policy to request information for the selection of the auditors and present it to the Board (committee) when available.

8. Creditable Coverage

There was a discussion on the need for the creditable coverage testing for these last remaining 14 members. It has been completed for this year and it will be discussed at a later date regarding the need for testing in future years.

9. Actuarial Committee Report 2025 projections

Robert discussed the minutes of the actuarial committee meeting from September 26, 2024. The committee is planning a virtual meeting to review the grandfathered premiums when those are available in November.

A motion was made to approve the Actuarial Committee minutes as presented. The motion was seconded and passed unanimously.

Robert then discussed the projections for 2025 noting the modeling process is the same as prior year and now we have three years of information. For 2022 market impact was 12%, 2024 was 16% and for 2025 the board determined 20%. This is an important step necessary for the pass-through funding report to determine the 2025 grant determination. He discussed the parameters related claims, premiums and conditions. They developed three (3) different scenarios to present to the Board all which meet the 20% market impact. They all assume 113,000 for enrollment and 7,196 for reinsurance enrollment, all draw down the funds around \$8-9 million. The discussion continued regarding the changes and the need to stay at the 20% market impact assuring also that we had the funds to cover.

A motion was made to lower the reinsurance deductible to \$35,000, keep the co-insurance at the current level of 75%, and keep the reinsurance premium at \$100. The motion was seconded and passed unanimously. It was noted that this allows for the targeted 20% market impact and a spend down of an estimated \$8-9 million.

10. 1332 Grant Update

The Pass-through funding report is due October 15th to CMS.

11. Line of Credit Update

Per the board discussion at the prior meeting regarding cashflow, Laren has discussed a \$20 million dollar line of credit with Mt West Bank, and they are open to addressing this as needed in the future.

12. Legislative Update from the DOI

No major updates, they have rules that they have amended. Elimination of the Small Group reinsurance program with some changes still in progress.

13. Other information

Next Meeting:

A virtual meeting beginning will be held at the beginning of November for grandfathered premiums and for the auditor determination.

The next regular Board meeting is scheduled for December 10, at 12:30 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 2.06 PM MDT.

Respectfully Submitted,
River 9 Consulting, Inc.