

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

Board of Directors Minutes
Department of Insurance
October 19, 2021

Board Members Present

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

Board Members Not Present

Idaho House Representative

Others In Attendance

Laren Walker, River 9
Diane Kopecky, River 9
Bret Busacker, Holland & Hart
Bruce Mohr, Buffington Mohr McNeil
Kathy McGill, Department of Insurance
Wes Trexler, Department of Insurance
Robert Schmidt, Milliman
Shannon Hohl, Department of Insurance

1. Minutes of the Previous Meeting

The meeting was called to order by Hyatt Erstad at 12:10 pm.

A motion was made to approve the minutes of the September 15, 2021, 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.

2. Financial Statement Presentation

Laren Walker presented the Board with Operations Report for the Small Employer Program ("Program") and the High-Risk Pool ("Pool") and for August of 2021.

Program Financial Report

Due to the reduction in lives to none, the financials for the Small Employer Program have been changed to quarterly. The 3rd Quarter statement will be presented at the next meeting

Pool Financial Report

- **Grandfather Pool Income Statement:** Year to date premiums are \$95,648 compared to \$100,654 last year and YTD claims are \$149,030 compared to \$111,295 prior YTD.
- **Condition Based Pool Income Statement:** Year to date premiums \$4,149,880 compared to \$3,790,154 prior YTD. Claims Year to date are around \$11.5 Million compared to \$11.2 Million prior YTD. Again, the premium tax revenue came in at \$14.8 million.
- **Combined Pools:** Cash is over \$35 million. Very consistent revenues and claims and the Pool overall is no longer showing a deficit since the premium tax revenue was received.
- **Enrollment:** holding steady with the 23 in the grandfathered program, condition based at 518.
- **2020 and 2019 ICD-10 Report:** Shows that MS, digestive issues, along with Stem Cell transplant are the largest dollar claims, with the MS also having the greatest number of members.

A motion was made to approve the High-Risk Pool's financial report for August 2021, as presented. The motion was seconded and carried.

3. River 9 Reduction in Administrative Fees

Laren discussed the Small Employer Program administrative fees; there has been a reduction in lives to -0- lives in the Program. River 9 proposed a reduction in administrative fees by 50%, effective October 1st, and moving to quarterly reporting. These administrative fees will cover the quarterly statements, administrative audit functions, and management of assessments. The discussion continued as options for the Program's continuation or dissolution were evaluated for future decision making. The Board agreed they will need to review the significance of any decisions presented and methodically evaluate the closure of this program, and the long-term impacts on Idahoans, if any.

After the discussion about the program longevity, the Board returned to the decision regarding the change to the River 9 administrative fees.

Motion to accept the proposal to pay River 9 \$1,500 a month in administrative fees for the months of October 1, 2021 through March 31, 2022, to continue to administer the program was made. The Jan, Feb and March admin fees will be included in the IBNR was made, seconded and carried.

4. Actuarial Committee Report

Robert Schmidt presented the minutes from the October 18, 2021, Actuarial Committee Meeting. The Committee discussed Premiums the Grandfathered High Risk and the Condition Based Pool, and he presented the committees reductions.

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

5. 2022 Grandfathered Pool Street Rates

Robert Schmidt presented the Board with the letter outlining the options for the grandfathered Pool Street Rates. Milliman, at the direction of the Actuarial Committee, used the same methodology this year as prior years, and the process calculated a decrease in Street Rates of 4.8%. Norm wanted the Board to understand that although the table shows a 4.8% reduction, due to the age-band rating, the individuals in the pool may see a smaller reduction, approximately 1-2%.

There was a discussion as to what might be done to encourage these individuals to migrate to an ACA plan, for a health insurance plan with more benefits and a lower premium.

Hyatt reminded the carriers if they want to communicate the opportunity to choose an ACA plan with the consumer, open enrollment begins November 1st. This might give the carriers an opportunity to learn why they are staying. Norm will work with the carriers to draft a communication to send.

Motion to accept the recommendation from the Actuarial Committee for a 4.8% reduction was made, seconded, and carried.

6. 2022 Reinsurance Rates for Grandfather Pool

The Actuarial Committee recommends **no change** to the Reinsurance Rates.

Motion to accept the recommendation from the Actuarial Committee to make no changes to the rate tables for 2022 for the reinsurance rates the carriers pay was made, seconded, and carried.

7. 2022 Reinsurance Rates and Plan Design for Conditioned Based Pool

Robert presented the current plan design and three scenarios that the Actuarial Committee developed for Board consideration. Scenario 1 is based on the current reinsurance plan design and premium rate. The objective of scenarios 2 and 3 is to produce an approximate drawdown of \$3 million from the Pool assets in 2022. Robert showed examples of the different scenarios, with the Actuarial Committee recommending option 2 (i.e., \$50,000 deductible, 63% coinsurance, \$500,000 annual maximum and \$940 reinsurance premium). The discussion continued regarding the scenarios and the outcomes for the pool for each based on the differences. The Board feels that the conditioned-based Pool could be allocated more of the reserves. Robert showed different examples of co-insurance to show the additional reserves that would be spent. It was determined that an increase of the co-insurance the value from 63% to 70% as proposed in Options 1 and 3 would not immediately impact the rates for the

consumer since the 2022 rates have already been set. Rather the group discussed making a larger investment during the May discussion that will have a direct and larger impact to the 2023 consumer rates.

Motion to accept option 2 with the co-insurance at 63% was made, seconded, and carried.

The Board will review all options in May 2022 to impact 2023 rates to the Idaho consumers.

8. Investment Report

Bruce updated the Board with the fact that interest rates are continuing to trend gradually higher. An optimistic outlook for continued global economic growth is the primary driver for this interest rate move. Of course, concerns over increasing inflation are also having an impact on rates moving higher.

The Federal Reserve is forecasting some reduction of their easy money policies later this year. This is not an interest rate tightening, just a slowing down of their accommodative policies. We expect interest rates to slowly drift higher through 2022. Long term (10 year) rates have started a gradual move and shorter-term rates could follow later this year.

These rate moves are off an extreme low-rate base – we forecast 5-year Treasury notes to increase from 1% currently to 1.35% by year end. A subtle opportunity for higher rates in the portfolio.

9. 1332 Waiver Update

Wes stated that there is no current action on the 1332 waiver.

10. Legislative Update from the DOI

Wes also has no updates on the legislative issues.

11. Additional Information

The actuarial committee will meet in February

Next Meeting

The next meeting will be February 28, 2022, at 12:00, at the Department of Insurance Conference Room 3.

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.