

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

Board of Directors Minutes

Department of Insurance

February 28, 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
Trent Nate, Select Health
Rod Furniss, Idaho House Representative

Board Members Not Present

Janice Fulkerson, Board Secretary, Consumer Representative
Dr. Chris Pickford, Consumer Representative

Others In Attendance

Laren Walker, River 9
Diane Kopecky, River 9
Bret Busacker, Holland & Hart
Bruce Mohr, Buffington Mohr McNeal
Kathy McGill, Department of Insurance
Wes Trexler, Department of Insurance
Robert Schmidt, Milliman
Pat Kelly, Your Health Idaho
Shannon Hohl, Department of Insurance
Jason Lindstrom, Eide Bailly
Jodi Daugherty, Eide Bailly

1. Minutes of the Previous Meeting

The meeting was called to order by Hyatt Erstad at 12:08 pm.

A motion was made to approve the minutes of the October 19, 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.

A motion was made to approve the minutes of the February 10, 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.

2. Actuarial Committee Report

Robert discussed the minutes of the Actuarial Committee meeting regarding the IBNR. The Small Employer actual runout claims were \$2,100 compared to the IBNR estimate of \$15,000. Since the program officially doesn't have any more members, the committee recommended a Board discussion regarding how to wrap up program expenses to determine if there is a need to adjust the IBNR. For the Grandfathered High Risk Pool, the committee recommended the 2021 IBNR should be \$50,000.

The Actuarial Committee then discussed the IBNR for the condition-based program. They reviewed 2020 showing the actual runout claims were \$3.22M compared to the IBNR estimate of \$3.25M. After discussing the estimated amounts submitted by the carriers, the Actuarial Committee recommended an IBNR for 2021 of \$2.85M. There is also premium IBNR for those yet to be enrolled due to the lag in determining eligibility and submitting claims to the program. The prior year's estimate was \$275,000 with an actual of \$282,700. This year the recommendation is \$300,000.

The next Actuarial Committee teleconference is scheduled for April 21st to potentially review the CMS 1332 Waiver analysis and provide information to the Board regarding 2022 funds available to use for reductions to marketplace rates. The Actuarial Committee also scheduled a teleconference for August 18th to make recommendations for 2023 pricing.

A motion was made to accept the Actuarial Committee Minutes as presented. The motion was seconded and carried.

A motion was made to accept the Actuarial Committee recommendations for IBNR. The motion was seconded and carried.

3. Financial Statement Presentation

Jason Lindstrom, from Eide Bailly, presented the Board with the audited financial statements for the Small Employer Program ("Program") and the High-Risk Pool ("Pool") for the 2021 year. Unqualified opinions were given by the auditors on the financial statements for both the Program and the Pool.

Small Employer Program

- **Statement of Net Position:** The estimated assessments to be levied is \$18,902.
- **Statement of Revenue, Expense and Changes in Net Position:** Shows all revenue and expenses for the program for 2021 and 2020 as a comparison.
- **Statement of Cash Flows:** Shows the activity throughout the year for the program.
- **Note 4:** Shows that the IBNR for the program is \$0.
- **Note 8:** Director Cameron recommended a pause in the operations of the program to leave open the option to potentially modify and re-use the program at a later date. Laren added that Maine also suspended their program a few years ago while considering the next version of that reinsurance mechanism. Since the program has no current membership, the goal is to put a note in the financial statements about the

program being in a transition phase. Laren will work with Jason at Eide Bailly to the wording of the note.

- The auditors disclosed, as in past years, the significant deficiency in internal controls. By making this disclosure and the Board acknowledging the degree of risk associated with this lack of internal control, Eide Bailly is able to prepare the financial statements despite the deficiency in internal controls.

There was a discussion regarding the Assessments and the temporary holding of the Small Employer Program. Laren presented a few options to allow the program to pay off the line of credit and to keep the Program open, but just not active – please see notes below. Within this discussion was the recommendation to write-off the existing \$2,200 in deferred assessments that likely cannot be collected since these companies/entities no longer exist (so that the cost of collection would likely exceed the amount collected).

A motion was made to approve the audited financials with the write off of the \$2,200 in deferred assessments and the changes to Note 8. The motion was seconded and carried.

High Risk Pool

- **Statement of Net Position:** Total cash of \$6.2M and Investments at \$24M.
- **Statement of Revenue, Expense and Changes in Net Position:** Shows a loss for the pool prior to non-operating income of \$12.3M, after interest income and premium tax funds, the Pool showed a fund balance of \$23.8M.
- **Statement of Cash Flows:** Shows the activity throughout the year for the program.
- **Note 4:** Shows the premium tax revenue of \$14,821,395.
- **Change in Net position**
- **Note 5:** Shows the Actuarial Committee recommendation for IBNR that were approved.
- The auditors disclosed, as in past years, the significant deficiency in internal controls. By making this disclosure and the Board acknowledging the degree of risk associated with this lack of internal control, Eide Bailly is able to prepare the financial statements despite the deficiency in internal controls.

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

4. Transition of the Small employer Program

Laren discussed the Small Employer Program and suspending activity. The auditors confirmed that we need to report 2022 expenses in 2022 rather than try to capture them in the 2021 report. He presented an analysis showing expenses for 2022 to be considered. To cover these anticipated expenses, there will need to be an additional assessment as the final expense reveal themselves. The additional assessment item will be on the next agenda as an action item to approve and include in the overall annual assessment.

5. Supplemental Information

Laren also presented the supplemental December 31, 2021, financial information.

The enrollment in grandfather pool shows 23 lives and 625 lives in the conditioned based pool. These programs have reimbursed a total of \$180 million in claims since inception. The International Classification of Diseases (ICD-10) reports show where based on condition the dollars are being spent.

6. Investment report

Bruce included a couple charts in the binder packet. First was the yield curve. Rate was 0.52% moved to 1.52% and last week the curve for the 10-year notes moved to 2%. The Fed has signaled the plan to raise rates and end the prior accommodating policy. The second chart goes back to the year 2000 where rates were around 6%. The Russia-Ukraine conflict will effective the global market more than the US market.

7. 1332 Waiver and Legislative Update

Rep. Rod Furniss updated that HB 611 should be on the House floor tomorrow or shortly after that. Senator Guthrie will carry this bill to the Senate.

The DOI is doing pre work on the waiver application so they can be ready to move forward when the legislation has passed. Wes stated CMS is turning the reinsurance waivers around faster than the normal 6 months.

8. Additional Information

Next Meeting

The next meeting will be April 27, 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 1:45 PM MDT.

Respectfully Submitted,

River 9 Consulting, Inc.

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