

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

Board of Directors Minutes

Department of Insurance

April 24, 2024

Board Members Present

Hyatt Erstad, Chair, Erstad & Company
Dean Cameron, Director Idaho Department of Insurance (arrived at 12:45pm)
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
Senator Jim Guthrie, Idaho State Senate
Representative Rod Furniss, Idaho House Representative

Board Members Not Present

Dr. Chris Pickford, Consumer Representative

Others In Attendance

Laren Walker, River 9
Diane Kopecky, River 9
Kilee Lane, YHI
Kevin Redish, YHI
Will Coon, Idaho Department of Insurance
Ann Ibrahim, Regence BlueShield
Robert Schmidt, Milliman
Bruce Mohr, Buffington, Mohr, McNeal
Alan Vandagriff, St. Luke's Health Plan
Troy Pritchett, Mountain Health Co-Op
Marc McDonald, St. Luke's Health Plan
Michael Witny, Idaho Attorney General's Office
Eric Walters, Milliman
Benjamin Shea, PacificSource
Hayley Dunn, Mountain West Bank
Fred Drzayich, Mountain West Bank
Robin Patterson, Insurance Agent based in Utah

- 1. Hyatt Erstad called the meeting to order at 12:12 pm.**
- 2. A roll call was conducted, a quorum established.**

3. The meeting agenda was reviewed.

At the close of the agenda review, Wes Trexler clarified for Robin Patterson, a non-board attendee, that this HRP Board would not be discussing Idaho wildland fires or any related wildland insurance products. Mr. Trexler encouraged Ms. Patterson to talk with him outside of this meeting that is focused on medical risk. Ms. Patterson was invited to stay in the meeting. She did leave the meeting with a commitment to follow-up with Wes. No further action was needed.

4. Minutes of the Previous Meeting

A motion was made to approve the minutes of February 28, 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 January and February Financial Packets for the High-Risk Pool ("Pool").

- **Balance Sheet:** January cash is approximately \$80 million, and February cash is around \$70 million. Still waiting for access to the grant for 2024.
- **Revenue Statement:** January Claims \$8 million and February \$4.4 million. All claims are for 2023.
- **Projections:** This is a new report provided to the Board, showing our most recent projections, for each year. Its intent is to show how each calendar year (2022, 2023 and 2024 YTD) performs on a cash flow basis.
- **Federal Grant Status:** The 2024 CMS grant has not yet been determined. We are using preliminary estimates from Milliman.

A motion was made to accept the January and February Financials as presented. The motion was seconded and passed unanimously.

6. Investment Report

Bruce Mohr reported that at the start of 2023, the general economic consensus was to expect a recession. While some argument could be made that some sectors of our economy, housing for example, might have seen a recession last year the overall economy has resisted a turndown. At the start of 2024, the consensus was that the Federal Reserve would need to cut interest rates as many as six times to keep the economy from moving into the long-awaited recession. That has not been seen. For the last several weeks, investors and economists have become increasingly confident that the economy is maintaining momentum which will force the Fed to keep a higher for longer stance for interest rates. We agree with the view that the economy will achieve a soft landing and remains on a solid footing, albeit with a general trend to slower growth. Inflation trending towards 2% is the indicator of price and market stability needed for the Federal Reserve to feel comfortable in cutting interest rates. We are forecasting one cut before the November elections. Rates higher for longer is a benefit to the portfolio. Higher rates for investment return greater levels of interest income for program support and reinvestment. Short term pricing volatility will skew the monthly mark to market portfolio valuation, but higher and stable rates is an optimal position. Recent portfolio activity has

focused on cash distribution for program support. Short-term money market yields are attractive as well so there is not a penalty for holding short-term investments awaiting distribution.

7. Actuarial Committee

Robert Schmidt presented the minutes from the most recent Actuarial Committee meeting. Robert noted there are participants on the Actuarial Committee from many of the carriers. He also noted that the Committee discussed the need to show a range of potential options and their related impacts. Therefore, the market scenarios he is presenting four market impact scenarios that are 16%, 19%, 22% and 25%.

A motion was made to accept the minutes from the Actuarial Committee meeting on April 22, 2024. The motion was seconded and passed unanimously.

Robert then presented the 2025 Estimated Market Impact report. Norm noted that we can make decisions today based upon the estimated pass-through funding. If necessary after we have received the actual federal pass-through funding and find that it is significantly different than the estimate, there is enough time to schedule a meeting later to make changes to the market impact. Robert then provided the historical 2023 data, and the projected 2024 results. The Actuarial Committee is still waiting for program results to determine if the 16.1% market impact for 2024 is being achieved. Robert explained the estimated projections for each of the four (4) market impact scenarios. He noted the greater the market impact, the greater the potential pass-through funding, and the greater the impact to asset drawdown. The Board discussion included possible impact to the market, market stability, the impact to the consumer, and estimates from CMS regarding funding notices, and HRP impact if the funding did not meet expectations.

A motion was made to implement the Actuarial Committees scenario of a 20% market impact for the 2025 year. The motion was seconded and passed unanimously. The motion included that the pass-through funding notice from CMS for 2024 must be at least \$82.4 million or higher, or the Board would reconvene and evaluate the HRP position.

8. Cross over Claims

Norm presented the operational issue of claims that occur and crossover between plan years, where two different carriers may be impacted. This is a scenario that is invisible to the consumer since it involves reinsurance claims. For actual claims for the patient, the market has accepted that a crossover claim, where an inpatient stay starts at the end of one year, and the discharge from that stay occurs in the new year, the carrier of coverage at admission is the carrier responsible for the claim, until the point of discharge. Even if the members coverage changes carriers as of 1/1 of the next year. The Board discussion included reinsurance coverage, operational impact to the carriers and the Pool. It was noted that the recommendation is not to change the Plan of Operation, yet to make the Board aware that this situation may occur. The Board recommends the Administrator can follow the industry standard that the claims are based on the admit date vs. the discharge date. If there is a situation that creates a problem for a carrier, they can always bring it to the board for a possible exception.

9. 1332 Grant Update

Laren reported the Grant information during the financial presentation, saying that the Pool has exhausted the 2023 grant and are still waiting on CMS to issue the Estimated Pass-Through Funding for 2024.

10. Legislative Update from the DOI

Director Cameron discussed some of the 2024 passed legislation that will impact products and rates. He noted there may be a few other bills where the Department will be providing guidance. One primary issue the Director is anticipating the entire (health, life, P&C) insurance industry will bring forward in 2025 is cybersecurity.

11. Other information

Next Meeting

The next regular Board meeting is scheduled for August 27, 2024, at 12:00pm, 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 2:02 PM MDT.

Respectfully Submitted,
River 9 Consulting, Inc.