

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

**Board of Directors Minutes**  
Department of Insurance  
August 27, 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  
Dr. Chris Pickford, Consumer Representative  
Senator Jim Guthrie, Idaho State Senate (arrived 12:17)  
Dean Cameron, Director Idaho Department of Insurance

**Board Members Not Present**

**Others In Attendance**

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

- 1. Hyatt Erstad called the meeting to order at 12:04 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 April 24, 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 March, April, May and June Financial Packets for the High-Risk Pool (“Pool”). He proceeded to the June since they are cumulative.

- **Balance Sheet:** Cash year-to-date approximately \$46.5 million. Through June the program did not have access to the federal grant funds, so the program was drawing from the existing reserve funds. There were no problems encountered and no delays in making payments to carriers.
- **Revenue Statement:** Premiums are where close to expectation on the Condition Based pool with a full year projection of \$6.4 million and the program is current at \$3.3 million at the halfway point. Year-to-date claims for the grandfathered plan are only \$128,457 compared to last year’s \$254,867. Year-to-date for the Conditioned based pool is \$46.9 million at the end of June compared to last year at just under \$22.9 million
- **Federal Grant Status:** Though not represented in the financials it was noted the federal grant awarded in July was \$97,896,012 and the state premium tax received was \$21,113,177.
- **Cash Flow Estimates:** We see that in 2022 the program had a surplus of \$22 million primarily due to the state appropriation of \$25 million, in 2023 the program used \$5.5 million of the reserves. For 2024 the program is estimated to have an additional surplus of \$3.3 million, but with the additional federal grant funds more than \$5 million higher than the original estimate the overall surplus could be as much as \$8.3 million.
- **Lives:** There are 14 members in the Grandfathered Plan and currently there are 4,444 lives in the Condition Based.

*A motion was made to accept the March – June Financials as presented. The motion was seconded and passed unanimously.*

## 6. Investment Report

The portfolio continues to see higher interest rates than seen over the past few years. Watching the variability of the unrealized gain over the past few months is certainly eye opening - from unrealized losses of \$71,000 in April to an unrealized gain of \$230,000 through the end of June is the reality of interest rate volatility.

What is important is the interest income generated by the portfolio. Year-to-date through mid-August the portfolio has generated \$1,587,000 in interest and dividend income. With a current portfolio yield of nearly 5% we forecast 2024 total income to be more than \$2,500,000.

The portfolio started the year with about \$69 million in total assets, fixed income investments and money market funds. Thus far in 2024 the portfolio has distributed \$35 million for program support. The state tax contribution of \$21,113,177 was received on July 15 and the current value of the portfolio is \$57,280,844.

The portfolio meets all investment guidelines for quality and maturities. The average maturity of the portfolio is 2.26 years, and no individual maturity exceeds the 5-year maximum. We have been maintaining cash balances and realizing money market yields of more than 5%. These yields have begun to decline in advance of the anticipated September interest rate cut and we will extend some maturities to lock in longer term yields.

There remains no doubt that the Federal Reserve will lower short term interest rate targets at its September meeting. This will be the first interest rate cut since mid-March 2020 when the Fed cut rates to near zero in the COVID epidemic. Eleven rate hikes and 500 basis points of increase later perhaps a new cycle has begun.

**7. Procurement Policy**

Laren explained that although we have a procurement policy in place by adopting the state procurement policy, it may not meet the program needs to procure services. Michael Witny discussed the policy we adopted and that we were unable to use the state staff or officers to conduct the purchasing. He proposed a Procurement Policy that allows the Board to solicit bids. The Board will need a Procurement Committee to handle RFPs for anything over a defined dollar amount. Any purchases under \$10,000 may be awarded by the Board without soliciting pricing or bids. The discussion continued as to what would work best for the Board. Hyatt suggested that we table this and see what would satisfy the terms and conditions of the grant and what would work best for us. River 9 will work with Michael Witny and Wes Trexler and report at the next meeting.

**8. 1332 Grant Update**

The 2<sup>nd</sup> quarter report was filled timely with CMS. The pass-through funding report due date has been changed to October 15, 2024, allowing the Milliman team more time to complete the supporting work.

**9. Legislative Update from the DOI**

The Department is proposing to eliminate the statute language that requires administration of the small group reinsurance program.

**10. Other information**

Norm Varin suggested the Board consider a future topic of contingency planning for cash flow in the event there is an unexpected and lengthy delay in obtaining state or federal funds. The brief discussion also brought up the idea of potentially having a line of credit. Laren will work with Mt West Bank to determine what would be required to establish a line of credit for the program.

**Next Meeting**

The next regular Board meeting is scheduled for October 8th, at 11:30 am, 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.