

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

Board of Directors Minutes
Department of Insurance
February 28, 2023

Board Members Present

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

Board Members Not Present

Representative Rod Furniss, Idaho House Representative
Senator Jim Guthrie, Idaho State Senate

Others In Attendance

Laren Walker, River 9
Diane Kopecky, River 9
Bruce Mohr, Buffington Mohr
Wes Trexler, Department of Insurance
Kathy McGill, Department of Insurance
Shannon Hohl, DOI
Justin Knox, Milliman
Stephanie Guyon, Idaho Attorney General's Office
Kraig Anderson, Moda Health
Jason Lindstrom, Eide Bailly
Alan Vandagriff, St Luke's Health Plan
Nichol Lapierre, Your Health Idaho
Alex Vanosa, Moda

- 1. The meeting was called to order by Hyatt Erstad at 12:06 pm.**
- 2. A roll call was conducted, a quorum established.**
- 3. The meeting agenda was reviewed; no changes to the agenda were made.**
- 4. Minutes of the Previous Meeting**

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

5. Actuary Committee Minutes

Norm Varin presented the minutes from the Actuarial Committee meeting on February 15, 2023. This meeting was focused on establishing the IBNR for the Grandfathered High Risk and the Condition Based Pools for 2022. No IBNR was determined for the Small Employer Program since there are no longer any members in the program. Norm also commented that due to the significant reserve levels, the IBNR for the High Risk Pool only has a direct impact to the financial statement and would not produce a carrier assessment.

The IBNR for the 2021 plan year was \$50,000 and actual was \$65,725, producing a loss ratio of 276%. The Actuarial committee recommended an IBNR for the Grandfathered High Risk Pool be set at \$20,000 for the 2022 plan year based on the carriers provided estimates. With this recommendation the loss ratio is estimated to be 686% for the 2022 plan year. Though this loss ratio is higher than the target it does reflect the significant variability in the claims due to the very small population remaining in the pool.

Norm continued to the Condition Based Pool, with the 2021 plan year IBNR estimate of \$2,850,000, and the actual was \$3,234,489 producing a loss ratio of 272%. The Actuarial committee discussed the carrier provided estimates and determined a 10% margin was acceptable recommending the IBNR for 2022 plan year be set at \$3,250,000. As in the past, due to the nature of how individuals are identified through claims to be eligible for the program, there is some retroactivity in adding members. Therefore, the Actuarial committee also recommended a Premium IBNR of \$250,000 to represent the additional premium to be collected for those members that may be added. The ending loss ratio is estimated for the 2022 plan year to be 286% which is in the target of 200-300%.

A motion was made to accept the minutes of the Actuary Committee meeting from February 15, 2023. There was a recommended change to the minutes to reflect in item #2 it should state "2022 estimated loss ratio to be 286%" The motion with the change was seconded, and carried.

A motion was made to accept the Actuarial Committee recommendation to set IBNR at \$20,000 for the Grandfathered High Risk Pool, and at \$3,250,000 claims and \$250,000 premium for the Condition Based Pool, , it was seconded, and carried.

6. Audited Financial Statements – Small Employer

Hyatt Erstad reminded the Board that at the prior Board meeting it was established that River 9 would negotiate the financial audit fees for the Small Employer Program. Hyatt noted that as a result, Eide Bailley has agreed to absorb 50% of the fees for a full audit, and River 9 has elected to pay the other half. This is a one-time agreement. Hyatt thanked both Eide Bailley and River 9 for their willingness to make this arrangement.

A motion was made to accept Eide Bailley as the auditor for the Small Employer Program for this year, the motion was seconded, and carried.

Jason Lindstrom presented the Board with audit results for the Small Employer Program, noting a non-qualified (clean) opinion. Net position at year end was \$5,050.

A motion was made to accept the Audited Financial Statements for the Small Employer Program, it was seconded, and carried.

7. Audited Financial Statements – High Risk Pool

Jason Lindstrom then presented the Board with audit results High-Risk Pool for the year ended 12/31/2022 also noting a non-qualified (clean) opinion. He discussed the Statement of Net Position, Statement of Revenues, Expenses and Change in Net Position, noting End of Year Net Position was \$49,896,198.

Jason then discussed the notes to the Audited Financial Statements:

Note 4 is the disclosure of the \$25,000,000 from legislation since it is a one time and unusual event, so they call it out.

Note 6 is the disclosure of discussing the IBNR stating that it is an estimate. This is a disclosure that is presented every year since it is a large number.

Note 9 mentions the subsequent events of the 1332 Waiver along with the changes to the administrative agreement.

A motion was made to accept the Audited Financial Statements for the High-Risk Pool. Through discussion a suggested was made to add the addition of the two-tier administration fees to Note 9. The motion was seconded accepting the recommended change and carried.

8. December Supplemental Financial Packet Information

Laren presented the Supplemental Information from the December Financial Packet noting the results of the graphs and that there are 19 members in the Grandfathered Pool. He also stated that based on the February submittals we have already seen around 450 members enrolled, compared to 550 for the whole year in 2022. This result is to be expected given the expansion of the number of conditions qualifying someone to be reinsured.

9. Investment Report

Bruce Mohr reported that the US Treasury yield is at new cycle highs ending the week at 4.80%. Comparable rates were near 4% at year end and were below 3% last summer. This rising interest rate trend is not unique to the US with most developed countries across Europe and into Asia seeing similar rate trends.

Interest rates continue to be captive to the Federal Reserve. While inflation has peaked for the cycle the Fed remains committed to their mandate of significantly lower inflation and appears to be willing to risk recession to meet this objective. Interest rate increases have slowed to 25 basis points at a time from the 50-basis point trend we saw last year. However, we are due for at least 2 more

increases this year before we see a pause in rate hikes. It's doubtful that the Federal Reserve drops interest rates any time in 2023.

As mentioned previously the portfolio has benefitted from higher interest rate increases. The portfolio average maturity remains below 2 years and will realize total interest payments near 3% this year. The short maturity focus has minimized the mark to market price fluctuations while capturing the rate increases. The management priority remains to maintain liquidity for program support we feel that some maturity extensions to lock in interest rates may be appropriate.

There was a brief discussion about the need to maintain liquidity and how the funds from the 1332 Waiver will interact with the existing funding sources.

10. Transfer of Grant to the High Risk Pool

Wes Trexler and Kathy McGill discussed the options available for the administrative activities of the fund transactions under the 1332 Waiver. The discussion included the advantages of conveying the funds transactions administration to the High Risk Pool and administered by River 9. This keeps the administration of the funds consistent with current processes. River 9 on behalf of the High Risk Pool has the expertise, the ability to process transactions within 72 hours as a Federal requirement, and the necessary access to data to support the reporting requirements. The Department remains the 1332 Waiver Grantee, with the transaction function conveyed to the High Risk Pool, administered by River 9.

To formalize the process with CMS, the Department conveys the grant funds to the High Risk Pool in a letter to CMS; the High Risk Pool will submit a follow-up letter accepting the grant funds. An Authorized Organizational Representative (AOR) from the High Risk Pool is required, as well as a Project Director.

A motion was made to convey the administration of the funds transfer of the 1332 Waiver Grant from the DOI to the High Risk Pool, the motion was seconded and carried.

A recommendation was made that Hyatt Erstad as Chair of the High Risk Pool Board be designated as the Authorized Organizational Representative; with Laren Walker from River 9 be designated as the Project Director.

11. 1332 Waiver Update

The DOI is sending a report to CMS laying out how the program is going to be utilizing the funds.

12. Legislative Update from the DOI

Director Cameron discussed that Department budget is being presented in the Joint Finance and Appropriations Committee (JFAC). Additionally, there are 12 legislative bills the Department is monitoring, yet noting that none of them will impact the work of this Board. The noted legislation is primarily focused on Property and Casualty.

Next Meeting

The next regular Board meeting is scheduled for May 3, 2023, at 12:00pm, 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 2:45 PM MDT.

Respectfully Submitted,

River 9 Consulting, Inc.