

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

Board of Directors Minutes

Department of Insurance

September 20, 2023

Board Members Present

Hyatt Erstad, Chair, Erstad & Company (arrived late)
Norm Varin, Vice Chair, PacificSource Health Plans
David Pankey, Regence BlueShield of Idaho
Janice Fulkerson, Board Secretary, Consumer Representative
Dr. Chris Pickford, Consumer Representative
Trent Nate, Select Health
Mike Reynoldson, BlueCross of Idaho
Representative Rod Furniss, Idaho House Representative (excused early)
Senator Jim Guthrie, Idaho State Senate
Wes Trexler (for Director Cameron), Department of Insurance

Board Members Not Present

Dean Cameron, Director, Idaho Department of Insurance

Others In Attendance

Laren Walker, River 9
Diane Kopecky, River 9
Kathy McGill, Department of Insurance
Shannon Hohl, Department of Insurance
Robert Schmidt, Milliman
Justin Knox, Milliman
Paul Houchens, Milliman
Stephanie Guyon, Idaho Attorney General's Office
Alan Vandagriff, St Luke's Health Plan
Kraig Anderson, Moda Health
Pat Kelly, YHI
Kilee Lane, YHI
Troy Pritchett, Mountain Health Co-op
Ali Dang, Buffington Mohr McNeal
Andrea Puopolo, Buffington Mohr McNeal
Zach Hunt, Milliman

- 1. Hyatt Erstad was running late; the meeting was called to order by Norm Varin at 12:03 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 the May 3, 2023, 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. Operations Report

Laren Walker presented the Board with the March 2023 through July 2023 Operations Report for the High-Risk Pool ("Pool"). He moved directly to the July 2023 Report noting they are cumulative.

Pool Financial Report through February

- **Grandfather Pool Income Statement:** Year to date premium is \$62,082 compared to \$84,414 last year; and YTD claims are \$376,602 compared to \$484,575 prior YTD.
- **Condition Based Pool Income Statement:** Year to date premium is \$9,226,643 compared to \$2,885,800 prior YTD. Claims year to date are \$30,603,545 compared to \$8,219,414 prior YTD. The premium tax revenue was received in July in the amount of \$20,266.185.
- **Combined Pools:** Thru July we are just over \$73.8 million in cash. Combined premiums are \$9,288,725 million and combined claims are \$30,980,148 million. The IBNR estimates are \$300,000 for potential retroactive premiums and \$2.9 million in claims. Robert will discuss the status of the IBNR later in the meeting.
- **Enrollment:** The grandfathered program has enrollment of 16, the condition based is currently at 4,082. There are 8 carriers in the pool.
- **2023 ICD-10 Report:** Currently the report is showing the largest dollar amount of claims for HCC 8 covering Metastatic Cancer in the amount of \$3,566,745, the largest enrollment is in HCC 130, Heart Failure, with 511 members.

A motion was made to accept the High-Risk Pool March through July 2023 financial packets. The motion was seconded and carried.

6. Investment Report

Bruce was unable to attend the meeting. He submitted his report to Hyatt in advance of the Board meeting. Hyatt reported the following on Bruce's behalf: Despite broad expectations that the Fed is done hiking interest rates, all portions of the Treasury curve have sold off in the last month, with the 10-year yield hitting a new rate cycle high last week. These moves have largely been driven by the Fitch downgrade of U.S. debt and a rising supply of Treasuries. We believe both that a second wave of inflation is building presently, and that we are now in a structurally higher rate environment. This creates a cyclical and secular foundation for even higher yields, where only a recession in the near-term has the potential to push yields lower. That is still our base case, and the more yields rise in a short period, the more likely we believe a recession becomes.

The U.S. 2-year Treasury yield has trended higher at the same time oil prices have rebounded in recent weeks (above \$88 WTI). This matters because all companies use money, and all companies use energy. When the price of both is rising, economic pressure is still building. Bottom line: there have been signs of resilience in the U.S., but economic numbers from other

countries (eg, China, Germany) have not been as reassuring. Yet despite this mixed package of data, the screws are continuing to tighten on the economy.

We expect the Fed to hold interest rates stable in September and believe a November move to higher rates is not yet off the table. From here on out, we expect the Fed to be data dependent, and still see a modest recession occurring as the hikes work their way through the system. We also believe that sticky inflation and the Fitch credit downgrade all work to raise the rate floor for Treasuries this cycle. Forward-looking interest rates support this forecast.

Recent portfolio activity has been a steady investment of the summer cash deposit. Bond purchases in the 3-, 4- and 5-year maturity range with interest rates near 6% have been made. The portfolio current yield approaches 3.5% with significant cash (\$12 million) available for program support. The average maturity and duration of the portfolio remain below 2 years. After years of near zero rates the portfolio is taking advantage of the higher interest rate environment.

7. Actuarial Committee Minutes

Robert presented the Actuary Committee minutes for the August 22, 2023, meeting. The committee reviewed the IBNR projections noting the condition-based pool has an IBNR of \$3.25 million with actuals being only \$1.96 million. Claims can still come in until 12/31/23 and depending on date paid and date of service could be reimbursed. Condition Based IBNR premiums were at \$250,000 with ending actuals of \$264,100. The Grandfathered HRP IBNR was \$20,000 with actuals only being \$325. The committee then reviewed the other items that Milliman is working on for the Board, including the CBHRP projections, 1332 pass through report and premiums. The committee meets again on October 10, 2023, to discuss the Grandfathered premium rates.

A motion was made to accept the August 22, 2023, Actuarial Committee meeting minutes. The motion was seconded and carried.

8. 2024 Condition Based Projections and Plan Design

Robert shared a presentation showing the Milliman projection results for 2024 for discussion. He also discussed HCC diagnosis codes that are currently excluded since they originally did not exceed \$20,00 but now could be considered since they do result in claims over \$20,000. Most of the claims are slightly over the \$20,000 threshold, however, there are a couple that were larger. If these claims had been included, then the program would have resulted in paying an additional \$11 million. Robert stressed that there may be co-morbidities and that these claims may have already been covered under an HCC that we are including. Robert then discussed the data collection process, and used a 5% annual trend from 2022-2024, and then estimated the 2024 market premiums, pass through funding and the 2024 market premium reduction of 16% voted on at the last meeting to develop the scenarios provided.

Robert moved on to present the 3 scenarios with different enrollment, deductibles, co-insurance, pass through funding, premium tax etc. The discussion continued regarding the options for the Pool to achieve the target spending. The Board began a discussion regarding a study of where the carriers stand with the different decisions that the Board makes.

The Board requested Robert create another scenario during the meeting for review and consideration. He created the requested scenario with a lower deductible and a lower co-insurance rate and shared it with the Board.

A motion was made to accept newly created Scenario #2, with the deductible of \$40,000, 75% co-insurance, \$100 monthly reinsurance premium to carrier and a 16.1% market impact for 2024. The motion was seconded and carried.

9. Pass Through Funding Report

Milliman will be submitting the Pass-through Funding Report with the 2024 plan design by this Friday to CMS.

10. 1332 Grant Update

Laren updated the Board during the Operations report that the June 1332 Quarterly report had been submitted by River 9 to the proper federal authority. Robert will discuss the pass-through funding report and we will have quarterly reports to file along with the annual report. River 9 will forward to the Board copies of the quarterly report and then provide a link to the pass-through funding reports.

11. Election of Officers

The officers must be elected again for another one-year term. The slate of officers are Hyatt Erstad as Chair, Norm Varin as Vice-Chair, and Janice Fulkerson as Secretary.

A motion was made to re-elect the officers as presented. The motion was seconded and carried.

12. Legislative Update from the DOI

Wes updated the Board that the DOI is not sponsoring any legislation on the health front for now. By Executive Order, the Department reviews 20% of the rules each year, so 9 rules are under current review. All the rules under review, the rule governing Managed Care Organizations is the one that has the most direct impact to health carriers. He noted no major changes are being proposed.

13. Other information

Kathy McGill is retiring from the Department. The Board would like to thank her for her services and support over the years.

Next Meeting

A vote on the Grandfathered Plan premiums will be done via email after the Actuarial Committee meets in October.

The next regular Board meeting is scheduled for December 14, 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 2:37 PM MDT.

Respectfully Submitted,
River 9 Consulting, Inc.