

KAIROS HEALTH ARIZONA, INC.

**Annual Meeting of the Membership
December 7, 2018**

An annual meeting of the membership of Kairos Health Arizona, Inc., was held on December 7, 2018 at 333 East Osborn Road, Suite 100, Phoenix, AZ 85012.

Members present: Lana Berry; telephonic
Sandy Cooper
Jeffrey Gadd
Chris Knutsen
Rudy Rodriguez
David Tharp
Dr. Michael Wright

Members absent: None

Staff present: John Ashton: Ashton Tiffany, LLC
Mike Tiffany: Ashton Tiffany, LLC
Tracy Foss: Ashton Tiffany, LLC
Jennifer Darnall: Ashton Tiffany, LLC
Tanya Edwards: Ashton Tiffany, LLC
Jennifer Gabriel: Ashton Tiffany, LLC
Lori Jundt: Ashton Tiffany, LLC
Jeremy Larson: Ashton Tiffany, LLC, telephonic
Tara Zika: Ashton Tiffany, LLC
Hannah Olson: Ashton Tiffany, LLC
Wes Gates: Ashton Tiffany, LLC
Tom Palmer: Claremont Capital Management, LLC
Michael Tilton: BCBSAZ
Washington Coven: BCBSAZ
Tom Marreel: MSI
Terri O'Brien: MSI
Scott Iwanowski: MSI

A. Opening of the Meeting

1. Call to order

Rudy Rodriguez called the meeting to order at 10:10 a.m.

2. Welcome visitors

Randy King: Healthcare Horizons
Matt Waller: Henry+Horne
Mike Drexler: Henry+Horne

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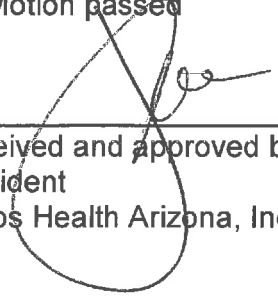
B. General Business

Rudy Rodriguez presented the board of directors' election results for 2019. David Tharp, Jeffrey Gadd, and Michael Wright were all re-elected to the board of directors for three-year terms, expiring at the annual meeting of 2021.

C. Adjournment

A motion was made to adjourn the meeting at 10:12 a.m.

David Tharp, moved
Sandy Cooper, seconded
Motion passed



Received and approved by Rudy Rodriguez
President
Kairos Health Arizona, Inc.

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Sandy Cooper
Jeffrey Gadd
Chris Knutsen
Rudy Rodriguez
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Dr. Michael Wright

Members absent: None

Staff present: John Ashton: Ashton Tiffany, LLC
Mike Tiffany: Ashton Tiffany, LLC
Tracy Foss: Ashton Tiffany, LLC
Jennifer Darnall: Ashton Tiffany, LLC
Tanya Edwards: Ashton Tiffany, LLC
Jennifer Gabriel: Ashton Tiffany, LLC
Lori Jundt: Ashton Tiffany, LLC
Jeremy Larson: Ashton Tiffany, LLC (telephonic)
Tara Zika: Ashton Tiffany, LLC
Hannah Olson: Ashton Tiffany, LLC
Wes Gates: Ashton Tiffany, LLC
Tom Palmer: Claremont Capital Management, LLC
Michael Tilton: BCBSAZ
Washington Coven: BCBSAZ
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Mike Drexler: Henry+Horne
Matthew Wright: Wright Welker & Pauole
Ted Raymond: Pixa

B. General Business

1. A motion was made to approve the agenda for December 8, 2018.

Sandy Cooper, moved
David Tharp, seconded
Motion passed

2. A motion was made to approve the regular minutes from August 28, 2018.

Sandy Cooper, moved
David Tharp, seconded
Motion passed

C. New Business

1. Discussion and approval of officers.

Tracy Foss presented the current officers:

- President: Rudy Rodriguez
- Vice President: Sandy Cooper, and
- Secretary/treasurer: David Tharp.

The board considered the annual appointment of officers, and elected to re-appoint the existing board officers.

A motion was made to approve the board officer slate as-is.

Jeffrey Gadd, moved
Dr. Michael Wright, seconded
Motion passed

2. Discussion and approval of Kairos actuarial study for the period ending June 30, 2018.

John Ashton presented the November 15, 2018, Willis Towers Watson (WTW) executive summary report of the estimated incurred but not reported (IBNR)

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claim calculation as of June 30, 2018. The total estimated IBNR for shared risk and self-funded members for the period ending June 30, 2018 was \$6,116,000. WTW also projected the IBNR reserve as of June 30, 2019 to total \$10,961,000.

There was some discussion of the trend assumptions for medical and pharmacy. Mr. Ashton advised that the pool's actuary was using a blend of industry and program trends. However, more weight will be granted to the Kairos trend as the program continues to mature.

A motion was made to approve the Kairos actuarial study for the period ending June 30, 2018.

David Tharp, moved
Chris Knutsen, seconded
Motion passed

3. Discussion and approval of Kairos audited financial statements and independent auditor's report for the period ending June 30, 2018.

Matt Waller, Henry+Horne, presented the independent auditor's report for Kairos for the year ended June 30, 2018. He noted the major highlights of the report, which included:

- \$26 million total assets,
- \$8.6 million net position,
- \$53.4 million total revenues, and
- \$638,000 increase in net position due to operations.

Mr. Waller stated that the pool received an opinion free from qualifications, and that financial statements presented fairly, in all material respects, the financial position of Kairos Health Arizona, Inc., as of June 30, 2018. He further noted that the changes in financial position and cash flows for the year then ended were in accordance with the accounting principles generally accepted in the United States.

Mr. Ashton offered to have Ashton Tiffany staff leave the meeting if the board desired to discuss any of the audit findings directly with the auditors. The board declined.

A motion was made to approve the Kairos audited financial statements and independent auditor's report for the year ending June 30, 2018.

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Sandy Cooper, moved
Jeffrey Gadd, seconded
Motion passed

4. Discussion and approval of Kairos independent auditor's report on applying agreed-upon procedures for the period ending June 30, 2018.

Matt Waller presented the additional assurance audit report, based on agreed-upon procedures for the year ended June 30, 2018, as prepared by Henry+Horne. The report specifically addressed:

- pool disbursements,
- reimbursement activity for board members,
- payments made to Ashton Tiffany, and
- reconciliation of self-funded members' accounts.

Mr. Waller advised that the items selected for review were standard, based on the nature of the pool operations. No issues were found.

A motion was made to approve the Kairos additional assurance audit report for the period ending June 30, 2018.

David Tharp, moved
Chris Knutsen, seconded
Motion passed

5. Discussion of medical and pharmacy claims audit.

Randy King, Healthcare Horizons, presented the medical and pharmacy claims audit report for the period from July 2017–July 2018. He advised that Kairos engaged the auditing firms of Healthcare Horizons and Remedy Analytics to perform audits of Kairos medical and pharmacy claims, with the intent of:

1. obtaining a comprehensive electronic review of the claims process and identifying any claim errors resulting from incorrect payments; and
2. assessing potential underlying conditions contributing to the identified errors.

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Mr. King reviewed findings from the reports. He further discussed recommendations with the board, including a requirement for claim audit reviews in future years, as well as considering plan design changes to limit the potential for abusive billing by providers.

6. Discussion of BCBSAZ claims and billing reconciliation.

Michael Tilton provided a summary of the claims and billing reconciliation for the plan year ending 2018. He noted that the inconsistencies within claims and billings had been reconciled and that additional protocols were now in place to help reduce any potential for recurrence.

David Tharp noted that a significant amount of resources had been dedicated to resolving the reconciliation, including audit fees and Kairos staff time. Mr. Tilton advised that BCBSAZ had already committed to paying the medical and pharmacy claims audit fees and agreed to further discussions related to staff resources and future audit reviews. Mr. Ashton agreed to provide an update to the board in the first quarter of 2019.

7. Discussion and approval of 2018/2019 Budget—Rev. 01.

Lori Jundt presented the 2018/2019 Budget—Rev. 01. She advised the board that the majority of the changes from the prior budget were attributable to a substantial increase in the average census. The notable changes included:

- an increase in the cost of ancillary benefits for shared risk pool members due to increased utilization;
- amended stop loss revenues and expenses, reflecting Kairos's retention of the first \$500,000 of each claim for the shared risk pool and the layer between \$300,000 and \$500,000 for each claim for the self-funded members;
- an increase in operating expenses due to the growth in membership, additional services, and claims audit fees;
- a decrease in the per employee per month administration cost for the shared risk pool from \$69 to \$31 due to growth in membership; and
- an increase in the expected loss projection due to further claim development in the most recent months.

A motion was made to approve the 2018/2019 Budget—Rev. 01.

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Sandy Cooper, moved
David Tharp, seconded
Motion passed

8. Discussion and approval of 2019/2020 program options.

Tanya Edwards presented the 2019/2020 program options. The board discussed the various options and requested that staff move forward with implementing the following changes:

- Item 2: telehealth benefit enhancement for co-pay plans;
- Item 3: male sterilization cost sharing requirement;
- Item 4: out-of-network emergency claims limitation;
- Item 5: minor dental rate reduction; and
- Item 8: basic life insurance for administrator class (match municipalities to existing school district program option for all members).

A motion was made to approve the above-listed 2019/2020 program options.

David Tharp, moved
Sandy Cooper, seconded
Motion passed

B. General Business (Continued)

3. Management report

The following items were discussed in the management report:

- Kairos branding,
- annual report,
- corporate contribution,
- member satisfaction survey,
- emergency responder legislation,
- business development update,
- CVS-Aetna merger, and
- future meeting schedule.

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Staff agreed to bring additional information on the member survey and emergency responder legislation to a subsequent meeting.

4. Financial report

Lori Jundt presented the preliminary financial statements for the period ending October 31, 2018 (these financial statements were distributed at the meeting).

Total assets were \$61,267,940, of which \$17,998,125 was cash and cash equivalents (excluding KIP) and \$3,613,113 was investments (excluding KIP).

Total liabilities were \$51,851,316. Total Liabilities incorporates a liability for self-funded members' accounts, including KIP of \$22,844,498; claims payable of \$17,161,067; and reserve for IBNR losses of \$9,399,384.

Net position as of October 31, 2018, excluding the self-funded net position, was \$9,416,624. Year-to-date revenues over expenses from operations was \$1,061,977, which was \$1,659,585 over budget.

Tom Palmer presented the investment report as well as an update on the current state of the investment market.

5. Claims report

Washington Covena presented the claims report through September 30, 2018.

David Tharp temporarily excused himself from the meeting and rejoined telephonically.

D. Executive Session

A motion was made to enter executive session at 1:44 p.m.

Dr. Michael Wright, moved
Chris Knutsen, seconded
Motion passed

The board discussed the following items:

1. minutes of the August 28, 2018 executive session; and
2. the BCBSAZ claim and billing reconciliation

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A motion was made to exit executive session at 2:25 p.m.

Jeffrey Gadd, moved
Sandy Cooper, seconded
Motion passed

E. Open Session

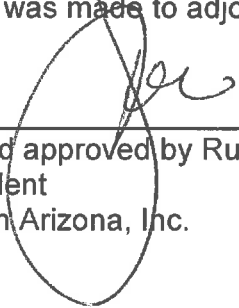
1. A motion was made to approve the minutes of the August 28, 2018 executive session.

Sandy Cooper, moved
Chris Knutsen, seconded
Motion passed

The board then instructed counsel to return with recommendations related to the BCBSAZ contract and agreed to amend this agenda item to discussion in lieu of approval, as no formal action was needed at this meeting.

F. Adjournment

A motion was made to adjourn the meeting at 2:26 p.m.



Received and approved by Rudy Rodriguez
Board President
Kairos Health Arizona, Inc.