

KAIROS HEALTH ARIZONA, INC.

**Minutes of the Meeting of the Board of Directors
February 12, 2020**

A meeting of the board of directors of Kairos Health Arizona, Inc., was held on February 12, 2020, at 333 East Osborn Road, Suite 100, Phoenix, AZ 85012.

Members present: Sandy Cooper
Jeffrey Gadd
Chris Knutsen
Rudy Rodriguez
David Tharp

Members absent: Lana Berry
Dr. Michael L. Wright

Staff present: John Ashton: 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
Tara Zika: Ashton Tiffany, LLC
Hannah Olson: Ashton Tiffany, LLC
Divi Matuszewski: Ashton Tiffany, LLC
Angie Stoudemire: Ashton Tiffany, LLC
Jenna Arico: Ashton Tiffany, LLC
Sarah Virgil: Ashton Tiffany, LLC
Chris Marler: Ashton Tiffany, LLC
Klaudia Gyder: Ashton Tiffany, LLC
Aaron Scherle: Ashton Tiffany, LLC
Peter Gregory: Ashton Tiffany, LLC
Tom Palmer: Claremont Capital Management, LLC
Bob Jusell: BCBSAZ
Washington Coven: BCBSAZ
Tom Marreel: MSI
Scott Iwanowski: MSI
Chris Welker: Wright Welker & Pauole

A. Opening of the Meeting

1. Call to order

Rudy Rodriguez called the meeting to order at 11:05 a.m.

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2. Welcome visitors

Bobby Fendley: Fendley Benefits

Dee Ostrowicki: Chandler Unified School District

Allison Sparks: Capital Financial

Crystal Zachary: Queen Creek Unified School District

B. General Business

1. A motion was made to approve the agenda for February 12, 2020.

Sandy Cooper, moved

David Tharp, seconded

Motion passed unanimously

C. Executive Session

1. A motion was made to enter executive session. It was seconded, and the motion passed unanimously.
2. A motion was made to exit executive session. It was seconded, and the motion passed unanimously.

D. Open Session

1. A motion was made to approve the minutes of the November 6, 2019 executive session.

David Tharp, moved

Sandy Cooper, seconded

Motion passed unanimously

B. General Business (Continued)

2. A motion was made to approve the minutes of the annual meeting of members from November 6, 2019.

David Tharp, moved

Sandy Cooper, seconded

Motion passed unanimously

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3. A motion was made to approve the minutes of the annual meeting of the board from November 6, 2019.

David Tharp, moved
Sandy Cooper, seconded
Motion passed unanimously

4. Financial report

Jeremy Larson presented the management dashboard for the period ending December 31, 2019. Year-to-date net operating revenues were \$50,698,969. Total operating expenses were \$50,170,974. Total net income for self-funded members was \$829,623. Total net loss for the shared risk pool was \$108,665.

Tom Palmer presented the investment report, as well as an update on the current state of the financial markets.

5. Claims report

Washington Coven and Bob Jusell presented the medical claims report through December 31, 2019, as well as an update on the outstanding action items from the claims audit.

Jeremy Larson and Tanya Edwards gave an update on pharmacy claims performance for the period ending December 31, 2019. Incurred year-to-date Rx claims totaled \$9.07M, which is in line with budget. A significant portion of the increase in Rx cost is due to the increase in specialty spend.

6. Management report

The following items were discussed in the management report:

- succession planning,
- director of communications role,
- customer service initiatives: workshops and member survey,
- financial and other wellness services,
- 2020/2021 renewal,
- Benefit Insights and More,
- Healthy Arizona Workplace Program workshops,

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- Trust Risk Management Summit,
- regulatory filing update,
- Business Development updates,
- industry update, and
- future meeting schedule.

E. New Business

1. Discussion and approval of short-term disability benefit changes

Tanya Edwards presented the changes to the short-term disability benefits: a 6% reduction in short-term disability rates and extension of benefit duration from 11 to 25 weeks.

A motion was made to approve the changes to the short-term disability benefits as of July 1, 2020.

Sandy Cooper, moved
Chris Knutsen, seconded
Motion passed unanimously

2. Discussion and approval of authority matrix

Lori Jundt presented changes to the authority matrix, which outlines the authority levels of contractors working on behalf of Kairos. The changes are as follows:

- addition of roles for the deputy executive director, Tanya Edwards;
- removal of Jennifer Darnall as director of operations;
- clarification of Phia Group Consulting, which handles medical and pharmacy subrogation;
- clarification that Delta Dental will handle dental subrogation; and
- clarification that appeals are handled by BCBSAZ, MaxorPlus, and Delta Dental.

A motion was made to approve the authority matrix as presented.

David Tharp, moved
Sandy Cooper seconded
Motion passed unanimously

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3. Discussion and approval of 2020/2021 Budget—Rev. 0, rates, and plan design

John Ashton presented the 2020/2021 rates, plan design, and a detailed budget analysis. Based on the analysis, the shared risk portion of Kairos was projecting a 10 percent increase in medical rates and a 3 percent increase for the PPO dental program.

Mr. Ashton also introduced a variable rate discussion as part of the underwriting authority granted by the board. He recommended adding a variable rate component for the initial 32 shared risk pool members—those that joined the pool on July 1, 2017—because the pool now has two full years of loss history for these members. The variable rating would be used to apply either a higher or lower rate increase based on a member's loss history. He further recommended future application of the variable rate to additional Kairos members once their loss history also met the two-year requirement. Mr. Ashton discussed the features and benefits of this option, and the board agreed to proceed, giving management and underwriting discretion to the administrator.

Mr. Ashton advised that other than the items addressed and approved in the November 2019 board meeting, staff was not recommending any additional changes to the current plan offerings.

The board held a lengthy discussion regarding the 2020/2021 budget. In light of the potential renewal increase, Mr. Ashton recommended a market check of the pool's stop loss insurance coverage and rates to ensure the program is in line with the industry. The board agreed, and Mr. Ashton advised that an update would be provided at a subsequent meeting.

A motion was made to approve the 2020/2021 rates and plan design, with a base 10% increase in medical rates, 3% increase in dental rates, along with the administrator's authority to apply variable rating as presented to the board for the 32 shared risk pool members that joined the pool on July 1, 2017.

David Tharp, moved
Rudy Rodriguez, seconded
Motion passed unanimously

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F. Adjournment

Rudy Rodriguez adjourned the meeting at 2:22 p.m.



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