

KAIROS HEALTH ARIZONA, INC.

**Minutes of the Meeting of the Board of Directors
February 15, 2019**

A meeting of the board of directors of Kairos Health Arizona, Inc., was held on February 15, 2019 at 333 East Osborn Road, Suite 100, Phoenix, AZ 85012.

Members present: Lana Berry
Sandy Cooper
Jeffrey Gadd
Chris Knutsen
Rudy Rodriguez
David Tharp
Dr. Michael L. 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
Tara Zika: Ashton Tiffany, LLC
Hannah Olson: Ashton Tiffany, LLC
Wes Gates: Ashton Tiffany, LLC
Jenna Arico: Ashton Tiffany, LLC
Angie Stoudemire: Ashton Tiffany, LLC
Christine Marler: Ashton Tiffany, LLC
Sarah Virgil: Ashton Tiffany, LLC
Mallory Esquibel: Ashton Tiffany, LLC
Divi Matuszewski: Ashton Tiffany, LLC
Tom Palmer: Claremont Capital Management, LLC
Mike Groeger: BCBSAZ
Bob Jusell: BCBSAZ
Tom Marreel: MSI
Scott Iwanowski: MSI
Chris Welker: Wright, Welker & Paule

A. Opening of the Meeting

1. Call to order

Rudy Rodriguez called the meeting to order at 12:02 p.m.

KAIROS HEALTH ARIZONA, INC.

**Minutes of the Meeting of the Board of Directors
February 15, 2019**

2. Welcome visitors

Bobby Fendley: Fendley Benefits
Dee Ostrowicki: Chandler Unified School District

B. General Business

1. A motion was made to approve the agenda for February 15, 2019.

Sandy Cooper, moved
David Tharp, seconded
Motion passed

2. A motion was made to approve the regular minutes from January 23, 2019.

Sandy Cooper, moved
David Tharp, seconded
Motion passed

3. Management report

The following items were discussed in the management report:

- BCBSAZ performance guarantees,
- BCBS audit and deliverables update,
- Member Insights & More educational sessions,
- Trust Risk Management Summit,
- 2019/2020 renewal update,
- Kairos Connections health bulletin,
- member feedback update,
- regulatory filings,
- Business Development activities,
- AGRiP Award for Excellence in Leadership, and
- future meetings schedule.

4. Financial report

Jeremy Larson presented the financial dashboard for the period ending December 31, 2018, noting a typographical error of \$9.6M in lieu of \$1.6M for the net position at year-end 2017.

KAIROS HEALTH ARIZONA, INC.

**Minutes of the Meeting of the Board of Directors
February 15, 2019**

Mr. Larson then presented the preliminary financial statements for the period ending December 31, 2018. Total assets were \$45,594,920, consisting primarily of cash and cash equivalents and investments. Total liabilities were \$35,138,839. "Total Liabilities" incorporates a liability for self-funded members' accounts, including KIP, of \$17,975,036; claims payable of \$5,242,123; and reserve for IBNR losses of \$9,790,288.

Net position as of December 31, 2018, excluding the self-funded net position, was \$10,456,081.

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

5. Claims report

Bob Jusell presented the claims report through December 31, 2018.

C. New Business

1. Discussion and approval of 2019/2020 Budget Rev. 0, rates, and plan design

John Ashton presented the 2019/2020 rates and plan design. He noted that staff was proposing a \$513,400 increase in the Ashton Tiffany management fees for consideration by the board. He advised that the suggested increase was to address administrative shortfalls, additional staff requirements, and anticipated growth in year three.

Mr. Ashton offered to have Ashton Tiffany staff leave the meeting if the board desired to discuss the Ashton Tiffany management fees. The board declined and proceeded to have a lengthy discussion on administrative fees.

Mr. Ashton then reviewed the budget analysis. Based on the analysis, the shared risk portion of Kairos was projecting a six percent increase in medical rates and a six percent decrease for the Delta Dental program.

David Tharp expressed concern for the members with the proposed six percent increase in medical rates. He suggested the board consider a slightly lower rate increase of five percent and further requested that Blue Cross Blue Shield revisit its final rate requirements in support of the program.

Mr. Ashton advised that, other than the items addressed and approved in the December 2018 and January 2019 board meeting, staff was not recommending any additional changes to the current medical plan offerings.

KAIROS HEALTH ARIZONA, INC.

**Minutes of the Meeting of the Board of Directors
February 15, 2019**

A motion was made to approve the 2019/2020 rates and plan design, with a five percent increase in medical rates, and six percent decrease in dental rates.

David Tharp, moved
Chris Knutsen, seconded
Motion passed

Rudy Rodriguez and Jeffrey Gadd voted against the five percent medical increase.

2. Discussion and approval of 2019/2020 Ashton Tiffany, LLC, contract

John Ashton presented the 2019/2020 Ashton Tiffany, LLC, contract changes for review by the board. He noted that the recommended changes aligned with provisions of the other Ashton Tiffany pool administrative agreements, and that Kairos counsel had reviewed them for legal sufficiency.

Mr. Ashton offered to have Ashton Tiffany staff leave the meeting if the board desired to discuss the Ashton Tiffany contract. The board declined.

A motion was made to approve the 2019/2020 Ashton Tiffany, LLC, contract.

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

3. Discussion and approval of Membership Agreement amendment

Lori Jundt presented the Membership Agreement amendment. She advised that the proposed changes were minor enhancements to the Kairos Membership Agreement for the July 1, 2019 plan year. The new language would allow for:

- a reduction in the required deposit amount for self-funded members from one-fourth to one-twelfth of the annual self-funded contributions (assuming financial statements for self-funded members include a liability for IBNR);
- clarification that the Kairos administrator will perform an accounting of each member's self-funded account, which includes self-funded contributions to the self-funded account, earnings if applicable, and the self-funded member's portion of expenses incurred to date, including accrued liabilities; and

KAIROS HEALTH ARIZONA, INC.

**Minutes of the Meeting of the Board of Directors
February 15, 2019**

- amendment of Appendix A to include a schedule of plan benefit offerings for the shared risk and self-insured plans.

A motion was made to approve the Membership Agreement amendment effective July 1, 2019.

Jeffrey Gadd, moved
Sandy Cooper, seconded
Motion passed

4. Discussion and approval of Kairos Investment Pool (KIP) Participation Agreement amendment

Lori Jundt presented KIP agreement amendments intended to provide clarification. The amendments included the following provisions:

- minimum initial deposit by member of \$1,000;
- member maintenance of a balance of \$1,000; if the member's balance drops below \$1,000 for 90 consecutive days, the KIP Participation Agreement may be terminated;
- if an automatic withdrawal from the member's KIP funds is made by Kairos to meet the cash flow obligations of the member, notification of the withdrawal will be sent to the member;
- indemnification to be provided "to the extent permitted by law"; and
- replacement of the binding arbitration provision with a mediation clause.

A motion was made to approve the Kairos Investment Pool Participation Agreement amendment.

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

D. Executive Session

A motion was made to enter executive session at 2:38 p.m.

Sandy Cooper, moved
David Tharp, seconded
Motion passed

KAIROS HEALTH ARIZONA, INC.

**Minutes of the Meeting of the Board of Directors
February 15, 2019**

The board discussed the following items:

1. minutes of the January 23, 2019 executive session; and
2. the BCBSAZ contract negotiations.

A motion was made to exit executive session at 2:57 p.m.

David Tharp, moved
Jeffrey Gadd, seconded
Motion passed

E. Open Session

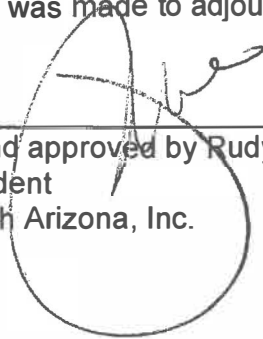
1. A motion was made to approve the minutes of the January 23, 2019 executive session.

David Tharp abstained from the motion of the executive session minutes due to his absence from the January 23, 2019 meeting.

Sandy Cooper, moved
Chris Knutsen, seconded
Motion passed

F. Adjournment

A motion was made to adjourn the meeting at 3:04 p.m.



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