KAIROS HEALTH ARIZONA, INC.

Minutes of the Meeting of the Board of Directors
February 8, 2018

A meeting of the board of directors of Kairos Health Arizona, Inc., was held on February 8, 2018 at 333 East Osborn Road, Suite 300, Phoenix, AZ 85012.

Members present: Lana Berry
                Sandy Cooper
                Rudy Rodriguez
                David Tharp
                David Lykins
                Pam Sitton

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
               Norm Hall: Ashton Tiffany, LLC
               Peter Gregory: Ashton Tiffany, LLC
               Aaron Genaro: Ashton Tiffany, LLC
               Angie Stoudemire, Ashton Tiffany, LLC
               Christine Marler, Ashton Tiffany, LLC
               Sarah Virgil, Ashton Tiffany, LLC
               Jenna Arico, Ashton Tiffany, LLC
               Jane Schemers: Ashton Tiffany, LLC
               Wes Gates: Ashton Tiffany, LLC
               Tom Palmer: Claremont Capital Management, LLC
               Patrick Kohnen: Claremont Capital Management, LLC
               Tom Marreel: MSI
               Terri O’Brien: MSI

A. Opening of the Meeting

1. Call to order

   Rudy Rodriguez called the meeting to order at 11:07 a.m.
2. Welcome visitors

Bobby Fendley: Fendley Benefits  
Melanie Baird-Simmons: Town of Payson

B. General Business

1. A motion was made to approve the agenda for February 8, 2018.
   
   David Lykins, moved  
   Dave Tharp, seconded  
   Motion passed

2. A motion was made to approve the regular minutes from the November 7, 2017 annual meeting of the membership.
   
   Sandy Cooper, moved  
   Dave Tharp, seconded  
   Motion passed

3. A motion was made to approve the regular minutes from the November 7, 2017 annual meeting of the board.
   
   Sandy Cooper, moved  
   David Lykins, seconded  
   Motion passed

4. Management report

   The following items were discussed in the management report:

   - Laura Smith resignation,  
   - 2018/2019 renewal,  
   - wellness screenings,  
   - regulatory filing update,  
   - customer service issues,  
   - business development,  
   - educational item, and  
   - future meetings.
5. Financial report

Lori Jundt presented the preliminary financial statements for the period ending December 31, 2017. Total assets were $40,753,517, of which $12,499,817 was cash and cash equivalents, and $26,748,970 was investments. Total liabilities were $31,137,202, including a liability for self-funded members’ accounts of $20,962,007; claims payable of $3,460,702; and reserve for IBNR losses of $4,020,809. (The reserve for IBNR losses includes $461,530 for the run-out of APEHP claims.) Net position as of December 31, 2017, excluding the self-funded net position, was $9,616,315. Year to date revenues over expenses from operations was $1,984,350, which was $546,433 over budget.

Tom Palmer presented the investment report.

6. Claims report

Tom Marreel presented the claims report through December 31, 2017.

C. New Business

1. Discussion/appointment of Dr. Pam Sitton

Mr. Ashton stated that as a result of Laura Smith’s recent resignation from Scottsdale Unified School District (SUSD), there was a vacancy on the Kairos board of directors. SUSD has requested that Dr. Pam Sitton fill the vacancy. Dr. Sitton has 29 years of educational experience, and has been with SUSD for 10 years. She currently serves as the assistant superintendent of personnel and specialized services.

Dr. Sitton spent 10 years as a classroom teacher and 10 years as a building administrator prior to joining SUSD. She holds bachelor’s and master’s degrees in elementary education from Governors State University; a master’s degree in educational leadership from Arizona State University; and a doctorate in educational leadership from Capella University.

Vacancies on the Kairos board are filled by an affirmative vote of a majority of the Kairos directors then in office, with the new director holding office until the unexpired term of the director being replaced (Laura Smith’s term expires in November 2018).

A motion was made to appoint Dr. Pam Sitton as a Tier 1 director, with a term expiring in November 2018.
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David Lykins, moved
Sandy Cooper, seconded
Motion passed

2. Discussion/approval of 2018/2019 Budget—Rev. 0, rates, and plan design

Mr. Ashton presented the 2018/2019 Budget—Rev. 0. Below are the highlights of the budget:

- Net operating revenues are $58,170,005, with gross contributions of $63,675,008, and cost of fully-insured ancillary programs and stop loss insurance of $5,505,003.
- Operating expenses are $56,741,022, with loss/loss expense paid and incurred costs (net of recoveries) of $51,927,104; claim service fees of $2,361,042; and administrative fees of $2,452,876.¹
- The surplus of revenues over expenses from operations is $1,428,983.
- Net non-operating revenues are $140,000, resulting in an increase in net position of $1,568,983.
- The ending net position for Kairos is $1,342,733 after backing out the self-funded net position of $226,250.

Staff then presented the 2018/2019 plan design options, ancillary products, and rates.

A motion was made to approve a 4 percent rate increase for medical; 0 percent increase for dental; and the recommended plan options, ancillary products, and rates.

Rudy Rodriguez, moved
No one seconded
Motion failed

A motion was made to approve a 3 percent rate increase for medical; 0 percent increase for dental; the recommended plan options, ancillary products, and rates; and to promote rate stabilization funding options to the members during renewal.

¹ Included within the budgeted administration fee is $1,861,600 for the Ashton Tiffany management fee, and $100,000 for the IT and PBM consultant fees.
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David Lykins, moved
Dave Tharp, seconded
Motion passed

3. Discussion/approval of 2018/2019 stop loss coverage

Mr. Ashton presented the 2018/2019 stop loss options. He stated that staff analyzed the historical premiums and losses under APEHP’s (and now Kairo’s) commercial stop loss coverage. Since 2010, the pool has had an average loss ratio of 29 percent.

Given the historic 29 percent loss ratio for the commercial carriers, Mr. Ashton recommended that Kairo consider increasing its retention level, assume more risk, and take advantage of the premium savings. The self-insured members would not increase their risk; instead, they would keep the same specific deductible they currently have ($300,000). However, instead of buying all commercial stop loss coverage above $300,000 directly from BCBSAZ, they would buy the layer between $300,000 and $500,000 from the Kairo shared risk program, and the layer above $500,000 from BCBSAZ.

If the loss ratio mirrors the average historical loss ratio of 29 percent, the pool will recognize a savings of approximately $700,000. Of course, Kairo will also bear more risk. Given the financial condition of the pool and the number of lives covered, management believes Kairo can assume this risk and will save money in the long run.

A motion was made to increase the stop loss deductible with BCBSAZ from $300,000 to $500,000 for the entire pool.

Rudy Rodriguez, moved
David Lykins, seconded
Motion passed

D. Executive Session

A motion was made to enter executive session.

David Lykins, moved
Dave Tharp, seconded
Motion passed

A motion was made to exit executive session.
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David Lykins, moved
Sandy Cooper, seconded
Motion passed

1. Member claim appeal #03-018

   A motion was made to deny member claim appeal #03-018.
   
   David Lykins, moved
   Lana Berry, seconded
   Motion passed

2. Member claim appeal #04-018

   A motion was made to deny member claim appeal #04-018.
   
   David Tharp, moved
   David Lykins, seconded
   Motion passed

The meeting was adjourned at 2:04 p.m.

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