

KAIROS HEALTH ARIZONA, INC.

**Minutes of the Meeting of the Board of Directors
August 29, 2017**

A meeting of the board of directors of Kairos Health Arizona, Inc., was held on August 29, 2017 at Cottonwood Recreation Center (Cottonwood Room), 150 South 6th Street, Cottonwood, AZ 86326.

Members present: Lana Berry
Sandy Cooper
Rudy Rodriguez
David Tharp
David Lykins
Laura Smith

Members absent: None

Staff present: John Ashton: Ashton Tiffany, LLC
Mike Tiffany: Ashton Tiffany, LLC (via teleconference)
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
Jane Schemers: Ashton Tiffany, LLC
Tracey Lyons: BCBSAZ
Tom Mandrola: BCBSAZ
Madeline Zobel: BCBSAZ
Tom Marreel: MSI
Terri O'Brien: MSI
Bill Sims: Sims Murray, Ltd. (via teleconference)

A. Opening of the Meeting

1. Call to order

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

2. Welcome visitors

Tom Palmer: Claremont Capital Management, LLC
Patrick Kohnen: Claremont Capital Management, LLC

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B. General Business

1. A motion was made to approve the agenda for August 29, 2017.

David Lykins, moved
Sandy Cooper, seconded
Motion passed

C. Executive Session

A motion was made to enter executive session.

Sandy Cooper, moved
David Tharp, seconded
Motion passed

A motion was made to exit executive session.

David Tharp, moved
David Lykins, seconded
Motion passed

1. Capitalization plan

A motion was made to accept the Trust's \$1,500,000 administrative offset, accept the Trust's \$3,500,000 capitalization, and designate the \$3,500,000 capitalization as member equity allocated specifically to those Trust members who are also members of Kairos as of July 1, 2020, in accordance with the member allocation plan developed by the Kairos administrator.

Sandy Cooper, moved
David Lykins, seconded
Lana Berry, abstained
Motion passed

B. General Business (continued)

2. A motion was made to approve the regular minutes from June 27, 2017.

David Lykins, moved
Sandy Cooper, seconded
Motion passed

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3. A motion was made to approve the executive minutes from June 27, 2017.

David Tharp, moved
David Lykins, seconded
Motion passed

4. Management report

The following items were discussed in the management report:

- Sandy Cooper legacy award,
- APEHP merger,
- membership agreements,
- plan documents,
- Teladoc rollout,
- wellness update,
- marketing update,
- renewal timeline,
- educational item, and
- future meetings.

5. Financial report

Lori Jundt presented the preliminary financial statements as of and for the period ended July 31, 2017. Total assets were \$17,988,533, of which \$14,327,205 was cash and cash equivalents. Total liabilities were \$13,326,073, including a liability for self-funded members' accounts of \$7,706,893, claims payable of \$1,053,393, and reserve for IBNR losses of \$2,091,379. The reserve for IBNR losses includes \$1,711,538 for the run-out of APEHP claims. Net position as of July 31, 2017, excluding the self-funded net position, was \$4,662,460. Year to date revenues over expenses from operations were \$2,029,053, which was \$1,933,491 over budget.

6. Claims report

Tanya Edwards and Tom Marreel presented a sample claims report. They explained that the purpose of the report is to provide an overview of plan performance and key utilization metrics. This report will be presented—for both self-insured and shared risk members—at each Kairos board meeting. In subsequent months, the report will be populated with actual data, and will help

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with monitoring of program performance, with strategy, and with decisions on benefit plan offerings.

D. Old Business

1. Ratification of 2017/2018 contracts

Tracy Foss presented an amended contract and policy summary for the vendors that provide services to the pool. Ms. Foss addressed modifications to provision of services, fees, rates, or applicable terms and conditions.

A motion was made to ratify the 2017/2018 contracts as presented.

David Tharp, moved
Laura Smith, seconded
Motion passed

E. New Business

1. Discussion/approval of Kairos investment policies and procedures and Kairos Investment Pool documents

John Ashton provided an overview of the Kairos Investment Pool (KIP) program. He also presented the proposed KIP Participation Agreement, highlighting the key provisions of the document.

A motion was made to approve the proposed KIP Participation Agreement.

Lana Berry, moved
David Tharp, seconded
Motion passed

Mr. Ashton then presented the proposed investment policies and procedures for both KIP and Kairos. Mr. Ashton stated that the primary difference between the two policies was that KIP is subject to A.R.S. 35-323. He also clarified that the KIP investment policies and procedures will be approved by the Kairos board, not the individual members, and that staff will work with the individual members participating in KIP to determine how they would like to invest their funds within the parameters of the program.

Mr. Ashton stated that staff and general legal counsel were uncertain whether a prospectus was necessary for the KIP program. Staff is currently seeking advice from legal counsel specializing in securities. An update will be provided to the board at the next meeting.

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A motion was made to approve the KIP and Kairos investment policies and procedures.

David Lykins, moved
Sandy Cooper, seconded
Motion passed

2. Discussion/approval of 2017/2018—Budget Rev. 1

Mr. Ashton presented and asked for approval of the 2017/2018—Rev. 1 budget. He stated that the primary changes were attributable to an increase of 239 in the estimated census, an increase in administrative expenses due to corporate insurance policies binding at higher rates than previously estimated, and a decrease in investment income due to a reduction in the estimated time that funds will be invested (from 12 months to 10 months). This results in a budgeted net position of (\$74,827) for the year.

A motion was made to approve the 2017/2018—Rev. 1 budget.

David Lykins, moved
Lana Berry, seconded
Motion passed

F. Adjournment

A motion was made to adjourn the meeting.

David Lykins, moved
Laura Smith, seconded
Motion passed

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