

**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 Kohlen: 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.

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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.

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**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.<sup>1</sup>
- 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.

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<sup>1</sup> 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 Kairos'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 Kairos 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 Kairos 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, Kairos will also bear more risk. Given the financial condition of the pool and the number of lives covered, management believes Kairos 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.

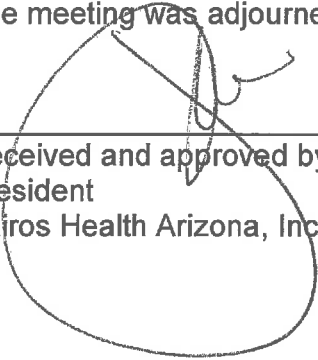
David Lykins, moved  
Lana Berry, seconded  
Motion passed

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.



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