

KAIROS HEALTH ARIZONA, INC.

**Minutes of the Annual Meeting of the Board of Directors
November 7, 2017**

A meeting of the board of directors of Kairos Health Arizona, Inc., was held on November 7, 2017 at 333 East Osborn Road, Suite 300, Phoenix, AZ 85012.

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
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
Wes Gates: Ashton Tiffany, LLC
Tom Palmer: Claremont Capital Management, LLC
Patrick Kohnen: Claremont Capital Management, LLC
Madeline Zobel: BCBSAZ
Tom Marreef: MSI
Terri O'Brien: MSI

A. Opening of the Meeting

1. Call to order

Rudy Rodriguez called the meeting to order at 11:10 a.m.

2. Welcome visitors

Barbie Bridge: Town of Camp Verde
Russ Martin: Town of Camp Verde
Bobby Fendley: Fendley Benefits
Dr. James Napoli: BCBSAZ
Ron Stearns: CliftonLarsonAllen

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Wayne Hunter: CliftonLarsonAllen

B. General Business

1. A motion was made to approve the agenda for November 7, 2017.

David Lykins, moved
Lana Berry, seconded
Motion passed

2. A motion was made to approve the regular minutes from August 29, 2017.

Sandy Cooper, moved
Laura Smith, seconded
Motion passed

3. A motion was made to approve the executive minutes from August 29, 2017.

David Lykins, moved
David Tharp, seconded
Motion passed

4. A motion was made to approve the regular minutes from the June 22, 2017 APEHP meeting of the board of directors.

David Lykins, moved
David Tharp, seconded
Motion passed

5. A motion was made to approve the executive minutes from the June 22, 2017 APEHP meeting of the board of directors.

David Tharp, moved
Laura Smith, seconded
Motion passed

6. Management report

The following items were discussed in the management report:

- underwriter update,
- customer service issues,

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- vendor meetings,
- investment pool,
- online enrollment update,
- business development,
- educational item, and
- future meetings.

7. Financial report

Lori Jundt presented the preliminary financial statements for the period ending September 30, 2017. Total assets were \$45,060,631, of which \$41,150,184 was cash and cash equivalents and \$1,798,240 in investments. Total liabilities were \$30,054,808, including a liability for self-funded members' accounts of \$27,932,431, claims payable of \$3,063,137, and reserve for IBNR losses of \$2,439,553. The reserve for IBNR losses includes \$659,913 for the run-out of APEHP claims. Net position as of September 30, 2017, excluding the self-funded net position, was \$9,005,823. Year to date revenues over expenses from operations were \$2,910,501, which was \$2,551,020 over budget.

Ms. Jundt stated that staff increased the IBNR run-out percentage to 15%, which results in an increase of \$2.6M to the IBNR reserve to be recorded in fiscal year 2017/2018. This adjustment has been reflected in the August financial statements, with a catch-up adjustment.

Staff will record \$593,200 on a monthly basis for the remainder of the fiscal year. However, activity will be monitored and adjustments will be made as necessary. Additionally, once the fiscal year is completed, staff will obtain an actuarial study as of June 30, 2018, and will adjust the IBNR reserve based on the findings in the study.

Mr. Palmer presented the investment report.

8. Claims report

Tom Marreel presented the claims report through September 30, 2017.

C. New Business

1. Discussion/approval of APEHP actuarial study for the period ending June 30, 2017

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Ms. Foss reported on the Willis Towers Watson (Willis) incurred but not reported (IBNR) claim calculation as of June 30, 2017. Per the Willis report, the estimated IBNR for the period ending June 30, 2017 is as follows:

Medical/prescription drugs:	\$2,105,574
Dental:	<u>\$ 47,319</u>
Total:	\$2,152,893

She noted the above estimate is at expected level and does not include any provisions, contingencies, or risk margin. She further noted the estimate is on an undiscounted basis (no interest earnings), and does not include any additional fees for administrative or claims handling expenses.

Based on the parameters outlined above, and on approximate claims paid through July 31, 2017 of \$950,000, Ashton Tiffany staff confirmed with the actuary that an additional 5 percent contingency would reflect a reasonable, yet slightly more conservative, estimate. The increased estimate was reflected in the draft audited financial statements.

A motion was made to approve the APEHP actuarial study for the period ending June 30, 2017.

David Tharp, moved
David Lykins, seconded
Motion passed

2. Discussion/approval of APEHP audited financial statements and independent auditor's report for the period ending June 30, 2017

Mr. Stearns presented the audit report and indicated that APEHP received an opinion free from qualifications. The audit team of CliftonLarsonAllen has confirmed that the financial statements present fairly, in all material respects, the financial position of the Arizona Public Employers Health Pool as of June 30, 2017.

Mr. Ashton offered to leave the meeting if the board desired to discuss the audit findings directly with the auditors. The board declined the offer.

A motion was made to approve the APEHP audited financial statements and independent auditor's report for the year ending June 30, 2017.

David Tharp, moved

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David Lykins, seconded

Motion passed

3. Discussion/ratification of 2017/2018 plan documents

Ms. Edwards discussed the 2017/2018 plan documents. She stated that given the structure of Kairos, and based on input from counsel, plan sponsor and administrator duties for shared risk members are designated to Kairos Health Arizona, Inc. For self-insured members, plan sponsor and administrator duties are designated to the self-insured member. Because of this, one plan document/summary plan description (wrap document) is necessary for the shared risk members collectively, and separate wrap documents are necessary for each of the self-insured members. (The wrap document is to be provided in conjunction with the component benefit plans.)

A motion was made to ratify the 2017/2018 plan documents, giving staff authority to make minor changes such as formatting and grammatical modifications.

Lana Berry, moved
Sandy Cooper, seconded
Motion passed

4. Discussion/approval of Willis Towers Watson agreement for actuarial services

Ms. Foss presented the proposed agreement with Willis Towers Watson (WTW). The annual fee for these services is \$17,000; \$10,000 for a rate study for the 2018/2019 renewal and \$7,000 for the IBNR study at year end June 30, 2018.

A motion was made to approve the agreement with Willis Towers Watson.

David Lykins, moved
Laura Smith, seconded
Motion passed

5. Discussion/ratification of Snell & Wilmer agreement for legal services

Ms. Foss stated that as part of the BCBS contract negotiations, it became necessary to engage legal counsel to assist in drafting language and providing legal advice related to information technology for the BenefitStarter product (an online enrollment platform). The hourly rate for these services is \$475.

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A motion was made to ratify the agreement with Snell & Wilmer, LLP.

Laura Smith, moved
Lana Berry, seconded
Motion passed

6. Discussion/approval of 2018/2019 plan design

Staff discussed the proposed renewal timeline with the board. In general, no significant changes to the current plan design were recommended. The following are the options that were presented, along with the board's recommendation on each:

- **Modify existing Copay Plan:** Board directed staff not to pursue at this time.
- **Introduce a narrow network option for self-insured members only:** Board directed staff to handle on a case-by-case basis.
- **Assume a higher stop loss retention level:** Board directed staff to provide options at a future meeting.
- **Standardize and introduce voluntary products for the entire pool:** Board directed staff to bring back a final structure/plan design for approval at a future meeting.
- **Replace Teladoc and implement BlueCard Anywhere:** Board directed staff to bring back a proposed program for approval at a future meeting.
- **Include broker commissions into member premiums:** Board discussed the pros and cons and asked staff to provide a recommendation at a future board meeting.

The board did not take formal action on the items above.

D. Adjournment

The meeting was adjourned at 2.55 p.m.



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

