

**Governmental Health Group of Rhode Island
Minutes
Regular Meeting of the Board of Directors
Wednesday, January 24, 2007**

A regular meeting of the Board of Directors was held on Wednesday, January 24, 2007, at the Portsmouth Town Hall, 2200 East Main Road, Portsmouth, Rhode Island.

Roll Call:

Board of Directors

Jane F. Correia	Director	Present
Shawn J. Brown	Director	Present
David P. Faucher	Director	Present
Robert Mushen	Director	Present
Miriam Goodman	Director	Present
Nancy Lalli	Director	Excused
Glenn Steckman III	Director	Present
Robert Murray	Director	Present

Alternate Board Members:

Edward Mara	Alternate	Excused
Catherine McLeish	Alternate	Present
Vacant	Alternate	Excused
Harold "Ron" Devine	Alternate	Excused
Maureen Macera	Alternate	Excused
Michael Saunders	Alternate	Excused
Robin Reasor	Alternate	Excused
Joanne Vecchio	Alternate	Excused

Others Present

Lynne Dible	Secretary	Present
Kevin Walsh	Group Benefits Strategies	Present
Stephen Zubiago	Nixon Peabody LLP	Excused

Call to Order:

President Correia called the meeting to order at 9:40 a.m. Secretary Dible reported that a quorum was present.

Agenda:

A motion was made by S. Brown, seconded by D. Faucher, to approve the agenda for the 01/24/2007 meeting. The motion was approved unanimously.

Secretary's Report:

A motion was made by S. Brown, seconded by D. Faucher, to approve the minutes (previously emailed) of the regular meeting held 12/20/2006. The motion was approved unanimously.

Treasurer's Report:

S. Brown reported that for the period ended 12/31/2006, the cash balance was up from the prior month and, overall, December was a good month with no unusual activity. There is an increase in revenue of \$180K reported for pharmaceutical rebates. Interest income is reported at \$132K for the period July 2006 through December 2006. He explained that in order to get a better investment return than the Citizens PIP rate, he had been working with Wachovia Securities to develop a CD portfolio. The portfolio is comprised of four pools of CDs with differing maturity rates and amounts, for a total of \$2.0 million. All of the CD's are FDIC insured with a yield to maturity range from 4.9% to 5.2%. As each CD matures, they will roll unless the funds are needed for operations of the GHGRI. The CD activity will be reflected in the January 2007 financial statements. A motion was made by D. Faucher, seconded by R. Murray, to approve the Treasurer's Report for the period ended December 31, 2006 as presented. The motion was approved unanimously,

J. Correia initiated the discussion with the group relative to the Undistributed Member's Surplus and how the Board felt about distributing some or the entire FY2006 surplus. She also explained that a corresponding amendment to the Joint Participation Agreement would need to be made for the Surplus Distribution Policy. Discussions followed relative to the positive impact politically that a distribution would have, but that distributing was probably not the best business decision, especially only after one year of GHGRI operations. D. Faucher added that there are other opportunities a surplus could produce, such as using it to create a semi-blended rate to subsidize high premium increases, or increase the cap on specific stop-loss insurance coverage. He added that a distribution the first year could create an expectation that there would be a distribution every year. R. Murray asked to what level does the Board let the surplus build. Discussions continued regarding allowing the surplus to build so that the reserves were at 100% confidence level before a surplus would be distributed. K. Walsh explained an example of a Surplus Distribution Policy based on reserves at a certain confidence level could state that if the contingency reserve was greater than or equal to 95% confidence level for a full year, then no more than 50% of the Member's Surplus could be distributed. S. Brown cautioned that the GHGRI is only at a 95% confidence level for one year, and the industry standard is a 95% confidence level for three or five years. R. Murray added that the confidence level of the GHGRI might not be able to be set after just one year of operations. M. Goodman stated that in light of the high premium increases over the last couple of years; there is some political pressure to bring back good news, which may just be a token distribution for FY2006. J. Correia reminded the group that with the new tax cap legislation, budgets would get worse, not better.

D. Faucher explained that the Board of Directors of the GHGRI is required to send a thirty-day notice to both Blue Cross of RI and to the CEO's of each member community prior to the Board voting on any amendment to the Joint Participation Agreement.

A motion was made by D. Faucher, seconded by S. Brown, to not distribute the Undistributed Members' Surplus identified in the FY2006 audit, and to work on a Reserve Policy to determine surplus distributions in the future. The motion was approved unanimously.

Warrants:

A motion was made by S. Brown, seconded by D. Faucher, to approve the revised February 2007 Warrant Summary. K. Walsh reported that the revised warrant included a \$600 invoice from Nixon Peabody for legal services. The motion was approved unanimously.

Self-Funded Cost vs. Funding Analysis:

K. Walsh provided an overview of the Self-Funded Cost vs. Funding Analysis, which reflected an overall cost/funding ratio of 92% as of the end of December 2006. He reported that the ratio has stabilized since the beginning of the fiscal year. He explained that the Funding Rate Total of \$25.5M vs. the Net Total Costs of \$23.5M through December 2006, show that the GHGRI is \$2.0M ahead in funding for the period 7/06 – 12/06. He reported that there were no excess claims over \$200K for the fiscal year, but there were four high claims with 50% losses. D. Faucher expressed interest in getting quotes from Blue Cross on other higher caps on the specific stop-loss insurance. K. Walsh added that there were no changes to the Disputed Claims Report and that GBS continues to work with Blue Cross to ensure they review and correct the reported disputed claims.

Old Business:

DBR Approval. J. Correia happily reported that the DBR approved the final Consent Order on December 22, 2006, which resolves this matter and brings it to conclusion for the GHGRI.

GHGRI Director/Officer Liability Insurance quotations. K. Walsh reported that he had secured a quote for Directors and Officers Liability insurance from S.H. Smith Insurance Agency for a \$1.0M limit of liability at an annual premium of \$4,176.00. He explained that this quote expires on 1/26/2007.

A motion was made by S. Brown seconded by G. Steckman, to accept the quote for \$1.0M coverage from S.H. Smith Insurance Company for GHGRI Directors and Officers Liability insurance. The motion was approved unanimously.

Stop Loss Insurance Contract. K. Walsh reported that Blue Cross is reimbursing in a timely manner, but Blue Cross is still finalizing the contract.

7/07 Health Rate Increase. K. Walsh reported that the current projected statewide premium increase for FY2008 in the private sector is 11%, and this should be close to the increase for the public sector.

New Business:

Consideration Of Various Policies. The following policies were reviewed by the Board for approval:

1. GHGRI Surplus Revenue Distribution Policy

This Policy uses the Distribution Model from Milliman, presented at the 12/15/06 Regular Meeting. S. Brown will contact Bill Thompson of Milliman and request he provide descriptive language that explains the calculations used in the model. K. Walsh confirmed that using the number of contracts per subscriber month was the easier calculation. S. Brown confirmed that there was no substantial difference in the calculation if number of contracts was used versus the actual number of members. He added that a schedule would be added to the year-end audit to further break contracts down by Town/School.

A motion was made by D. Faucher, seconded by S. Brown, to approve the concept for the Surplus Revenue Distribution Policy and have the Board send a mailing to the CEO's of member communities informing them of the amendment to the Joint Participation Agreement. After thirty days, at the March 2007 Regular Meeting of the GHGRI, the Board would approve the GHGRI Surplus Revenue Distribution Policy and corresponding Amendment to the Joint Participation Agreement. The Board would also include a statement to the CEOs explaining that the Board voted to not distribute the surplus this year, for various reasons. The motion was approved unanimously,

2. GHGRI Fixed Cost Allocation Policy

K. Walsh explained that there is an estimate of \$224.4K for Professional Services used in the proposed Fixed Cost Allocation Policy. This policy would define the parameters for how GHGRI would assess costs among members.

A motion was made by D. Faucher, seconded by S. Brown, to approve the Fixed Cost Allocation Policy, to include "s" after "Secretary". The motion was approved unanimously.

A motion was made by S. Brown, seconded by D. Faucher, to accept the fees as calculated by GBS and to not assess these fees for FY2008, based on the positive performance of the GHGRI. The motion was approved unanimously. J. Correia clarified for the group that these fees and policy are based on December 2006.

The Board agreed that the Secretary was to maintain the following two policies:

1. GHGRI Surplus Revenue Distribution Policy
2. GHGRI Fixed Cost Allocation Policy

The Board will distribute the final approved policies in order to keep everyone informed.

United Health Presentation. J. Correia reported that Paul Grimes of United Health would like to come and talk to the Board of GHGRI prior to meeting with the numerous unions of the member communities. She added that United is concerned about the language in the collective bargaining agreements and added that N. Kingstown is not going with United Health, but

returning to a contract with Blue Cross of RI. The group agreed to allow P. Grimes to attend the first fifteen minutes of the March 2007 Regular Meeting in order to present information about United Health Insurance to the GHGRI Board.

K. Walsh explained that in order to begin looking at all of the plan designs of each group, he would like to ask M. Gagnon of Blue Cross to provide a report of plan designs by group name. A motion was made by D. Faucher, seconded by R. Murray to approve K. Walsh's request to have Blue Cross prepare a report of plan designs, to include group names. The motion was approved unanimously.

Other Business:

K. Walsh reminded all communities to submit their information on equivalency language in their collective bargaining agreements to GBS. This item will be reported at the February 2007 Regular Meeting.

J. Correia asked that an item be added to the February 2007 Agenda concerning the extension of the GBS Administrative Services Contract so that it expired at the same time the contract with Blue Cross expires, on 6/30/2008.

Adjournment:

A motion to adjourn at 11:00 a.m. was made by J. Correia, seconded by M. Goodman. The motion was approved unanimously.

The next regular meeting is February 28, 2007 at the Portsmouth Town Hall.

Respectfully submitted,

Lynne S. Dible, Secretary