

**Governmental Health Group of Rhode Island
Minutes
Regular Meeting of the Board of Directors
Wednesday, May 23, 2007**

A regular meeting of the Board of Directors was held on Wednesday, May 23, 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	Present
Glenn Steckman III	Director	Present
Robert Murray	Director	Present

Alternate Board Members:

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

Others Present

Lynne Dible	Secretary	Present
Christine Tague	Portsmouth Schools	Present
Kevin Walsh	Group Benefits Strategies	Present
Stephen Zubiago	Nixon Peabody LLP	Excused
Ginger Hastings	GBS Insurance Agency	Present
Marc Gagnon	BCBSRI	Present for presentation
Karen Russotti	BCBSRI	Present for presentation
Tim Laiter	BCBSRI	Present for presentation
Rich Krupski	BCBSRI	Present for presentation

Call to Order:

President Correia called the meeting to order at 9:30 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 05/23/2007 meeting. The motion was approved unanimously.

Secretary's Report:

A motion was made by D. Faucher, seconded by S. Brown, to approve the minutes (previously emailed) of the regular meeting held 04/25/2007. The motion was approved unanimously.

Treasurer's Report:

S. Brown reported that for the period ending 04/30/2007, claims were favorable for the month of April. He also reported that the check for the Rx rebates had been received, and as reported on the Profit & Loss Statement, the actual amount received was a \$236K increase over the amount that had been anticipated and accrued. Also on the Profit & Loss Statement for the month, he reported that there was a gain in Net Income of \$756K, with positive Net Income year-to-date of \$3.2M. He added that Accounts Receivable were in control for the period.

S. Brown explained that the FY2007 year-end audit work would soon begin. He also reported that he had spoken with M. Gagnon of BCBSRI to ensure that the reports the auditors require from BCBSRI would be available sooner than they were last year.

A motion was made by D. Faucher, seconded by J. Correia, to approve the Treasurer's Report for the period ending April 30, 2007 as presented. The motion was approved unanimously.

Warrants:

A motion was made by S. Brown, seconded by D. Faucher, to approve the June 2007 Warrant Summary. 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 is at an overall cost/funding ratio of 94.7% as of the end of April 2007. The report now includes BCBSRI Administration Fees and GBS/Treasurer Management Fees as a % of claims. GBS also provided the group with the FY2006 Self-Funded Cost vs. Funding Analysis Report with the Administrative Fees reported as a % of claims. For FY2006, the total administrative fees as a % of claims for the GHGRI were 10.86%, and for FY2007 through the month of April 2007, the administrative fee as a % of claims was 10.58%. He reported that there were two members with ratios over 100%, after ten months of operations in the fiscal year, both of which have been fully reimbursed. K. Walsh also reported there were two excess claims over \$200K for the fiscal year and twelve members with high claims with over 50% losses.

Old Business:

Retention Contract Extension Proposal 7/07:

M. Gagnon of BCBSRI introduced the three BCBSRI employees from underwriting and sales and each of the members of the GHGRI and meeting attendees in turn introduced themselves. He continued with an explanation of the GHGRI Exhibits that were previously emailed, reflecting the impact of the offer made by BCBSRI to extend the contract with GHGRI for one year through FY2009, using a cost per contract retention rate of \$54.80 for FY2008 and \$58.09 for FY2009 along with the different rating approaches of using a reinsurance specific deductible level of \$200K and an estimated 10% increase in the current specific stop loss rate. He explained that under the proposed multi-year agreement, BCBSRI would maintain the Rx rebates and apply them to retention, and also apply the CIS charge to retention, but would remove the CIS charge from claims billing experience.

Questions arose regarding whether BCBSRI could improve upon the \$54.80 and \$58.09 retention rates being offered and also whether they would consider allowing the Rx portion of the benefit to be carved out by the GHGRI. M. Gagnon explained that the Multi-Year Extension proposal was a comprehensive benefit package with an advantage for not carving out the prescription drugs. He explained that disease and case management functions are able to monitor and track utilization by using the prescription drug information and are thus able to influence claims as much as possible. D. Faucher pointed out that other communities have carved out the Rx portion of their health benefit and asked if the Rx utilization reports could be obtained from the 3rd party. M. Gagnon explained that this would affect the timing and quality of information received by BCBSRI. R. Krupski continued to explain that the GHGRI and BCBSRI are still under the original contract with a comprehensive benefit package. He added that going forward in the future; BCBSRI will work with the GHGRI on carving out the Rx portion of the benefit for the next contract period. He added that this carve-out does change the nature of how BCBSRI handles claims. K. Walsh explained that back when the GHGRI was being created, we did request the Rx carve-out option and BCBSRI could not provide this option at the time. The trend across the country is to carve out prescription drugs and bid them separately and he sees the Northeast headed in this direction.

Discussions continued regarding the Rx Rebates and the CIS charges, and how they are reflected in the Multi-Year Extension proposal. The BCBSRI underwriters explained that under the current contract with WellPoint, the Pharmacy Benefit Manager (PBM), the rebates vary greatly based on generic versus brand utilization. Rather than break out CIS and give the Rx Rebates back to the GHGRI, BCBSRI is putting all in the fee and guaranteeing the full amount of Rx Rebate, smoothing out any fluctuations. He added that BCBSRI uses the Rx information to manage utilization and that the rebates are not increasing at the same rate as the costs of prescription drugs, but in fact are flat, and may dip in the future because of people switching to generic drugs.

M. Gagnon continued to explain that on the retention side of the proposal, BCBSRI has dramatically improved the retention costs for the GHGRI. BCBSRI took into account the value of the current retention arrangement and has reduced it by approximately one-third. R. Krupski explained that investing dollars in administration in turn keeps claims costs down and builds in efficiencies in the health care system over time. He added that the health insurance CPI trend is coming down, which reflects this investment in administration being a long-term one that will generate savings. He also explained that the \$54.80 being spent per contract would keep the rest of the claims and administrative fees in check, and that administration dollars are needed in order to manage utilization and the claims trend.

M. Macera asked BCBSRI why each community in Rhode Island couldn't collaborate in order to get an even lower rate from BCBSRI. She added that the retention cost per contract in Providence is \$39.00 and \$45.65 in Cranston, and with all 39 communities in the state working together; we should be able to lower health costs dramatically. R. Krupski explained in response that if the state wanted to move in that direction, BCBSRI would certainly look at it and evaluate it. He added that each community has very different benefit and contract provisions. K. Walsh also added that timing, benefit provisions, and group size influence these rates tremendously and it is very difficult to compare United Health Care rates to BCBSRI rates because there are so many different factors that make up the rate. M. Macera asked that BCBSRI work to solidify a long-term solution in Rhode Island to relieve the pressure created by rising health costs.

R. Murray added that there is increasing pressure from the Department of Education to go out to competitive bid for health insurance. J. Correia explained that there is legislation currently pending on a statewide health plan. The legislation requires that if the State of RI contract rate were less than the rate a community in RI has, they would be obligated to join with the State of RI contract. She added that she did not know whether the legislation would pass. R. Krupski reiterated that BCBSRI would move in this direction as needed.

At this point in the discussion, the representatives from BCBSRI thanked the GHGRI for considering the Multi-Year Extension proposal and excused themselves from the meeting.

K. Walsh explained to the group that accepting the proposed change in stop-loss methodology alone would transfer approximately \$1.5M out of the GHGRI Trust and back to the members in FY08 and FY09. He also explained that only about ten communities in Connecticut have carved out their prescription drugs from their benefit package. Worcester, MA is the first community to do this in Massachusetts and it makes sense to look at them in a year to see what the impact has been for them before the GHGRI moves in this direction. He added that he believes that BCBSRI does have competitive rates with WellPoint, their PBM. G. Steckman stated that he questioned whether BCBSRI could level fund the retention cost per contract in year 2 of the extension. Discussions followed regarding why the GHGRI was not getting as low a retention rate as Cranston and K. Walsh clarified that Cranston received a four year extension and that there are differences caused by competition, timing, the marketplace and group size.

Some discussions continued regarding expanding the size of the GHGRI membership to include some of the major municipalities. At this point J. Correia asked each community whether they were willing to enter into this Multi-Year Extension proposal with BCBSRI, and generally overall the response was yes, with the exception of Central Falls School District, with most communities acknowledging that they are proceeding cautiously with their consideration to move to United Health Care.

J. Correia reported that she did speak with S. Zubiago regarding what is required of the Board of Directors in order to extend the Contract with BCBSRI. S. Zubiago researched the Administrative Services Agreement, the Trust Contract, and the By-Laws and confirmed that consideration and a vote by the Board of Directors at a Regular Meeting would be acceptable.

A motion was made by D. Faucher, seconded by S. Brown, to agree to extend the 3-year contract with BCBSRI for a fourth year subject to the following conditions:

1. The cap on the maximum number of subscribers allowed to enroll in the GHGRI will be removed;
2. BCBSRI will provide revised working rates for all groups within 10 days using the \$200,000 stop loss pooling level and the \$54.80 cost per contract retention figure, with this retention figure of \$54.80 to also be used in FY2009.

Voted For: J. Correia, S. Brown, D. Faucher, R. Mushen, M. Goodman, N. Lalli, G. Steckman,

Voted Against: R. Murray

Motion passes.

Possible New Members: D. Faucher reported that he and K. Walsh met with Smithfield Town and School officials and they were very interested in joining the GHGRI. Both are currently premium based and would become self-funded if they were to join. K. Walsh reviewed the Termination Agreement for GHGRI members, which states that members may terminate after the third year without penalty. He cautioned that the Board might want to consider penalties for new groups leaving, as the GHGRI considers adding new members.

A motion was made by D. Faucher, seconded by S. Brown, to accept Smithfield Town and School into the GHGRI membership subject to:

1. GBS's claims analysis
2. Adding a liquidated penalty provision in the Termination Agreement which adds penalties after the third year that would be the same as in year 3 of the Contract
3. The receipt of a letter to the GHGRI President stating their commitment to join the GHGRI, and
4. The signing of the Participation Agreement by Smithfield Town and School.

The motion was approved unanimously.

Stop Loss Insurance Contract: K. Walsh reported that the FY2007 Stop Loss Agreement will be on the Agenda for the June 27, 2007 Regular Meeting, which will include the final revised language that addresses the issue on confidential and proprietary information. He also stated that the reinsurance for FY2008 is being put out to bid next week, and advised that the GHGRI have legal counsel review the new contract for 7/1/2007 rather than have the legal review for the FY2007 contract, since the fiscal year is almost over. He also explained that the current % retention charge is tied to renewing with BCS for reinsurance, but BCBSRI did not mention that the newly proposed \$54.80 cost per contract retention charge was conditional upon staying with Blue Cross for stop loss insurance.

Directors/Officer Liability Insurance Coverage With The Trust: D. Faucher reported that the Trust was still reviewing the application and there has been no response from them as of today.

New Business:

Dental Survey Results / Dental Competitive Bidding Process: G. Hastings of GBS Insurance Agency reviewed the Dental Survey with the group and explained that most of the GHGRI member communities have Delta Dental as their current dental carrier and six of the members are interested in a quote for dental insurance for 7/2008. All members are fully insured for their dental coverage. She continued to explain that for 7/1/2008, Delta Dental is adding fees to all groups for the availability of the Premier Network in Massachusetts. She also explained that the dental networks for Blue Cross and Delta Dental were very similar. In response to some questions, G. Hastings explained that the members of the GHGRI could go out to bid individually or as a group, and could request competitive rates that were either premium-based or rates based on being self-insured. If the members decided to self-insure for dental, then the Participation Agreement would have to be modified. G. Hastings also explained how broker fees are paid, and that each community would have to assign her as their Broker of Record.

A motion was made by D. Faucher, seconded by S., Brown, to go out to bid as a group for dental rates and hire GBS Insurance Agency as a broker for a one-year contract allowing other groups to join in year 2 and year 3, contingent upon the governing body of the member communities approving the forming of self-insured dental group.

The motion was approved unanimously.

Other Business:

The GHGRI agreed to appoint D. Faucher and G. Steckman as the Negotiation Team tasked to continue negotiations with BCBSRI on the Multi-Year Extension Proposal.

A motion was made by D. Faucher, seconded by S. Brown, to direct the Negotiations Team to proceed with the pooling rate of \$200,000 and to use the stop loss deductible from the previous year to set the pooling rate for the following year. In addition, they are to hold firm on the administrative retention cost per contract being level funded for both years of the extension, with the cap on the number of subscribers not being as important. The motion was approved unanimously.

Adjournment:

A motion to adjourn at 12:15 p.m. was made by D. Faucher, seconded by R. Mushen. The motion was approved unanimously.

The next regular meeting is June 27, 2007 at the Portsmouth Town Hall.

Respectfully submitted,

Lynne S. Dible, Secretary