

**Governmental Health Group of Rhode Island
Minutes
Regular Meeting of the Board of Directors
Wednesday, October 22, 2008**

A regular meeting of the Board of Directors was held on Wednesday, October 22, 2008, at The Rhode Island Interlocal Risk Management Trust, 501 Wampanoag Trail, Suite 301, East Providence, RI 02915.

Roll Call

Board of Directors

Jane F. Correia	Bristol Warren RSD	Present
Lynne S. Dible	Town of Middletown	Excused
Ned Draper	North Kingstown Schools	Present
Christine Tague	Portsmouth School Dept.	Present
Douglas Fiore	Tiverton Schools	Present
David Krugman	Town of Richmond	Excused
Nancy Lalli	City of Newport	Present
Steven Lindberg	N. Smithfield Schools	Present
John Mainville	Town of Burrillville	Present
James McDonald	City of East Providence	Present
Robert Mushen	Town of Little Compton	Present
Randy Rossi	Town of Smithfield	Present
Robert Strom	Woonsocket Educ. Dept.	Excused
Giovanni Venditti	Central Falls Schools	Present

Alternate Board Members

Richard Brown	City of East Providence	Excused
Lisa Cournoyer	Smithfield Schools	Excused
John Day	Town of Bristol	Excused
Michael Embury	Town of North Kingstown	Excused
David P. Faucher	Town of Portsmouth	Present
Jill Gemma	Town of N. Smithfield	Present
James Goncalo	Town of Tiverton	Excused
Karen Hagan	Town of Charlestown	Excused
Robin Kimatian	Burrillville Schools	Excused
James Lathrop	Town of Hopkinton	Present
Kathleen Lombardo	Woonsocket Educ. Dept.	Excused
Catherine McLeish	Middletown Schools	Present
Harold oRonö Devine	Little Compton Schools	Excused
Michael Saunders	Newport Schools	Excused
Irene Scripsack	N. Smithfield Schools	Excused
Cheryl Silva	Town of Warren	Present

Others Present

Shawn J. Brown	Treasurer	Present
Maureen Maurer	Secretary	Present
Kevin Walsh	Group Benefits Strategies	Present
Dana Wilson	CCR	Present (9:30-10:45)
Mike Notarangelo	CCR	Present (9:30-10:45)
Marc Gagnon	BCBSRI	Present (11:00-11:30)
Donna Payne	BCBSRI	Present (11:00-11:30)

Call to Order

President Faucher called the meeting to order at 9:35 a.m. Secretary Maurer reported that a quorum was present, with 13 of the 14 voting members in attendance. (Members N. Lalli and J. Gemma left at 11:30 a.m., and C. Tague left at 11:45 a.m.)

Agenda (9:30 a.m.)

A motion was made by R. Rossi, seconded by J. Correia, to approve the agenda for the October 22, 2008 regular meeting. The motion was approved unanimously.

Secretary's Report (10:45 a.m.)

A motion was made by J. Correia, seconded by R. Rossi, to approve the two sets of minutes (previously e-mailed) for the September 24, 2008 annual and regular meetings together. The motion was approved unanimously.

Treasurer's Report (10:45 a.m.)

The Treasurer's report was tabled until the next meeting, at which time Treasurer S. Brown will combine the September Treasurer's report with the October report.

Warrants (10:55 a.m.)

A motion was made by R. Rossi, seconded by J. Correia, to approve the amended November 2008 Warrant Summary. The total amount to be paid was amended to \$502,963.76, which included audit fees, postage costs and the increase in the Treasurer's Stipend. The motion was approved unanimously.

Self-Funded Cost vs. Funding Analysis/ High Cost Claim Report (10:55 a.m.)

K. Walsh provided a handout (previously emailed) and reviewed the Self-Funded Cost vs. Funding analysis for the policy period 7/1/08 to 6/30/09, which is at an overall cost/funding ratio of 86.3% for the twelve months of claims activity as of the end of September 2008. There were no large claims or claims at 50% of Specific stop loss level reported for the period July 1, 2008 to June 30, 2009. There were several claims at 50%

of Specific still for July 1, 2007 to June 30, 2008. K. Walsh also reported that there were errors in the large loss/disputed claims reports, so he would have to update the high cost claim reports and provide them at the next meeting.

OLD BUSINESS

Increase in Treasurer's Stipend (10:50 a.m.)

A motion to increase the Treasurer's monthly stipend from \$1,400/month to \$2,000/month retroactive to July 1, 2008 was made by S. Lindberg, seconded by N. Lalli. The motion was approved unanimously.

A motion was made by S. Lindberg, seconded by J. Mainville, to increase the audit stipend for the Treasurer from \$3,000/audit to \$4,250/audit effective with the FY2009 audit. The motion passed unanimously.

Rx Carve-Out Consultant (11:30 a.m.)

J. Correia reported on behalf of the subcommittee to hire a consultant for the Rx Carveout. They have received 3 responses from Milliman, Segal and Deloitte. In addition to reference checks, the committee used 4 criteria in their evaluations: experience and expertise; credentials/ qualifications/examples of consulting service; ability to perform services; and fee structure (each weighted for 25 out of 100 points). The subcommittee recommends hiring Milliman for a lump sum fee of \$70,000. A motion was made by R. Mushen, seconded by D. Fiore, to accept the recommendations of the subcommittee. Nine voting members were present for this vote. The motion passed unanimously.

NEW BUSINESS

Carlin, Charron, & Rosen LLP 2008 Annual Audit Report (9:30 – 10:45 a.m.)

Dana A. Wilson, CCR Lead Audit Partner, and Michael Notarangelo, CCR Audit Manager, presented and reviewed the 2008 Audit Results, Financial Statements and Supplemental Information. D. Wilson reported that there were no significant difficulties or adjustments with the audit, nor any weaknesses or control issues. In the third paragraph of the Independent Auditors' Report, it states that "the financial position of the Governmental Health Group of Rhode Island, Inc, as of June 30, 2008 and 2007, and the results of its operations and its cash flows for the years then ended are in conformity with accounting principles generally accepted in the United States of America." He noted that the financial statements received a "clean" audit opinion.

In reviewing the financial statements and accompanying notes, D. Wilson pointed out that under Liabilities, the "Loss reserves, net" was set at \$2.4 million (the IBNR pick) and that the Members' Surplus was \$6.635 million with the Members' contingency reserve set at \$4.5 million, but that the Members' contingency reserve would probably be increased to \$5.5 million in the forthcoming Milliman report. D. Wilson reviewed the ten

notes to the financials, highlighting Note 5 on Unpaid Claims as the most important. In conclusion, D. Wilson stated that GHGRI was very professional in its approach, and that it engaged in the best practices for risk management.

A motion was made by R. Rossi, seconded by J. Mainville, to accept the financial statements as presented by CCR LLP, with the incorporation of forthcoming changes recommended by Milliman with regard to the members' surplus contingency reserve, and also amending Note Nine to reflect the increase in membership of the GHGRI since July 1, 2008, both amendments subject to the final approval of D. Faucher. The motion passed unanimously.

Milliman Report (9:30 – 10:45 a.m.)

The Claims Fluctuation Reserves Report was not finalized at the time of this meeting. S. Brown reported that it was anticipated that with the specific stop loss coverage set at \$450,000.00 for FY09, the contingency reserve would be set at \$5.4 million. D. Faucher will invite Bill Thompson from Milliman to present this report at the November meeting.

Appointment of Alternate Director for Town of Warren (10:55 a.m.)

A motion was made by J. Correia, seconded by R. Rossi, to approve the appointment of Cheryl Silva, Town of Warren, as an Alternate Director, effective October 22, 2008. The motion passed unanimously.

Double Coverage of Health Care Coverage (11:00 a.m. – 11:30 a.m.)

Marc Gagnon of Blue Cross Blue Shield Rhode Island presented BCBSRI's findings about double coverage of healthcare, based on information provided voluntarily by subscribers. There was discussion about how GHGRI might curtail double coverage through legislative means, or through a direct survey of its members in an attempt to limit double coverage among its members. C. Tague indicated that she would investigate whether Massachusetts had legislation against double coverage.

BCBSRI Broker Commission in Stop Loss Insurance Rate (11:00 - 11:30 a.m.)

Marc Gagnon, BCBSRI, reported that a 10% broker's commission was included in the early quote for stop loss insurance issued to the GHGRI. This commission, worth about \$50,000/year, was not included for groups that applied for quotes after July 1, 2008 (such as East Providence Schools whose fiscal year starts on November 1). There was discussion among the Board of Directors about how GHGRI should qualify for the discount retroactively, since the GHGRI does not use a broker and its renewal was within the same fiscal year as those groups who did not have to pay the broker's fee. A motion was made by C. Tague, seconded by R. Rossi, for D. Faucher to write a letter to the President of BCBSRI requesting that the broker commission of \$50,000 be reimbursed to the GHGRI with a copy of the letter sent to the WB Community Health, the Rhode Island Municipal Insurance Corporation, and GBS. The motion passed unanimously.

BCBSRI Concerns about Rx Carve out (11:00 – 11:30 a.m.)

Donna Payne, BCBSRI, highlighted her organization's preferred approach to integrate pharmaceuticals with health care as a total package. She proposed that BCBSRI compares favorably with any Pharmaceutics Benefits Manager competitor with regard to discounts and dispensing fees. BCBSRI would want to increase the administrative fee of \$38.50 by \$8-10 if the GHGRI carved out their pharmaceuticals, even though the carve out would reduce the transaction volume by 20%.

Adjournment

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

The next regular meeting will be held on November 19, 2008, at 9:30 a.m. at The Rhode Island Interlocal Risk Management Trust, 501 Wampanoag Trail, Suite 301, East Providence, RI 02915.

Respectfully submitted,

Maureen D. Maurer, Secretary