



**Minutes of the October 28, 2009  
Regular Meeting of the Board of Directors**

A regular meeting of the Board of Directors of the Governmental Health Group of Rhode Island (GHGRI) was held on Wednesday, October 28, 2009, at the offices of The Rhode Island Interlocal Risk Management Trust, 501 Wampanoag Trail, Suite 301, East Providence, RI 02915.

**ROLL CALL**

**Board of Directors**

|     |                   |   |         |
|-----|-------------------|---|---------|
| 1)  | Christina Collins | Town of Jamestown                       | Excused |
| 2)  | Jane F. Correia   | Bristol Warren Regional School District | Present |
| 3)  | Lisa Cournoyer    | Smithfield Schools                      | Present |
| 4)  | Lynne S. Dible    | Town of Middletown                      | Excused |
| 5)  | Michael Embury    | Town of North Kingstown                 | Excused |
| 6)  | David P. Faucher  | Town of Portsmouth                      | Present |
| 7)  | Douglas Fiore     | Tiverton Schools                        | Present |
| 8)  | Laura Kenyon      | Town of Hopkinton                       | Present |
| 9)  | Robin Kimation    | Burrillville Schools                    | Excused |
| 10) | Nancy Lalli       | City of Newport                         | Present |
| 11) | Steven Lindberg   | N. Smithfield Schools                   | Present |
| 12) | Thomas Mainville  | Town of Glocester                       | Excused |
| 13) | James McDonald    | City of East Providence                 | Present |
| 14) | Robert Mushen     | Town of Little Compton                  | Present |
| 15) | Kathy Raposa      | Town of East Greenwich                  | Excused |
| 16) | Giovanna Venditti | Central Falls Schools                   | Excused |
| 17) | Vacant            | Woonsocket Education Department         | Excused |

**Alternate Board Members**

|     |                     |                         |         |
|-----|---------------------|-------------------------|---------|
| 1)  | Patricia Anderson   | Town of Charlestown     | Excused |
| 2)  | Richard Brown       | City of East Providence | Excused |
| 3)  | John Day            | Town of Bristol         | Excused |
| 4)  | Harold "Ron" Devine | Little Compton Schools  | Excused |
| 5)  | Jackie DiPetro      | Town of Glocester       | Excused |
| 6)  | Ned Draper          | North Kingstown Schools | Excused |
| 7)  | Frances Gallo       | Central Falls Schools   | Excused |
| 8)  | James Goncalo       | Town of Tiverton        | Excused |
| 9)  | David Krugman       | Town of Richmond        | Excused |
| 10) | Jane Littlefield    | Jamestown Schools       | Excused |
| 11) | John Mainville      | Town of Burrillville    | Present |
| 12) | Randy Rossi         | Town of Smithfield      | Excused |

|     |                  |                                 |         |
|-----|------------------|---------------------------------|---------|
| 13) | Marc Tanguay     | Town of Middletown              | Excused |
| 14) | Michael Saunders | Newport Schools                 | Excused |
| 15) | Irene Scripsack  | N. Smithfield Schools           | Excused |
| 16) | William Sequino  | Town of East Greenwich          | Excused |
| 17) | Cheryl Silva     | Town of Warren                  | Present |
| 18) | Louise Tetrault  | Town of North Smithfield        | Present |
| 19) | Vacant           | Portsmouth Schools              | Excused |
| 20) | Vacant           | Woonsocket Education Department | Excused |

**Others Present**

|                |                                     |         |
|----------------|-------------------------------------|---------|
| Kevin Walsh    | GBS Insurance Agency                | Excused |
| William Bjerke | GBS Insurance Agency                | Present |
| Thomas Dwyer   | RI Interlocal Risk Management Trust | Present |
| Ronald Slovak  | RI Interlocal Risk Management Trust | Present |

**CALL TO ORDER**

President Faucher called the meeting to order at about 9:45 a.m. A quorum was declared to be present, with 10 of 17 voting members in attendance.

**AGENDA**

Ms. Correia moved, seconded by Mr. Fiore, to approve the Agenda. It was so voted unanimously.

**SECRETARY'S REPORT OF MINUTES**

Mr. Mainville moved, seconded by Ms. Corriea, to approve both the Regular and Executive Session Minutes of the September 23, 2009 meeting. With regard to the Executive Session Minutes, Mr. Mainville noted that both he and Director Tanguay were not only present but voted on the motion considered by the Board. He asked that the Minutes be corrected to so reflect their affirmative votes.

Mr. Faucher then asked that the motion to approve the Minutes be understood to include the requested correction. Accordingly, the Board voted unanimously to approve the Regular Meeting Minutes and the Executive Session Minutes (as corrected).

**TREASURER'S REPORT**

In the absence of Treasurer Shawn Brown, Mr. Slovak summarized the salient features of the Treasurer's Financial Reports as of September 30, 2009. For both the Health Pool and the Dental Pool, he highlighted monthly activity and cumulative activity for the fiscal year to date, as shown below:

|             | <b>Net Income</b><br>for month of<br>September 2009 | <b>Cumulative</b><br><b>Net Income</b><br>through September<br>2009 |
|-------------|---|---|
| Health Pool | -\$596,692  | \$40,197  |
| Dental Pool | \$58,005  | \$182,705   |
| Total       | -\$538,688  | \$222,902   |

Mr. Slovak noted the high claim levels for the month of September as the reason for the negative net income for the month. Brief discussion ensued among the Board and Mr. Slovak about the monthly financial results.

In response to a request from Mr. Faucher, Mr. Slovak said he would prepare subsequent financial reports to the Board showing the Income Statement and Balance Sheet in two parallel columns – one column containing monthly data and the other column showing cumulative or year-to-date information.

Ms. Correia moved, seconded by Mr. Mainville, to approve the Treasurer's Financial Reports; it was so voted unanimously.

## **WARRANTS**

Prior to the meeting, two detailed Warrant Reports, both dated October 13, 2009 and supplemented by supporting invoices, had been circulated to the Board for review.

1. The first Warrant was for the Health Pool in the amount of \$488,299.83. In the absence of Mr. Walsh, Mr. Faucher provided additional information to the Board about three of the invoices – those for the auditor, the actuary and legal counsel – in the Warrant Report package.

Ms. Kenyon moved, seconded by Ms. Cournoyer, to approve the Health Pool Warrant of \$488,299.83; it was so voted unanimously.

2. The second Warrant was for the Dental Pool in the amount of \$15,422.20 representing only Delta Dental administrative fees.

Ms. Kenyon moved, seconded by Ms. Lalli, to approve the Dental Pool Warrant of \$15,422.20; it was so voted unanimously.

## **SELF-FUNDED COST VS. FUNDING ANALYSIS & HIGH COST CLAIM REPORT**

Prior to the meeting, two "Self-Funded Cost vs. Funding Analysis" reports for the first three months of the policy period July 1, 2009 through June 30, 2010 had been distributed by GBS Insurance Agency. One report pertained to the Health Pool, and the other to the Dental Pool.

In the absence of Mr. Walsh, Mr. Faucher summarized the information in the Health Pool Analysis noting that the Cost/Funding Ratio was 99.9% through the end of September, an increase from the level through the end of August at 96.2%. For September alone, the Cost/Funding Ratio was 107.5%, the highest month to date. In particular, the exceptionally high Ratio for the Woonsocket Education Department (WED) at 141% was identified as a key driver of the poor experience to date. Mr. Faucher mentioned that the WED had already sustained two large claims, each at approximately \$400,000 in costs presently.

Messrs. Dwyer and Slovak also commented on the continued delay in the receipt of timely premium payments from the WED. Though Mr. Slovak has remained in close contact with the WED's Business Manager about this recurring delay, Mr. Dwyer said he would nonetheless be writing a letter to the WED documenting the continuing nature of the problem and asking for information from the WED about its ability to bring its account balances current. Technically, the matter has not yet reached the point where a formal written plan is required from the Department under the provisions of the Board-approved Delinquent Payment Policy since payments are being made within 60 days. Late fee payments are not being made, however.

Brief discussion also ensued about the high Cost/Funding Ratio for one other member entity, with Mr. Bjerke promising to follow-up with that member with more detail about claim activity.

Mr. Bjerke next commented briefly on the Dental Pool which is performing well at this point in the year with an 81% Cost/Funding Ratio.

No formal Board actions were taken or required on these Reports. Mr. Faucher noted the Reports would be placed on file.

## **OLD BUSINESS**

### **Update on Initiative to Merge with Rhode Island Interlocal Risk Management Trust**

Mr. Faucher opened this discussion by briefing the Committee on recent activity related to the merger of GHGRI with and into The Trust. Both he and Mr. Dwyer then highlighted key items considered by the Joint Merger Committee at its most recent meeting on September 29, 2009, as follows:

- They noted that GHGRI Legal Counsel had submitted an opinion letter advising that the merger did not require formal amendment of the Joint Purchase and Negotiation Agreement or Member entity approval. Rather, Counsel had opined that the decision to merge was vested in the GHGRI Board of Directors.
- Mr. Faucher set forth a preliminary merger schedule, but indicated that flexibility in adhering to that schedule should be expected.
- Mr. Dwyer updated the Board on the status of discussions with Blue Cross Blue Shield of Rhode Island (BCBSRI) about the so-called "two contract" question.

- Mr. Dwyer also briefed the Board about the revised governance approach endorsed by the Joint Merger Committee for The Trust's Board and Committee structure should the merger occur.

For further information about the Committee's recent meeting, Mr. Faucher referred the Board to the meeting synopsis prepared and previously distributed by Mr. Dwyer.

Mr. Faucher also reported to the Board that he and GHGRI consulting actuary William Thompson met with The Trust Board in mid-October to review the financial situation, funding approach, and actuarial integrity of the GHGRI program. He said that Mr. Thompson made a detailed presentation to The Trust Board and answered a number of questions which arose as a result. He indicated that he thought the meeting was a productive, positive and informative session for The Trust's Board of Trustees and its Committees.

General discussion ensued about various items mentioned in the reports from Messrs. Faucher and Dwyer. In particular, in the context of the question of the implications that changes in the contractual relationship with BCBSRI might have on other intergovernmental health pools or purchasing organizations in Rhode Island, Mr. Faucher questioned the Board about the nature of the relationship the Board would find desirable with those health pools or purchasing programs. After considerable discussion, the Board consensus was that GHGRI Management, supporting consultants and service providers, and the Board itself should be focused first and foremost on achieving the best results for its Member entities and the GHGRI institutionally while nonetheless maintaining an open and cooperative approach with the other pools/programs to the extent possible without sacrificing the GHGRI's primary focus.

### **Woonsocket Education Department Situation**

Because the lack of timely premium payment by the Woonsocket Education Department (WED) had already been reviewed under the Treasurer's Report section of the meeting, Mr. Faucher steered the Board discussion on the situation with the Department to its request to withdraw immediately from membership in the GHGRI program. He distributed copies of his September 29, 2009 letter to the WED Superintendent of Schools in response to the withdrawal request, noting that the letter rejected the request for immediate withdrawal while advising that GHGRI would take the letter instead as the required notice of the WED's intent of potential withdrawal on June 30, 2010. He briefly reviewed other points in the response letter as well.

Mr. Faucher advised the Board that there had been no direct or indirect response from the WED as a result of the September 29<sup>th</sup> letter.

### **NEW BUSINESS**

#### **Presentation from the Rhode Island Municipal Insurance Corporation**

Mr. Faucher reported that there would be no presentation at this meeting from representatives from the Rhode Island Municipal Insurance Corporation (RIMIC) about its program.

By way of background, Mr. Faucher began by recounting for the Board his invitation to RIMIC to make such a presentation and the reason for it. He said his RIMIC contact had advised that he would check with the RIMIC Board to determine if it would assent to such a presentation, but no further response has been received despite a reminder from Mr. Faucher of the invitation.

Board discussion ensued about the seeming dearth of information available generally about the RIMIC program. Messrs. Dwyer and Faucher commented that they had repeatedly asked RIMIC representatives and WED officials for information about the RIMIC program so GHGRI could prepare an analysis for WED comparing the GHGRI approach with that of RIMIC. Though GHGRI had been promised such information, it had not been forthcoming even after several reminders. Another Board member relayed his entity's experience dealing with RIMIC.

Several Board members expressed alarm that this lack of information was not helpful and could well create problems, not only for individual local governmental entities which might elect to join RIMIC but also to the reputation and general integrity of the intergovernmental risk-sharing movement operating in Rhode Island under the same State enabling legislation. Discussion continued about how to possibly counteract that impression.

Mr. Mainville moved, seconded by Mr. Lindberg, to have GHGRI Management consult with the Executive Director of the Rhode Island League of Cities and Towns about the advisability of GHGRI sending a letter to the League's Board or Executive Committee expressing GHGRI's concern about the lack of information available about the RIMIC program and its possible negative implications on intergovernmental risk-sharing pooling in general and individual entities in particular; and further, should the Executive Director believe that such a letter could be useful, then GHGRI Management was directed to compose and send such a letter. It was so voted unanimously.

It was also suggested that any such letter be reviewed by GHGRI Counsel.

### **Preliminary Closing Financial Position as of June 30, 2009**

Using a number of overhead display slides and hand-outs, Mr. Dwyer described for the Board several closing adjustments under consideration to the GHGRI financial records, as follows:

- The actuarially recommended change for the Incurred But Not Reported (IBNR) reserve
- The associated change in the run-out claims settlement expense reserve arising from a change in the IBNR level and from BCBSRI contractual obligations.
- The actuarially calculated change in the Member Contingency Reserve, also known as the Claim Fluctuation Reserve.

Extended discussion occurred between and among Board members and Messrs. Dwyer and Slovak about the implications of these changes on the GHGRI closing financial position and on the past financial practices of the Board. Mr. Dwyer presented several different scenarios to help the Board understand fully the implications of these changes. Various Board members offered their views on the appropriateness of these adjustments.

Mr. McDonald moved, seconded by Ms. Kenyon, to delegate to the Board officers – the Chair, the Vice-Chair, and the Secretary/Treasurer – the responsibility to determine the final actuarial and accounting adjustments to be made to the GHGRI's books as of June 30, 2009, subject to final confirmation by the Board upon receipt of the formal audit from the Board's independent auditors; it was so voted unanimously.

## **ADJOURNMENT**

There being no further business before the Board, Mr. Faucher declared the meeting adjourned about 12:05 PM.

Respectfully submitted,



Thomas E. Dwyer  
Acting Secretary on behalf of Secretary Shawn Brown