



**Minutes of the November 18, 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, November 18, 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	Present
2)	Jane F. Correia	Bristol Warren Regional School District	Present
3)	Lisa Cournoyer	Smithfield Schools	Excused
4)	Lynne S. Dible	Town of Middletown	Present
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	Excused
11)	Steven Lindberg	N. Smithfield Schools	Excused
12)	Thomas Mainville	Town of Glocester	Excused
13)	James McDonald	City of East Providence	Excused
14)	Robert Mushen	Town of Little Compton	Excused
15)	Kathy Raposa	Town of East Greenwich	Present
16)	Giovanna Venditti	Central Falls Schools	Present
17)	Vacant	Woonsocket Education Department	

Alternate Board Members

1)	Patricia Anderson	Town of Charlestown	Present
2)	Richard Brown	City of East Providence	Excused
3)	John Day	Town of Bristol	Excused
4)	Harold "Ron" Devine	Little Compton Schools	Present
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	Present

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	Excused
19)	Vacant	Portsmouth Schools	
20)	Vacant	Woonsocket Education Department	

Others Present

Kevin Walsh	GBS Insurance Agency	Present
William Bjerke	GBS Insurance Agency	Present
Thomas Dwyer	RI Interlocal Risk Management Trust	Present
Ronald Slovak	RI Interlocal Risk Management Trust	Present
Keith Demty	Health Benefit Advisors	Present
William Thompson	Milliman	Present
Pauline Silva	Bristol Warren Regional School District	Present
Mark Dunham	Portsmouth	Present
Nicole Santiago	City of East Providence	Present

CALL TO ORDER

President Faucher called the meeting to order at about 8:30 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 Mr. Fiore, to approve the Minutes of the October 28, 2009 meeting as presented. It was so voted unanimously.

TREASURER’S REPORT

In the absence of Treasurer Shawn Brown, Mr. Slovak summarized the salient features of the Treasurer’s Financial Reports as of October 31, 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:

	Net Income for month of October 2009	Cumulative Net Income through October 2009
Health Pool	\$126,756	\$166,953
Dental Pool	\$44,550	\$227,255
Total	\$171,306	\$394,208

Mr. Slovak also briefly reviewed the status of the delinquent premium payments from the Woonsocket Education Department, reporting that the Department continues to pay its premiums but not on a timely basis. He also advised that the Department had not yet paid any of its late fees caused by the lack of timely payments. Mr. Dwyer added that he was planning to write a letter to the Department's Superintendent and its Business Manager asking about its ability to make its payments on a timely basis and to pay the delinquent fees.

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

WARRANTS

Prior to the meeting, two detailed Warrant Reports, both dated November 10, 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 \$439,439.51. Mr. Walsh commented that all invoices presented were routine and in order.

Mr. Mainville moved, seconded by Mr. Fiore, to approve the Health Pool Warrant of \$439,439.51; it was so voted unanimously.

2. The second Warrant was for the Dental Pool in the amount of \$15,504.30 representing only Delta Dental administrative fees.

Mr. Fiore moved, seconded by Ms. Correia, to approve the Dental Pool Warrant of \$15,504.30; 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 four 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.

Mr. Walsh briefly summarized key items in the Health Pool Report. He noted that the Loss Ratio through October stood at 99.6%, slightly better than the Ratio as of the end of September. For the month of October alone, the Ratio was 98.6%, a significant improvement compared to September's 107.4% Ratio.

Mr. Walsh also observed that three claims had so far reached to the approximate \$400,000 level – two from the Woonsocket Education Department and one from the Smithfield School Department. He also briefly described disputed claims activity.

Discussion ensued among Directors and Mr. Walsh regarding the Loss Ratios for various groups of members (e.g., newly joining members versus the established group) and for individual member entities.

Mr. Bjerke next reported on the Dental Pool activity in terms of the Cost/Funding Ratio. Loss trends are favorable, he remarked, with the Loss Ratio at 83% through the end of October.

Discussion ensued between the Board and Mr. Bjerke about the advisability of encouraging Delta Dental underwriters to be more aggressive in setting rates given the favorable loss trends. Mr. Faucher urged caution, however, noting that the Dental Pool was in its maiden year of operation and as such had not built any surplus or reserves to cushion against unfavorable loss trends. No Board action was taken on providing guidance to Delta Dental in rate setting for the coming fiscal year.

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

OLD BUSINESS

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

Messrs. Faucher and Dwyer briefed the Board on recent activity related to the planned merger of GHGRI with and into The Rhode Island Interlocal Risk Management Trust (The Trust). They reported that it was unlikely that the target date of January 1, 2010 for the merger could be achieved and explained the reasons for the delay. They commented that a more realistic target date was likely either February 1st or March 1st.

Letter regarding RI Municipal Insurance Corporation (RIMIC)

Mr. Dwyer reported that he had discussed with Daniel Beardsley, the Executive Director of Rhode Island League of Cities and Towns (RILOCAT), the advisability of GHGRI sending a letter to the RILOCAT Board expressing GHGRI's concerns about the manner in which RIMIC was conducting its business with local governments. Preliminarily, Mr. Beardsley indicated he was doubtful about any value such a letter might have, but said he wished to consult with others before commenting further. Accordingly, Mr. Dwyer asked that discussion about this letter be deferred until next month's meeting, and, by consensus, the Board concurred.

Ms. Correia asked whether RIMIC representatives had in the interim since the last GHGRI Board meeting communicated further with GHGRI, either in terms of a response to GHGRI's invitation for RIMIC to make a presentation to the GHGRI Board about RIMIC's program, or to supply information about the particulars of the insurance coverage it was offering to the Woonsocket Education Department as part of its efforts to convince the Department to become a RIMIC member. RIMIC had earlier pledged to supply such information to GHGRI and the Woonsocket Education Department for analysis. Mr. Faucher said no such information or response had been forthcoming from RIMIC.

Expected Financial Position as of June 30, 2009

Messrs. Faucher and Dwyer advised the Board that they expected the final financial position of GHGRI as of June 30, 2009 would show an approximate Member Equity (surplus) amount of \$5.7 million. Mr. Dwyer presented an updated spreadsheet showing the key adjustments

endorsed by the GHGRI Officers (President, Vice-President, and Treasurer) and submitted to the auditors for finalization of the Financial Statements. He said these adjustments correspond with the ones discussed with the Board at its October meeting, except as follows:

- ❖ The amount necessary for the actuarially determined Incurred But Not Reported (IBNR) Claims Reserve had fallen to \$4.4 million from the preliminary projection of \$5 million; and
- ❖ Because of the reduction in the IBNR Claims Reserve, the associated reserve for claims administrative run-out expenses, which is calculated as a percentage of the IBNR Reserve, had also fallen.

With these changes, the projected Members' Equity position rose to \$5.7 million, Mr. Dwyer said.

With that background before the Board, Mr. Faucher introduced GHGRI's independent consulting actuary, William Thompson of Milliman, to present his IBNR Reserve Report.

IBNR Reserve Level – Receipt of Actuary's Report

Mr. Thompson summarized his work to calculate the IBNR Reserve, referring to two reports prepared by his office, a preliminary one dated October 2009 and final one dated November 2009. Both these letter-reports had been submitted to the Board prior to the meeting.

In particular, Mr. Thompson explained the basis for his reduction in the IBNR Reserve estimate from \$5 million in early October to \$4.4 million in November. Working with Keith Demty, President of Health Benefit Advisors, a firm retained by The Trust to assist it in analyzing the planned Trust/GHGRI merger, Messrs. Thompson and Demty were able to secure from Blue Cross Blue Shield of Rhode Island (BCBSRI) more current information about actual claim payments in the three months after the close of the policy year (July, August and September). That activity showed that claims payments were less than Mr. Thompson's firm had originally estimated would be expected, and thus, with the benefit of this more current information showing reduced payment levels, Mr. Thompson was able to decrease the amount necessary for the IBNR Claims Reserve.

Brief discussion ensued among the Board, Messrs. Demty and Thompson, and Mr. Dwyer about these claim trends and their impact on GHGRI's financial position.

In closing, Mr. Dwyer said the actuary's reports would be submitted to the auditors for review, and that he expected the audited GHGRI Financial Statements would be ready for presentation to the Board at its December meeting.

NEW BUSINESS

Revised Equity Allocation Policy and Receipt of Actuary's Claim Fluctuation Reserve

Prior to the meeting, Mr. Faucher had circulated to the Board a November 9, 2009 memo requesting the Board's endorsement of a revised Equity Allocation Policy (EAP) and its approval to disseminate the proposed revised Policy to member chief executive officers for comment. Attached to the memo were a marked-up copy showing the revisions to the EAP and the actuary's November 13, 2009 letter-report on the Claim Fluctuation Reserve.

Mr. Faucher identified three principal reasons for proposing these changes:

- In conjunction with Mr. Dwyer, he had concluded that the current EAP did not create the proper incentives to encourage members to remain participants in the Health Pool over the long term.
- The existing EAP lacked a definition of the capital contribution for the founding members of the Health Pool.
- With the start of a GHGRI Dental Pool on July 1, 2009, the existing EAP needed to be defined as applying only to the Health Pool.

At Mr. Faucher's request, Mr. Dwyer then reviewed the proposed changes to the EAP in detail. He utilized an exhibit attached to the November 9, 2009 memo to demonstrate the approximate impact on the members from the changes being proposed, and also displayed for the Board on an overhead screen the way in which members would accumulate funds for withdrawal in the newly proposed Capital Account component of the EAP. He also diagrammed on a whiteboard the way funds would flow from overall GHGRI surplus to each member's allocated equity accounts and Capital Accounts.

Extensive discussion ensued among the Board members and Mr. Dwyer about the proposed changes. A number of questions were asked about the workings of the proposed EAP and the rationale behind specific changes being recommended. Mr. Dwyer advised that the revisions had been developed jointly in a series of conferences involving himself and Messrs. Thompson, Demty, Slovak and Faucher. He emphasized the importance of designing an EAP that functions effectively to encourage participating entities to remain in the Pool, and recounted an unfortunate experience he had with another pool where such a policy was not in place. In general, he discussed various theories for allocating equity among participating entities in a risk-sharing pool.

Mr. Fiore expressed concern over the balance in the EAP between the amount a member could withdraw upon departure from the Pool and the amount that would be forfeited. Mr. Fiore also asked about the impact of a member's withdrawal on the Claim Fluctuation Reserve. Mr. Thompson responded that from an actuarial viewpoint such an impact was not tied directly to that member's proportionate level of subscriber participation in the Pool.

Mr. Devine inquired whether the implications of revising the EAP at this point in time had been reviewed with legal counsel given that at least one member had indicated its interest in withdrawing from the Health Pool at the next opportunity. Mr. Dwyer responded that such a review had not occurred.

Continued discussion occurred about the advantages and disadvantages of changing the EAP in various ways. Mr. Faucher observed that it appeared most, if not all, of the Board members recognized that the Policy needed to be amended, but were not certain whether the proposal being advanced was the correct one striking all the proper balances. He then asked for volunteers from the Board to serve on an ad-hoc committee to consider other possible approaches, but no individuals offered to serve on such a committee.

Mr. Devine then moved, seconded by Mr. Fiore, to table discussion of the revised EAP until the next Board meeting with the understanding that in the interim Mr. Dwyer, in conjunction with legal counsel and others, would review and report further on the issues raised during the discussion and perhaps be able to offer other alternatives for the Board's further consideration. It was so voted unanimously.

December 2009 Meeting – Date and Time Change

Mr. Faucher explained that he initially listed this item for discussion because he expected more time would be necessary between meetings to circulate the proposed changes to the EAP to the chief executive officers of the participating member entities in accordance with time line set forth in the Joint Negotiation and Purchase Agreements. However, since the Board was not yet ready to distribute the proposed EAP changes to the member entities, there was no longer a need to change the date of the next meeting to allow for comment from the CEOs, he said.

Nonetheless, after brief discussion, it was determined that the starting time for the coming December meeting should be 9:00 AM rather than the customary 9:30 AM.

ADJOURNMENT

There being no further business before the Board, Mr. Faucher declared the meeting adjourned at about 11:15 AM.

Respectfully submitted,



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