



**Minutes of the December 16, 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, December 16, 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	Excused
5)	Michael Embury	Town of North Kingstown	Present
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 Gloucester	Present
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	Present
17)	Vacant	Woonsocket Education Department	

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 Gloucester	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 Tetreault	Town of North Smithfield	Present
19)	Mark Dunham	Portsmouth Schools	Present
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
Steve Zubiago	Nixon Peabody	Present
Fran Johannis	North Smithfield Schools	Present

CALL TO ORDER

President Faucher called the meeting to order at about 9:10 A.M. A quorum was declared to be present, with 13 of 17 voting members in attendance.

AGENDA

Mr. Faucher asked the Board for permission to re-arrange the order of the Agenda to allow the auditors to present their findings as the first item of business. The Board indicated it concurred with this re-ordering.

2008-2009 AUDIT REPORT AND PRESENTATION

Prior to the meeting, GHGRI's Financial Statements for Fiscal Year 2008-2009 and the accompanying audit report from the independent certified public accounting firm CCR had been circulated to the Board for review.

At the invitation of Chair Faucher, Audit Partner Dana Wilson and Audit Manager Michael Notarangelo proceeded to highlight and comment on relevant parts of the Audit Report. To assist in the explanation, they distributed a hand-out entitled "Audit Results Presentation".

Mr. Wilson began the presentation by reviewing the audit process itself. Mr. Notarangelo then noted several significant audit findings, including:

- The Financial Statements do not contain a separate line item for a Members' Contingency Reserve, unlike last year's presentation of the Statements. He and Mr. Dwyer commented on the reason for this change in presentation.

- The Incurred But Not Reported Reserve component of GHGRI's Claims Liability is \$4.4 million, a significant increase from the prior fiscal year and occasioned by the doubling in the membership size of the group.
- There is no allowance for uncollectible premium.
- Members' Surplus closed at about \$5.7 million compared to \$6.6 million in the prior year.
- The audit opinion is clean and unqualified; in addition, no material weaknesses were uncovered by the auditors in their review of the financial and accounting records of GHGRI.

Mr. Notarangelo noted the new involvement by the management and accounting staff of the Rhode Island Interlocal Risk Management Trust (Trust) in the record-keeping and administration of the GHGRI program, and complimented The Trust staff for its competence in preparing the 2008-2009 Financial Statements and its assistance to the auditors in their review of these Statements.

Messrs. Notarangelo and Wilson guided the Board through a page-by-page review of the various schedules in the Audit and identified key Notes to the Statement, including Note 9 which discloses two important events subsequent to the close of the fiscal year. The first event was the involvement of The Trust in GHGRI program management, and the second was the new Dental Pool offered by GHGRI via an administrative services agreement with Delta Dental, effective July 1, 2010.

Ms. Correia inquired whether a notice of a Member's potential withdrawal from GHGRI next June 30th should be disclosed in the Audit notes. After brief discussion, the auditors advised that was not necessary. Chair Faucher and the auditors also further reviewed the change in practice compared to the prior fiscal year in the presentation of the Members' Surplus without a separate component part for the Members' Contingency Reserve (also known as the Claims Fluctuation Reserve).

Chair Faucher asked the Board whether it wished to meet in a private session (without staff) with the auditors before concluding the discussion. No such request was forthcoming.

Mr. Mainville moved, seconded by Mr. Faucher, to accept the report of the auditors and the Financial Statements as presented for the fiscal year ending June 30, 2009. It was so voted unanimously.

APPROVAL OF AGENDA

Mr. Faucher asked that Board approve the Agenda for remainder of the meeting.

Mr. Fiore moved, second by Ms. Correia, to approve the Agenda as presented with the exception that the Audit Report be presented first. It was so voted unanimously.

SECRETARY'S REPORT OF MINUTES

Mr. Embury moved, seconded by Mr. Mainville, to approve the Minutes of the November 18, 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 November 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:

	Net Income for month of November 2009	Cumulative Net Income through November 2009
Health Pool	\$706,431	\$873,384
Dental Pool	\$72,578	\$299,842
Total	\$779,009	\$1,173,227

Mr. Slovak briefly commented that November results were favorable with generally lower loss ratios than in previous months of the fiscal year.

He also advised that he was exploring different investment alternatives to increase investment income, but that in the present economy, investment yield remains quite low.

Finally, Mr. Slovak updated the Board on the status of the continuing untimely premium payments from the Woonsocket Education Department. He noted that the Department is a more current with its payments for dental insurance than it is for health insurance.

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

WARRANTS

Prior to the meeting, two detailed Warrant Reports, both dated December 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 \$452,046.18. Within the package of supporting invoices, Mr. Walsh called to the Board's attention two invoices in particular – one for legal services for Nixon Peabody, and one for Group Benefit Strategies for administration of the retiree drug subsidy program.

2. The second Warrant was for the Dental Pool in the amount of \$15,507.75 representing only Delta Dental administrative fees.

Mr. Embury moved, seconded by Mr. Mainville, to approve both Warrants in the respective amounts shown above; 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 five 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 November stood at 97.9%, slightly better than the Ratio as of the end of October. Brief discussion ensued among the Board and Mr. Walsh about Loss Ratios for three particular Members. It was noted that in November two of these Members experienced Loss Ratios in excess of 150%. Relative to the earlier discussion about the lack of timely premium payments from the Woonsocket Education Department and its pending withdrawal from the Health Pool on July 1, 2010, Mr. McDonald pointed out that the Department’s current Loss Ratio through the first five months was nearly 124%.

Mr. Walsh advised the Board that information typically provided each month about disputed claims and claims in excess of the 50% of the GHGRI stop-loss insurance attachment point was not yet available due to the date of the Board’s meeting, which was earlier in the month than normal.

Mr. Bjerke next reported on the Dental Pool activity in terms of the Cost/Funding Ratio. Loss trends continue to be favorable, he remarked, with the Loss Ratio at 81% through the end of November, a slight improvement from the October level.

No formal Board actions were taken or required on these Reports. Chair 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).

At some length, Mr. Dwyer reviewed the recent discussions of the Joint Merger Committee at its December 11, 2009 meeting regarding the “two contract” question and various merger configuration options under consideration. He distributed a Synopsis of the meeting which provided further detail.

He reported that immediately after the Joint Merger Committee's meeting he had telephoned his contact at Blue Cross Blue Shield of Rhode Island (BCBSRI) to relay the Joint Merger Committee's position that the changes that BCBSRI is willing to accept to the Administrative Services Agreement between GHGRI and the BCBSRI are not sufficient to cause the Joint Merger Committee to recommend an Agreement extension beyond the current termination date of June 30, 2011. However, Mr. Dwyer said, he had not yet been able to make that contact. Several Directors then advised that another BCBSRI representative had been contacting them individually to inquire about the substance of the Joint Merger Committee's deliberations. Mr. Dwyer expressed puzzlement given his initial call to provide that precise information directly to BCBSRI, and said he would immediately call BCBSRI again following adjournment of the meeting.

Mr. Faucher raised the issue previously discussed with the Board about whether small governmental entities having less than 50 employees could and should be allowed to join GHGRI as Members. He briefly reviewed the history of this matter with the Board, noting that BCBSRI last year had maintained that State law (§ 27-50-3 *et seq.*) does not allow it to separately underwrite groups of such small size. In addition, there was a related question, Mr. Faucher said, about whether quasi-governmental special purpose entities were eligible for GHGRI membership under the terms of the State legislation (§ 45-5-20.1) which enables GHGRI to exist. But, Mr. Faucher added, Section 45-5-20.1 was amended in the most recent session of the General Assembly such that it is now clear that these types of entities are eligible for GHGRI membership. Remaining unsettled, however, is the question of whether Section 27-50-3 precludes small employer entities from being separately underwritten if they are a part of GHGRI.

Subsequent discussion among the Board and staff resulted in a consensus that the Board was amenable to soliciting new Member entities to the GHGRI, including quasi-governmental entities. However, the Board indicated it understood that the question of small employer entities joining GHGRI continued to hinge on an interpretation of State law. Staff agreed to pursue resolution of these matters further as time permits.

Extension of Administrative Services Letter of Understanding with The Trust

Mr. Faucher advised that the Administrative Services Letter of Understanding between The Trust and GHGRI should be extended since the merger of the two organizations would not be occurring by January 1, 2010 as initially planned. That Letter of Understanding expires December 31, 2009.

Board members concurred that the Letter of Understanding should be extended to allow more time for the merger to be consummated.

Mr. Embury moved, seconded by Mr. Mainville, to approve the extension of the Administrative Services Letter of Understanding with The Trust to June 30, 2010. It was so voted unanimously.

Letter regarding RI Municipal Insurance Corporation (RIMIC)

Mr. Dwyer reported that Daniel Beardsley, the Executive Director of Rhode Island League of Cities and Towns (RILOCAT), has responded definitively that he does not believe a letter to the League's Board expressing GHGRI's concern over the marketing representations and tactics of Rhode Island Municipal Insurance Corporation (RIMIC) would serve a useful purpose. Mr. Dwyer elaborated on Mr. Beardsley's thinking for the benefit of the Board, and also stated that he agreed with Mr. Beardsley's reasons and conclusion. Accordingly, he asked the Board to consider rescinding its motion of October 28, 2009 instructing Mr. Dwyer to send such a letter.

Mr. Mushen moved, seconded by Mr. Fiore, to rescind the Board's October 28, 2009 motion directing Mr. Dwyer, after consultation with the League's Executive Director, to send a letter to the League 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. It was so voted unanimously.

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

Prior to the meeting, Mr. Dwyer had circulated to the Board a memo dated December 11, 2009 clarifying two items relating to the proposed revised Equity Allocation Policy (EAP) and also presenting several additional matters for the Board's consideration as it deliberates about whether to revise its existing EAP. As elaboration of the concepts in the memo, Mr. Dwyer presented a PowerPoint exhibit for the Board's edification.

At the request of Mr. Faucher, GHGRI counsel Stephen Zubiago offered a verbal summary of his opinion regarding the enforceability of an amendment to the Equity Allocation Policy if it were to be challenged by an existing Member. Mr. Zubiago said he had concluded that a change to the EAP was not only clearly within the purview of the Board to enact but also would likely be enforceable, even upon a Member which had given a notice of pending withdrawal. He stressed, however, that his opinion did not foreclose the possibility that a Member which believed itself to be harmed by such an amendment might file a legal challenge to it.¹

Extensive discussion ensued among the Board and Messrs. Zubiago and Dwyer about the merits and demerits of the proposed revisions to the Equity Allocation Policy and the rationale for it. In response to a request by Mr. Fiore at an earlier meeting, Mr. Faucher reported to the Board the actuary's calculation of the amount the estimated Claims Fluctuation Reserve might be reduced if a Member were to depart the Health Pool.

At about this time, Mr. Thomas Mainville and Mr. John Mainville left the meeting due to a prior commitment.

¹ As part of this discussion, Chair Faucher advised the Board that its Directors and Officers' Liability Insurance coverage was scheduled to be renewed, and that payment for it might need to be made before the Board's next meeting. Accordingly, Mr. Mainville moved, seconded by Ms. Kenyon, to authorize Mr. Faucher to file for the liability insurance coverage and for The Trust Finance Office to pay the corresponding premium with ratification of the payment to be made by the Board as part of the Warrant approval at the next month's meeting. It was so voted unanimously.

Continued discussion focused on possible changes to the proposed EAP revision in the following key areas:

- Shortening or lengthening the time span for withdrawal of funds in the Member's so-called Equity Savings Account
- Changing the balance between the amount of Retained Earnings returned to a Member upon withdrawal and the amount forfeited
- Increasing or decreasing the maximum amount that a Member could withdraw
- Allowing a Member on its election to withdraw funds from either its Capital Contribution Account or its Equity Savings Account without withdrawing from the Pool

Ms. Silva then moved, seconded by Mr. Fiore, to table further discussion of changes to the Equity Allocation Policy to a special meeting of the Board in January 2010 at a specific time and place to be determined by the Chair. It was so voted unanimously.

Ms. Silva also requested that Mr. Dwyer distribute a copy of his PowerPoint presentation to all Directors either in written form or by e-mail.

NEW BUSINESS

2008-2009 Audit Report and Presentation

Since this matter had been moved to the beginning of the meeting's Agenda and previously discussed, further discussion was not warranted.

The Two Contract Question – Expiration of the BCBSRI Administrative Services Agreement

Since this matter had been discussed under Old Business as part of the discussion of the Initiative to Merge with The Trust, further discussion was not warranted.

RECOGNITION AND THANKS TO JANE CORREIA

Mr. Faucher noted that this meeting represented the last one for Ms. Corriea as she was retiring momentarily from her position as Director of Finance and Administration with the Bristol-Warren Regional Schools. Mr. Faucher recited Ms. Corriea's accomplishments as a conscientious and dedicated member of the GHGRI Board, including a period as its President and Board Chair. On behalf of all the Member entities of GHGRI and her fellow colleagues on the Board, he expressed the gratitude for her leadership, valuable input and steadfast commitment in promoting, advocating and supporting GHGRI during its formative years.

ADJOURNMENT

There being no further business before the Board, Mr. Faucher declared the meeting adjourned at about 12:30 P. M.

Respectfully submitted,



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