



**Minutes of the February 24, 2010  
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, February 24, 2010, 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)	Pauline Silva	Bristol Warren Regional School District	Excused
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	Excused
11)	Steven Lindberg	N. Smithfield Schools	Excused
12)	Thomas Mainville	Town of Glocester	Present
13)	James McDonald	City of East Providence	Excused
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 Glocester	Present
6)	Ned Draper	North Kingstown Schools	Present
7)	Frances Gallo	Central Falls Schools	Excused
8)	James Goncalo	Town of Tiverton	Excused
9)	David Krugman	Town of Richmond	Present
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	Excused
18)	Louise Tetreault	Town of North Smithfield	Present
19)	Mark Dunham	Portsmouth Schools	Excused
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

**CALL TO ORDER**

President Faucher called the meeting to order at about 9:25 A.M due to a delay in obtaining a quorum. At that time, a quorum was declared to be present, with 10 of 17 voting members in attendance.

**APPROVAL OF AGENDA**

Mr. Mushen moved, seconded by Mr. Fiore, to approve the Agenda as presented; it was so voted unanimously.

**SECRETARY'S REPORT OF MINUTES**

Mr. Mushen moved, seconded by Mr. John Mainville, to approve the Minutes of the January 27, 2010 Special Meeting of the Board. It was so voted unanimously.

**PRESENTATION OF DELTA DENTAL RATES FOR 2010-2011**

To accommodate the representatives from Delta Dental present, Board Chair and President Faucher obtained the consent of the Board to consider this item first rather than later in the meeting. He then introduced Kim Lanzire and Angelo Pezzullo from Delta Dental to the Board.

Ms. Lanzire distributed an Agenda to guide her discussion with the Board. Prior to the meeting, information from Delta Dental about the proposed rates for the coming policy year had been distributed via e-mail to Board members.

Ms. Lanzire began by reviewing the history of GHGRI's affiliation with Delta Dental to administer GHGRI's Dental Pool. She noted that Policy Year 2010-2011 marked the second year of a three year contact. Per that contract, all participating GHGRI entities are rated as one group rather than individually, she emphasized. For the coming year, the working rate projection

shows a 3% increase for returning Member entities while the rates will be held constant for new entities joining the Dental Pool on July 1, 2010. The composite rate change is 2.02%, she said.

Mr. John Mainville questioned the rationale for holding rates flat for new Pool entrants when in some cases the data seemed to support a decrease in rates. Extensive discussion ensued about the methodology and rationale for the rate structure. Mr. Pezzullo pointed out that the same approach was used for Member entities that launched the Dental Pool on July 1, 2009 – namely, their rates, too, were held constant even if the data indicated a rate decrease might be in order. Comments were offered that this approach was used in order to build Members' Equity at the start of the Pool's operation and to create a reserve cushion in the event of adverse claims development.

Mr. Pezzullo and Ms. Lanzire next reviewed the new Maximum Carry-over Provision which is part of the coverage provided to all Dental Pool Member entities through the GHGRI-Delta Dental contract. To help Board members understand the program, they distributed a brochure describing its working and handed out sample Carry-over Member entity reports. Both Delta Dental representatives said the Provision was designed to encourage preventative dental care by allowing subscribers to use a portion of their unconsumed yearly benefit in the following year. They noted that Delta Dental is not assessing a specific additional premium charge for this added benefit on the premise that it will ultimately function to lower claim costs through more preventative care. Discussion ensued among the Board and Mr. Pezzullo and Ms. Lanzire about ways to promote the use of this Maximum Carry-over Provision among the employee-subscribers.

Ms. Lanzire also advised that Member entities would be required as a result of new Federal legislation to re-execute their Business Associates Agreements with Delta Dental in early April, and she explained the reasons that prompts the requirement for a re-executed document.

Further brief discussion occurred among the Delta Dental representatives, the Board, and GBS Insurance Agency representatives about procedural matters which must be addressed to add several new Member entities to the Dental Pool effective July 1, 2010.

## TREASURER'S REPORT

In the absence of Treasurer Shawn Brown, Mr. Slovak summarized the salient features of the Treasurer's Financial Reports as of January 31, 2010, which had been distributed in advance to the Board. For both the Health Pool and the Dental Pool, he highlighted monthly activity and cumulative activity for the fiscal year to date, as shown in the box to the right.

	<b>Net Income</b>	<b>Cumulative Net Income</b>
	<b>January 2010</b>	<b>through January 2010</b>
Health Pool	\$501,234	\$672,134
Dental Pool	<u>-\$74,159</u>	<u>\$314,656</u>
Total	\$427,075	\$986,790

Mr. Slovak emphasized that he had accrued for the month of January about \$1.4 million in costs for prescription drug claims from covered subscribers, explaining that due to a problem with the Blue Cross Blue Shield (BCBS) claims reporting system, these costs were omitted from the January data furnished by BCBS to the GHGRI. So as to show costs reflective of the actual

claims payment pattern, he said he estimated these costs based on past monthly payments for prescription drug claims. As soon as the BCBS system produces the actual numbers, Mr. Slovak said he would make the appropriate correcting adjustment to the financial records. The problem, he added, was apparently caused by a switch in the pharmacy benefit provider used by BCBS effective January 1, 2010.

Mr. Slovak also briefly discussed his efforts to maximize the investment return on GHGRI funds. He pointed out that interest rates presently are at record-breaking low levels, so very little investment return is being realized.

Ms. Venditti moved, seconded by Ms. Cournoyer, to approve the report of the Treasurer; it was so voted unanimously.

Mr. Dwyer supplemented the Treasurer's report by offering information to the Board about the status of the premium delinquency of the Woonsocket Education Department. Prior to the meeting, he had transmitted to the Board the text of an e-mail dated February 17, 2010 that he had sent to the Woonsocket Superintendent of Schools asking again for a response to the GHGRI's repeated demands for a payment plan that the Department is prepared to follow to bring its accounts current within a reasonable period of time. When his e-mail also failed to generate a response, Mr. Dwyer said he called the Superintendent's office for a second time and was able to talk with the Superintendent on Tuesday, February 23, 2010. Mr. Dwyer relayed the substance of his conversation with the Superintendent to the Board, reporting that the Superintendent advised that he had assigned the matter to his Director of Finance and Administration for handling. The Superintendent said he would follow-up with the Director to determine the status of the Department's response, and would try to forward a plan to GHGRI in the very near future. During the conversation, Mr. Dwyer said the Superintendent also advised him that the Department had determined that it was in its best interest to remain a GHGRI member subsequent to June 30, 2010, a reversal of its earlier position that it wished to withdraw from membership.

Extensive discussion followed among the Board members about whether the Department would produce a plan as promised and whether it could fulfill on an on-going basis the conditions of its GHGRI membership in terms of timely payments. Several Board members expressed skepticism about the Department's willingness and ability to meet its financial obligations and urged that the Department's membership be terminated and legal action be taken to recover late fees owed GHGRI.

Various strategies for dealing with this continuing problem surfaced and were discussed. Mr. Dwyer said he would continue to press the Department to submit a payment plan before the Board's March meeting so that he could evaluate its adequacy and report accordingly to the Board on its acceptability or lack thereof.

After further discussion, Mr. Thomas Mainville moved, seconded by Mr. Draper, to authorize Mr. Dwyer to move forward with whatever means he deems appropriate and proper, including termination of membership and legal action, to recover both the delinquent premiums and the late fees owed in a reasonable time period. It was so voted unanimously.

## **WARRANTS**

Prior to the meeting, two detailed Warrant Reports, both dated February 10, 2010 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 \$444,906.46. Mr. Walsh advised that all warrant items were routine ones.

Mr. John Mainville moved, seconded by Ms. Cournoyer, to approve the Health Pool Warrant in the amount of \$444,906.46; it was so voted unanimously.

2. The second Warrant was for the Dental Pool in the amount of \$15,514.65 representing only Delta Dental administrative fees.

Ms. Mushen moved, seconded by Mr. Fiore, to approve the Dental Pool Warrant in the amount of \$15,514.65; 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 seven 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 summarized key items in the Health Pool Report. He noted that the Loss Ratio through January stood at 96.7%, an improvement from the 100.1% Ratio as of the end of December. He stressed, however, that the Ratio is misleading in that the claims data omits about \$1.5 million in costs for prescription drug claims for the reasons cited earlier by Mr. Slovak in his Treasurer’s Report. He said BCBS expects to have the claims reporting issue resolved shortly, at which time the reports will be corrected. Employees and their dependents, Mr. Walsh said, have not experienced problems having their prescriptions filled; the problem is simply one of claims reporting and tracking internally in BCBS’ management information system and then relaying that data on to GBS Insurance Agency and The Trust for inclusion in the monthly financial reports.

Mr. Walsh also reviewed key activity in the Disputed Claims Log, reporting that several credits had been properly applied and several new claims added as ones in dispute and thus under further review.

Lastly, Mr. Walsh noted that one Burrillville Schools Department claim had been added to the High Cost Claim Report because its level had surpassed the 50% threshold of the stop-loss specific attachment point of \$550,000 for Policy Year 2009-2010.

Mr. Bjerke next reported on the Dental Pool activity in terms of the Cost/Funding Ratio. For the month of January, claim activity reached the highest point of the policy year to date with a monthly Ratio of 106%. This high Ratio, Mr. Bjerke commented, could likely be attributed to late filing by dentists of December claims as Member employees and subscribers use up

remaining maximum annual benefits. Overall, the year-to-date Ratio stands at 86% through January 2010 compared with the a Loss Ratio of 82% through the end of December 2009.

Brief discussion ensued among the Board and Messrs. Walsh and Bjerke about the overall funding adequacy of the Dental Pool and mechanisms that might be available to address any shortfall, even though Ratios at this point in time remain favorable. It was noted that GHGRI has not yet adopted a formal equity allocation policy similar to that which exists for the Health Pool.

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

## **OLD BUSINESS**

### **GHGRI/Trust Merger Status**

Mr. Dwyer reported to the Board on two items related to the merger.

First, he said that BCBS had agreed to declare null and void the 2002 Trust/BCBS Administrative Services Agreement, thereby resolving the “two contract” question about whether the defunct 2002 Trust Agreement or the active GHGRI contract with BCBS would control the relationship between BCBS and a merged entity. Mr. Dwyer advised that he had signed the Termination Agreement already and was simply waiting for BCBS to execute it as well; the language of the Termination Agreement had been earlier agreed upon by both parties.

Second, Mr. Dwyer said he and Mr. Ridlon were working on a more detailed presentation to give to the Joint Merger Committee about the advantages and disadvantages of effecting the merger and consolidation under either a “one corporation” structure or a “two corporation” structure. Included in this presentation would be a description of the language changes needed to The Trust Bylaws or the GHGRI Bylaws to effect the merger under these two scenarios. Once the staff work is complete, Mr. Dwyer said he anticipates convening a Joint Merger Committee meeting, probably in early March, to consider the alternative approaches further.

### **Revised Equity Allocation Policy**

President and Board Chair Faucher said he had not yet received any comment from the Member chief executive officers to whom he had circulated the revised Equity Allocation Policy, per the requirements of the Agreement for Joint Negotiation and Purchase of Health Coverages executed between each GHGRI Member entity and GHGRI.

He reminded the Board that the Agreement specifies that a 30 day comment period must elapse before the Board can act finally to approve the revised Equity Allocation Policy. That time period will have passed by the March meeting, so Board Chair and President Faucher said he anticipates asking the Board at its coming meeting to act on the proposed revised Equity Allocation Policy.

### **Small Employer Entity Update**

Prior to the meeting, Mr. Dwyer had provided to the Board a copy of his February 12, 2010 letter to the attorney representing several educational collaboratives seeking membership in the GHGRI. That letter laid out the terms and conditions under which small employer entities could join the GHGRI, per the policy adopted by the Board at its January 2010 meeting. Mr. Dwyer said he had received an acknowledgement from the attorney of the letter, but no further communication about membership interest.

Brief discussion ensued about whether the Board should formally ratify existing affiliations between participating small employer entities and their larger participating employer counterparts in the GHGRI. The consensus appeared to be that such formal action was not warranted as these relationships had existed for many years even before the GHGRI came into existence.

### **NEW BUSINESS**

#### **Personal Health Information Privacy Forms and Provisions**

Board Chair and President Faucher briefed the Board on new privacy forms and provisions which would need to be executed between Member entities and BCBS for reasons earlier cited by Ms. Lanzire during the Delta Dental presentation.

Board Chair and President Faucher read relevant excerpts from an e-mail from Marc Gagnon, Manager of Major Accounts for BCBS, which elaborated on the reasons these forms were being re-worked for execution again by Member entities. The legal considerations driving these changes is the enactment in 2009 of a new federal law known as the Health Information Technology for Economic and Clinical Health Act (HITECH) and its interplay with the existing Health Insurance Portability and Accountability Act (HIPAA).

### **ADJOURNMENT**

There being no further business before the Board, Board Chair and President Faucher declared the meeting adjourned about 11:05 A.M.

Respectfully submitted,



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