



**Minutes of the May 26, 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, May 26, 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	Present
2)	Pauline Silva	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	Excused
12)	Kim Montie as proxy for Thomas Mainville	Town of Glocester	Present
13)	James McDonald	City of East Providence	Present
14)	Robert Mushen	Town of Little Compton	Present
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	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 DiPietro	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	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	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	Excused
18)	Louise Tetreault	Town of North Smithfield	Excused
19)	Mark Dunham	Portsmouth Schools	Excused
20)	Vacant	Woonsocket Education Department	

**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
William Thompson	Milliman	Present
Alan Demarais	Milliman	Present
Raquel Pellerin	Middletown Public Schools	Present

**CALL TO ORDER**

President and Board Chair Faucher called the meeting to order at about 9:04 AM. At that time, a quorum was declared to be present, with 14 of 17 voting members in attendance.

**APPROVAL OF AGENDA**

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

**SECRETARY’S REPORT OF MINUTES**

Mr. McDonald moved, seconded by Mr. Fiore, to approve the Minutes of the April 28, 2010 Meeting of the Board. It was so voted unanimously.

**TREASURER’S REPORT**

**Health and Dental Pools**

In the absence of Treasurer Shawn Brown, Mr. Slovak summarized the salient features of the Treasurer’s Financial Reports as of April 30, 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 below.

Mr. Slovak pointed out that April activity in the Health Pool resulted in a monthly loss of about \$700,000, the second consecutive monthly loss of significant size. Year-to-Date, the Net income stands at a negative \$573,000, he added.

	Net Income	Cumulative Net Income
	April 2010	through April 2010
Health Pool	-\$709,898	-\$572,267
Dental Pool	-\$15,891	\$253,479
Total	-\$725,790	-\$318,788

For the Dental Pool, a slight loss of about \$16,000 occurred in net monthly income, but for the Year-To-Date period, the Pool's net income is a positive \$254,000.

Brief Board discussion ensued on the trends evident in the data.

Mr. Mushen moved, seconded by Ms. Raposa, to approve the Treasurer's Report for the Health and Dental Pools as presented; it was so voted unanimously.

## **WARRANTS**

Prior to the meeting, two detailed Warrant Reports, both dated May 12, 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 \$439,787.70. Mr. Dwyer questioned two items on the Warrant.

First, he noted that GBS Insurance Agency (GBSIA) appeared to have included a June administrative fee charge of \$2,227 (computed at a \$2.41 rate per subscriber) for the Woonsocket Education Department despite the fact that the Department's coverage was being terminated as of May 31<sup>st</sup>. He observed that on the Dental Pool side the corresponding GBSIA charge for servicing the Woonsocket Education Department account had been eliminated. Mr. Bjerke advised that it appeared the Health Pool charge was in error.

Second, Mr. Dwyer questioned the validity of the Blue Cross Blue Shield (BCBS) charge of \$4,352 for stop-loss insurance for Woonsocket Education Department subscriber coverage in June since such coverage should no longer be applicable because of the termination of the Department's coverage as of May 31<sup>st</sup>. He said the GBSIA had asked BCBS whether this amount was owed, and received an affirmative response. However, Mr. Dwyer said he still disputed that interpretation, and advised that he intended to appeal that matter further.

Mr. Fiore then moved, seconded by Mr. Mainville, to approve the Health Pool Warrant in an amount not to exceed \$439,787.70 and subject to clarification of amounts owed on the two items questioned by Mr. Dwyer. It was so voted unanimously.

2. The second Warrant was for the Dental Pool in the amount of \$12,030.15 representing only Delta Dental administrative fees. There were no questions or comments about the Warrant item.

Mr. Mushen moved, seconded by Mr. McDonald, to approve the Dental Pool Warrant in the amount of \$12,030.15; it was so voted unanimously.

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

Introducing this matter, Mr. Dwyer advised that he had inadvertently distributed to the Board prior to the meeting the wrong two "Self-Funded Cost vs. Funding Analysis" reports prepared by GBSIA. Rather than distributing the Reports for both Pools for the ten month period through

April, he had transmitted to the Board the Reports for the prior nine month period through March. He handed out summary pages from the correct reports, and said he would e-mail the full Reports to the Board subsequent to the meeting.

The correction noted, Mr. Bjerke summarized key items in the Health Pool Report. He pointed out that the overall Cost/Funding Ratio for the ten months completed was slightly above break-even at 101.4%. For the single month of May, the Ratio was 108%. He also reviewed briefly the number of claims in the disputed/under review status with BCBS. He noted, too, that a third claim for Policy Year 2009-2010 had passed the stop-loss insurance attachment point of \$550,000 with its costs now at nearly \$650,000. Brief Board discussion ensued about these trends.

Regarding the Dental Pool's Loss Ratios, Mr. Bjerke observed that the Cost/Funding Ratio of 105% for the month of April was the lowest since January, and perhaps signaled a leveling off and a return to the Cost/Funding Ratios for the first 6 months of the policy year during which time the Ratios were all below 100%. Year-To-Date, the Ratio stood at a favorable 92%, he noted.

In response to a question raised at last month's meeting, Mr. Bjerke reported that the Northern Rhode Island Collaborative, GHGRI's newest Member joining the Health Pool as of July 1, 2010, would also be participating in the Dental Pool effective October 1, 2010. Underwriting information had been provided for the Collaborative from BCBS to Delta Dental so that appropriate rates could be prepared for the Collaborative's coverage in the Dental Pool, he said.

Lastly, Mr. Bjerke encouraged those Members who had not yet returned updated Business Associates Agreements to Delta Dental to do so as soon as possible, and he similarly asked for final decisions from Member entities to be conveyed to him or Delta Dental on whether they wish to add sealant coverage to their dental insurance program for employees.

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

## **OLD BUSINESS**

### **Termination of Woonsocket Education Department Membership**

Prior to the meeting, Mr. Dwyer had circulated a packet of information to the Board members about key actions taken since the last Board meeting to terminate the Woonsocket Education Department's membership in the GHGRI and to end both health and dental coverage provided to the Department's employees through GHGRI. Included in that packet was a memo dated May 21, 2010 summarizing actions taken and a timeline report from GHGRI Counsel Stephen Zubiago about the legal steps being followed to collect the premium and interest amounts due.

President and Board Chair Faucher and Mr. Dwyer elaborated on certain aspects of the written material provided. Mr. Dwyer commented that Woonsocket Education Department School Superintendent Robert Gerardi had been cooperative in ensuring that termination notices were delivered in a timely way to all affected employees. Mr. Dwyer said that the Department had also advised him and its employees that alternative health and dental insurance coverage had

been procured to become effective June 1, 2010, the day immediately following the last day of GHGRI coverage for Department employees.

Mr. Dwyer also pointed out to the Board that GHGRI's legal action to collect premium due from the Woonsocket Education Department might well become a liability claim which the Department would refer to The Trust for coverage under the liability insurance policy that The Trust issues to the Department. Mr. Dwyer further described how such a matter would be handled internally by The Trust for coverage, and discussed other steps The Trust might take to ensure impartiality in the treatment and handling of the matter as a liability claim.

Continued brief discussion occurred on the way the collection effort might proceed in the courts. Several Board members urged that the legal action be pursued aggressively.

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

#### **Woonsocket Education Department Delinquency and Merger Documents**

President and Board Chair Faucher reported to the Board that The Trust's Management Committee had convened a meeting earlier in the month to discuss the recommendation of the Joint Merger Committee that a "one corporation" model be used to effect the consolidation and merger of The Trust and the GHGRI. Attending that meeting, he said, were all The Trust Board members who served on the Committee, so he was included in the meeting. The Management Committee, Mr. Faucher explained, wanted to be certain of the pros and cons of the two different corporate models for the merger – either a one corporation structure or a two corporation structure with the Health and Dental Pools being established in a separate corporation – had been thoroughly vetted.

Upon conclusion of the meeting, Mr. Faucher said, the Management Committee took no action on the recommendation, though it seemed that most, if not all those in attendance, concurred that a one corporation structure made sense.

During the course of the Management Committee meeting, the question of the impact of the Woonsocket Education Department premium delinquency on the planned merger arose, he said. After considerable discussion, it was agreed by all those attending the Management Committee meeting that the particulars of the delinquency had to be fully disclosed and highlighted in the merger documents so The Trust Board was fully aware of the potential liability that would result should the Department not be able to pay or not be required by a court of law to pay the amount owed. Staff was directed to prepare the necessary disclosures and to address any other related issue that seemed warranted after further review.

Subsequent to the Management Committee meeting, Mr. Faucher said he consulted with GHGRI Counsel Zubiago to determine whether the disclosure of this matter in the merger documents was sufficient to trigger another vote by the GHGRI Board authorizing the merger. He said Mr. Zubiago counseled that another vote was not necessary as long as Mr. Faucher reported to the Board that this item would be a part of the merger documents and the Board did not object. No objection was raised.

Lastly, Mr. Faucher noted that the final set of amendments to The Trust Bylaws necessary to accommodate the merger were being prepared by Mr. Dwyer and Trust General Counsel Ian

Ridlon and should be ready for presentation to The Trust Board momentarily. He added that he anticipated a special Trust Board meeting sometime during the middle part of June to vote on the merger. He invited GHGRI Board members who wished to continue to be involved with policy oversight and direction of the Health and Dental Pools in the merged configuration to let him know of their interest in serving on The Trust Benefits Pool Committee expected to be created as part of the merger and pursuant to the amended Trust Bylaws.

### **Due Diligence Issue**

President and Board Chair Faucher opened this discussion by informing the Board that GBSIA had declined to allow Mr. Dwyer access to its records and operations that Mr. Dwyer sought on behalf of The Trust as part of his “due diligence” review of the GHGRI operations. Mr. Faucher further advised that GBSIA had also declined to answer a set of questions that Mr. Dwyer had posed about operations and procedures followed by GBSIA in servicing the Health and Dental Pools. He asked Mr. Dwyer to elaborate.

Accordingly, Mr. Dwyer summarized his efforts to find ways to examine the work of GBSIA in managing and operating the Health and Dental Pools. He explained his reason for seeking this information, and noted that all other GHGRI service providers, claims administrators, and consultants had been fully cooperative and open during his “due diligence” review.

He also explained that he had invited GBSIA to submit a proposal for servicing the Health and Dental Pools subsequent to June 30, 2010, but had just recently been notified that GBSIA was declining that invitation. Messrs. Faucher and Dwyer pointed out that the current contract between GHGRI and GBSIA expires June 30, 2010.

Mr. Dwyer said that his “due diligence” report to The Trust Board would document the lack of cooperation from GBSIA. He added that despite this lack of cooperation he would still be recommending to The Trust Board that the merger proceed and be authorized.

Though Mr. Dwyer said he was puzzled by the position of GBSIA regarding the “due diligence” review, he added that the work that he had seen GBSIA do during the past year that he had served as GHGRI’s program administrator seemed professional and competent. He further commented that he felt confident that work performed by GBSIA in servicing the Health and Dental Pools could be handled competently by Trust staff and other service providers, and he described in some detail his plans for accomplishing that work.

Discussion ensued among Board members, Mr. Faucher, and Mr. Dwyer. Mr. Faucher said he had tried several times to convince GBSIA President Kevin Walsh to cooperate with the “due diligence” review and had tried to broker a resolution to no avail.

To clarify GBSIA responsibilities now that its relationship with the Health and Dental Pools seemed to be ending, Mr. Faucher said he understood that GBSIA would still be required under the terms of the GHGRI/GBSIA contract to issue in June the July premium invoices to Member entities with the updated rates, and also to ready for payment the June bills from third parties for various services to the Health and Dental Pools. Mr. Bjerke on behalf of GBSIA confirmed that these matters were GBSIA’s responsibility through June 30, 2010.

Mr. Bjerke commented that he could not speak for Mr. Walsh in regard to the other points and concerns raised during the discussion, adding that he had always found Mr. Walsh to be a honest and responsible businessman.

*(At this point in the meeting at about 10:15 AM, Mr. McDonald left the meeting to attend to another commitment.)*

## **NEW BUSINESS**

### **Stop-Loss Insurance Quotes and Attachment Points**

Prior to the meeting, Mr. Dwyer had distributed to the Board a May 21, 2010 memorandum regarding Stop-Loss insurance options for the coming policy year commencing July 1, 2010.

At the request of President and Board Chair Faucher, Mr. Dwyer described key aspects of that memo, focusing in particular on the very favorable loss experience the Health Pool had enjoyed in terms of the infrequency of high costs claims above \$550,000, the current stop-loss attachment point. He distributed an analytical table updated through April 2010 showing the stop-loss insurance ratio since the Health Pool was created, and the frequency and distribution of high cost claim activity. He noted that the Loss Ratio for stop-loss insurance was a favorable 38%; if the experience of Woonsocket Education Department was eliminated from the analysis on the basis that this Member will no longer be a Pool participating entity after May 31, 2010, the Loss Ratio becomes even more favorable at 24%.

Mr. Dwyer also described the way in which he envisioned his proposed Excess Health Claims Backstop Account working in lieu of stop-loss insurance and the benefits that he expected would be gained by such an approach.

Considerable discussion ensued among the Board members, Mr. Dwyer and Mr. Thompson, GHGRI's independent actuary. Mr. Thompson encouraged the Board to increase its stop-loss insurance attachment point to a minimum of \$1 million per claim and he endorsed the proposal advanced by Mr. Dwyer to create an Excess Health Claims Backstop Account. Various options were discussed, including purchasing aggregate stop-loss insurance either as alternative to or in addition to specific stop-loss insurance. It was believed, however, that the GHGRI would find that aggregate stop-loss insurance would be not be available at the level (115% of expected losses) that Mr. Thompson believed to be advisable in order to achieve meaningful protection, or, if it was available, the cost would likely not be reasonable. Mr. Dwyer said he had asked for quotes for aggregate stop-loss insurance at the 115% of expected level.

Mr. Thompson also pointed out to the Board that the Health Pool's Member Equity Surplus position provides *de facto* aggregate stop-loss protection at a 106% level. He reminded the Board that Members' Equity (or Surplus) exceeds his calculated Two Year Claims Fluctuation Reserve at a 95% confidence level.

Mr. Fiore then moved, seconded by Mr. Mushen, to approve a change in the Health Pool's stop-loss insurance for Policy Year 2010-2011 as determined to be appropriate by President and Board Chair Faucher in further consultation with actuary William Thompson utilizing one of the following two arrangements:

1. Eliminate all separately procured private stop-loss insurance if a Health Claims Backstop Account in a form substantially the same as proposed by Mr. Dwyer in a memo dated May 21, 2010 can be established; or
2. Secure private stop-loss insurance at a specific attachment point of \$1 million per claim (with a \$2 million limit) and/or with an aggregate attachment point of no more than 115% of expected Health Pool losses.

It was so voted unanimously.

### **Interest Rate to be Applied to Capital Contributions for Fiscal Year ending June 30, 2010**

At the request of President and Board Chair Faucher, Mr. Slovak presented a table to the Board showing the effective interest rate achieved on the assets and cash flow of the GHGRI for the last several years. Mr. Faucher explained that he had asked that this information be prepared as context for Board action in setting the interest rate to be used for the calculations required by the Equity Allocation Policy. Historically, the GHGRI had used 4% to calculate the interest earned on and credited to the Member's Contributed Capital portion of their Equity. But, he pointed out, the selection of that rate had been arbitrary and not based on an analysis of the interest rate actually being earned.

Mr. Slovak summarized the data in his chart, noting that he estimated that the average interest rate for the fiscal year ending June 30, 2010 would likely be less than 0.50%. He commented this very low rate was consistent with interest rates in the economy at large, which are presently historic record low levels.

Based on this information, Board members proceeded to discuss the appropriateness of various interest rates for the calculation specified in the Equity Allocation Policy.

Mr. Mushen moved, seconded by Ms. Pauline Silva, to set the interest rate to be used for the fiscal year ending June 30, 2010 to compute the growth in individual Members' accumulated Capital Contributions on the basis of the audited FY 2010 interest income earned divided by invested assets; it was so voted unanimously.

### **Teacher Health Care Reform Technical Advisory Committee – Report on Activity**

President and Board Chair Faucher briefed the Board on the latest activity of the Technical Advisory Committee assisting a State-mandated commission charged with developing a set of uniform health insurance benefit packages for local school teachers. Mr. Faucher serves as the GHGRI representative to this Committee.

He described various issues and tasks presently before the Committee and the Board. He also reported that he had arranged for the GHGRI's independent actuary, William Thompson of Milliman, to submit a proposal for certain technical and actuarial services to assist the Committee in its work, and, moreover, that Mr. Thompson had offered to do this work without charge. He said the Committee had accepted that offer.

Mr. Faucher said he would keep the GHGRI Board informed of future activity and significant developments.

### **Operational Support for Coming Year**

Prior to the meeting, Mr. Dwyer had submitted to the Committee a May 24, 2010 report describing his planned approach to providing operational support for the Health and Dental Pools in the coming fiscal year. The memo explained that he viewed 2010-2011 as a transitional year in which more services in support of the Pools would be provided in-house by Trust staff. At the same time, Mr. Dwyer explained, he did not want to over-staff until the duties and responsibilities of the health program's claims administrator – presently Blue Cross Blue Shield of Rhode Island (BCBSRI) – subsequent to June 30, 2010 are better defined. He reminded the Board that the contract with BCBSRI for claims administration and related services such as underwriting and a certain level of Member service expires as of June 30, 2011.

Mr. Dwyer said he expected to be able to provide operational support services in the coming year at a cost not to exceed \$500,000, and asked the Board for flexibility in allowing him to mix in-house and contracted services in a manner he deems most appropriate within this financial parameter.

Since aspects of this approach were discussed by the Board under an earlier Agenda item – see the Due Diligence Issue above – Board discussion was brief with Directors indicating that they concurred with the approach described by Mr. Dwyer.

### **ADJOURNMENT**

There being no further business before the Board, Mr. Fiore moved, seconded by Mr. Faucher, to adjourn the meeting. It was so voted unanimously.

The meeting stood adjourned at approximately 11:30 AM.

Respectfully submitted,



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