



**BOARD OF TRUSTEES MEETING
OF
WEDNESDAY, APRIL 25, 2012**

MINUTES

The Board of Trustees of the Rhode Island Interlocal Risk Management Trust, Inc. (The Trust) convened a meeting on Wednesday, April 25, 2012 at The Trust Offices, 501 Wampanoag Trail, Suite 301, East Providence, Rhode Island.

Chairman Alfred called the meeting to order at approximately 9:16 A.M.

1. ROLL CALL

Trustees Present

Stephen Alfred, Town of South Kingstown
Scott Avedisian, City of Warwick
Peter DeAngelis, Town of Barrington
David Faucher, Town of Portsmouth (arrived at 9:30 a.m.)
Robert Hicks, New Shoreham School Department
Bruce Keiser, Town of Jamestown
John Mainville, Town of Burrillville
Diane Mederos, Town of Bristol
Michael Petrarca, West Warwick Public Schools

Trustees Absent

John Ambrogi, Newport Public Schools
Daniel Beardsley (*ex officio*), Rhode Island League of Cities and Towns
Jeffrey Ceasrine, Town of Narragansett
Lori Miller, Lincoln Public Schools

Others Present

Brian Ahern, Trust Loss Prevention Manager
Stephanie Banister, Trust Director of Technical Operations and Research
Colleen Bodziony, Trust Membership Services Manager
Keith Demty, Trust Director of Employee Benefits Program
Thomas Dwyer, Trust President and Executive Director
Russell Godin, Trust Property/Liability Claims Manager
Ian Ridlon, Trust General Counsel and Director of Legal Services
Heather Sheley, Trust Chief Financial and Administrative Services Officer
William Thompson, Milliman (departed at 11:00 A.M.)

2. Approval of Minutes of the Board Meeting of January 31, 2012

On a motion made by Trustee Petrarca, seconded by Trustee Mederos, the Board voted to approve the Minutes, both regular and executive session, of the Board meeting of January 31, 2012.

<u>Trustee</u>	<u>Vote</u>	<u>Trustee</u>	<u>Vote</u>
Stephen Alfred	aye	Robert Hicks	aye
Jack Ambrogi	absent	Bruce Keiser	aye
Scott Avedisian	aye	John Mainville	aye
Jeffrey Ceasrine	absent	Diane Mederos	aye
Peter DeAngelis	aye	Lori Miller	absent
David Faucher	absent	Michael Petrarca	aye

3. Old Business – Action Items

3.a. Final Report and Management Recommendation for Third Party Claims and Benefit Plan Administrators for Health Pool

Mr. Dwyer began the discussion by acknowledging the special contributions of certain Trustees, the Employee Benefit Committee members, staff and consultants who participated in the RFP process and thanked everyone for their hard work. He then noted that the presentation that he, Mr. Demty, Trust Director of Employee Benefits Program, and Mr. Thompson of Milliman were about to give was a slightly expanded version of the presentation that had been previously given to the Employee Benefits Committee. He also advised the Trustees that the Employee Benefits Committee was recommending to the Board that Management be authorized to enter into a multiple year contact with Blue Cross Blue Shield (BCBS) as the third party claim and benefits plan administrator (TPA) for the Health Pool effective July 1, 2012.

He began the presentation with a brief overview of the RFP process generally. He identified the entities which had provided proposals for both the Medical Third Party Administrator Program and the Prescription Drug Program. He outlined the objectives of the RFP and noted specifically that this was the first ever systematic, large scale review of available medical and pharmacy benefit claims management options in the Rhode Island health insurance marketplace conducted by local governments working together in a unified fashion. He also noted that this process demonstrated the value and power of local governmental entities working together to influence healthcare and the costs thereof.

Mr. Dwyer next compared the projected costs as provided by the entities submitting proposals and then further analyzed by Management and Milliman as consultant. Discussion followed on the reasons for the variations between the costs shown, and the reliability of those estimates in truly projecting costs that will be incurred over the expected life of the coming third-party administrative contract. As part of that discussion, Messrs. Thompson, Dwyer and Demty offered comments about the medical claims discounts projected by various TPA proposers, and the variations in discount by geographic region in Rhode Island. There were several questions from Trustees regarding the significance of that analysis.

Next, Management and Mr. Thompson presented cost projections for prescription drug costs under various scenarios available to The Trust as a result of the proposals submitted in response

to the RFP. It was noted that BCBS would be switching from Caremark to Informed Rx in January of 2013 as its integrated pharmacy benefit manager.

Mr. Dwyer outlined options The Trust had considered for alternative pharmacy benefit arrangements, including “carving-out” prescription drug management from BCBS and assigning it to another pharmacy benefit manager. Along with Messrs. Demy and Thompson, the pros and cons of these various arrangements were reviewed.

Mr. Dwyer advised the Board that along with the switch to InformedRx on January 1, 2013, BCBS would be phasing out the current prescription drug formulary used by local governmental entities, whether in The Trust Health Pool or not. Significant savings were expected to be realized as a result of this phase-out, the move to a new formulary which emphasizes lower cost generic drugs and other, stronger prescription drug management strategies for cost control, Management and Milliman said.

Chairman Alfred raised the issue of difficulties that might be encountered relative to Collective Bargaining Agreements (CBA) if a different formulary was used. Extensive discussion followed, during which Mr. Dwyer described for the Trustees his understanding of the steps that BCBS had already taken to apprise public sector union representatives of this coming change.

The discussion next moved to the viability of The Trust offering a benefit plan package through a TPA other than BCBS and in particular to the apparent greater savings available to Trust Health Pool Member-entities from a program alternative featuring UnitedHealthcare as the medical claims administrator and Medco as the pharmacy benefit manager. Trustee Petrarca also commented on the annual savings versus the savings over the term of the contract. A discussion then ensued about the collective bargaining implications of such a change in TPAs, the question of whether the projected additional savings would actually materialize, and the suitability of such an alternative program in meeting the specific needs of the Health Pool Member-entities.

Mr. Dwyer commented on the importance of unified approach, noting that BCBS indicated that the advantageous rates, pricing structure, and other features of its proposal would be revoked if more than a certain number of Members switched to another TPA carrier.

Trustee Hicks then made several points regarding what information should be provided to the Members about why the chosen proposal was chosen and whether there were available options.

The discussion next shifted to the Administrative Fee costs. Mr. Dwyer said that BCBS is guaranteeing that its proposed Administrative Fee would be the lowest offered to any local government entity or collaborative of local governmental entities. This guarantee, he emphasized, represents a significant change in BCBS corporate position. He also noted that the final administrative fee to The Trust will be impacted by WB Community Health’s decision on the manner it chooses to purchase stop loss insurance – from BCBS or in some other way.

Mr. Demy next discussed the Fully Insured Rate options presented by the proposers in their submissions to The Trust. He explained the reason Management sought this option, and reported that, after analysis, it was determined that The Trust Health Pool rate was better than the rates quoted by UnitedHealthcare and BCBS for all but one Member-entity, and in that case, the difference was only 1%.

Other issues briefly reviewed by Mr. Dwyer during his presentation included:

- Performance Guarantees – Mr. Dwyer noted that about 65% of administrative fees are at risk under the set of Performance Guarantees to which BCBS will agree. These types of Performance Guarantees do not exist in the existing contract with BCBS.
- Contract Duration
- Special Wellness Provisions
- Special Audit Provisions

It was noted that the other terms and conditions of the contract were similar to the existing agreement and, in no case, were the provisions “worse” for Trust Members than under the current version of the agreement.

Chairman Alfred inquired whether these other provisions such as the performance guarantees and stipends were requested of other proposers. Mr. Dwyer indicated that they were, and that in some cases some of these provisions were available and in other cases they were not.

Mr. Dwyer advised the Board that, if it approved Management’s and the Employee Benefits Committee’s recommendation to utilize BCBS as the Health Pool TPA effective July 1, 2012, Management also would then propose that The Trust offer an additional 2% savings to Health Pool Member entities for two reasons: 1) to reflect the savings to be realized from this RFP process in the new TPA contract, and 2) to recognize the continuing favorable claims loss trends in the Health Pool in the current year. Those favorable trends, he said, are expected to increase Health Pool Members Equity such that a further reduction in rates for the coming year appeared to be in order.

Mr. Dwyer concluded by noting that he would try to renew discussions with WB Community Health regarding a potential merger or an affiliation of some kind. He reminded the Trustees that the WB Board has pledged to continue these discussions once the RFP process ended.

Chairman Alfred asked that the proposed contract between The Trust and BCBS be reviewed by legal counsel and that there should be a letter from corporate counsel to the Board regarding the contract language and any concerns therewith. There was no further discussion.

On a motion made by Trustee Faucher, seconded by Trustee Keiser, the Board voted unanimously to accept the recommendations of the Employee Benefits Committee and Trust Management relative to the selection of BCBS as Third Party Administrator (TPA) for medical and pharmacy benefit claims management, and related services in plan design and administration, effective July 1, 2012.

<u>Trustee</u>	<u>Vote</u>	<u>Trustee</u>	<u>Vote</u>
Stephen Alfred	aye	Robert Hicks	aye
Jack Ambrogi	absent	Bruce Keiser	aye
Scott Avedisian	aye	John Mainville	aye
Jeffrey Ceasrine	absent	Diane Mederos	aye
Peter DeAngelis	aye	Lori Miller	absent
David Faucher	aye	Michael Petrarca	aye

Mr. Dwyer then noted that Management’s recommendation regarding an additional 2% decrease in premium rates available to Health Pool Member-entities either in the coming year or in the 2013-2014 year might warrant separate Board approval. There was no discussion.

On a motion made by Trustee Avedisian, seconded by Trustee Mederos, the Board voted unanimously to accept the recommendation of Trust Management that Members of the Health Pool be given a 2% discount for the rates quoted for PY 2012-2012, or that they be permitted to “bank” the discount to applied to the PY 2013-2014 rates.

<u>Trustee</u>	<u>Vote</u>	<u>Trustee</u>	<u>Vote</u>
Stephen Alfred	aye	Robert Hicks	aye
Jack Ambrogi	absent	Bruce Keiser	aye
Scott Avedisian	aye	John Mainville	aye
Jeffrey Ceasrine	absent	Diane Mederos	aye
Peter DeAngelis	aye	Lori Miller	absent
David Faucher	aye	Michael Petrarca	aye

Discussion then ensued about the type of communication that Management should be provide to Health Pool Member entities about The Trust’s decision regarding TPA services for the year commencing July 1, 2012 and subsequent years. Trustees offered their comments about information that should be included in such a communication. All concurred that it was important that the information be supplied to Members, and that communication provide an overview of the key elements of the new TPA arrangement and the other proposals considered by The Trust.

Trustee Avedisian raised the question of whether The Trust could offer a “self-funded” coverage option, as opposed to a fully-insured guaranteed coverage option, to interested local governmental entities, effective July 1, 2012. Mr. Dwyer said he did not consider Management to have that authority, noting further that the self-funded coverage option is the model utilized in the WB Community Health program.

Mr. Avedisian said he was interested in providing that flexibility to Management, and advised that his entity, the City of Warwick, would be interested in receiving such a proposal from The Trust.

A Motion was then made by Trustee Keiser, seconded by Trustee Mederos, that The Trust be allowed to quote so-called “self-insured rates” to any Member seeking such a quote.

Several Trustees indicated interest in receiving such a quote from The Trust. Further discussion then ensued. Concerns were raised about issues such as how such an action might be viewed by the WB, what impact it might have on the potential merger discussions, and how quickly such rates could be created. There was also a discussion about whether the Motion was properly before the Board and had been sufficiently vetted.

Various alternative wordings for the motion were considered, but prior to a vote being taken on the Motion, the Motion was withdrawn by Trustee Keiser with the assent of Trustee Mederos.

However, Trust Management was directed to further study the issue of quoting self-insured rates to interested local governmental entities.

(Mr. Thompson then departed at 11:00 a.m.)

4. New Business – Action Items

4a. Report of the Underwriting Committee

On behalf of the Underwriting Committee, Mr. Dwyer presented the set of underwriting strategies and pricing parameters which the Committee had approved for Policy Year 2012-2013 at its March 22, 2012 meeting.

He began by discussing the Pro Forma Premium Distributions relative to the membership as a whole, taking into account The Trust Ownership Participation Shares (TOPS) Program dividend for Member-entities in the Workers' Compensation Pool.

For the Workers' Compensation Pool, Mr. Dwyer summarized the floors and cap levels being utilized in the underwriting of Member premiums. He said that the expected revenue meets the premium target of Multi-Year Funding Outlook presented to the Board in January with less than a 1% variance. He also discussed the occasions when the caps are overridden, and he reviewed the implications of the Sensitivity Adjuster on the underwriting model.

Mr. Dwyer highlighted one particularly important change to the current model, specifically it's the use by The Trust of its own payroll classification rates rather than those developed from the payroll data of the National Council on Compensation Insurance. He added that the underwriting model for the coming year also employs a new and better methodology to develop a premium factor for those municipal entities participating in the Pool's supplemental Public Safety Injured-On-Duty coverage.

In summary, Mr. Dwyer said, 32% of Members are experiencing net Workers' Compensation premium discounts and about 53% of members were experiencing an increase of 5% or less.

For the Property/Liability Pool, Mr. Dwyer reviewed salient aspects of the underwriting model for the coming year. He described the floors and caps applied to the Property/Liability Member premiums, and noted that revenue expected from the recommended model would achieve slightly less than the premium revenue target in the Multi-Year Funding Outlook.

Mr. Dwyer also pointed that for several reasons in the coming year there is a reduction in the number of special or "outlier" situations applicable to certain Members. Factors contributing to this changed situation include: the need to generate more premium to offset the large increase in the cost of catastrophic reinsurance, the continuing phase-in of higher Member insured property-values, and the continued phase-in of weighted pricing for different kinds of insured vehicular equipment.

In summary, Mr. Dwyer said about 39% of the membership would experience a net premium change of 10% or less. Twenty-seven (27%) percent would experience changes of 5% or less or a net decrease. Unfortunately, he commented, about 22% of number of Members would experience changes greater than 20%.

On a motion made by Trustee Avedisian, seconded by Trustee Hicks, the Board voted unanimously to accept the report of the Underwriting Committee as presented relative to pro forma pricing.

<u>Trustee</u>	<u>Vote</u>	<u>Trustee</u>	<u>Vote</u>
Stephen Alfred	aye	Robert Hicks	aye
Jack Ambrogi	absent	Bruce Keiser	aye
Scott Avedisian	aye	John Mainville	aye
Jeffrey Ceasrine	absent	Diane Mederos	aye
Peter DeAngelis	aye	Lori Miller	absent
David Faucher	aye	Michael Petrarca	aye

Next, Mr. Dwyer indicated that the Board had previously approved the Underwriting Committee's endorsement of a \$400,000 TOPS Dividend to the Members of the Workers' Compensation Pool plus the 10% bonus. Mr. Dwyer outlined the methodology proposed to be used for the allocation of the TOPS Dividend and Bonus, noting that it was similar to last year's methodology but with one additional year added.

On a motion made by Trustee Mederos, seconded by Trustee Petrarca, the Board voted unanimously to accept the recommendations of Trust Management relative to the TOPS Dividend Allocation Methodology for the Fiscal Year Commencing July 1, 2012, as approved by the Underwriting Committee.

<u>Trustee</u>	<u>Vote</u>	<u>Trustee</u>	<u>Vote</u>
Stephen Alfred	aye	Robert Hicks	aye
Jack Ambrogi	absent	Bruce Keiser	aye
Scott Avedisian	aye	John Mainville	aye
Jeffrey Ceasrine	absent	Diane Mederos	aye
Peter DeAngelis	aye	Lori Miller	absent
David Faucher	aye	Michael Petrarca	aye

The TOPS Dividend and distribution methodology, presented by Management and approved by the Board, is as follows:

- 1) Basis for Declared Amount
 - a) Payable to Members of Record as of July 1, 2012
 - b) Based on Financial Results as of June 30, 2011
 - c) Available Only to Members Participating in Workers' Compensation Pool as of June 30, 2011, the date used in fixing the dividend amount to be returned to Members from Members' Equity
- 2) Declared Amount of \$400,000 Allocated to Workers Compensation Pool Participants Only
- 3) Share Determinations

Each Participating Member's shares shall be determined by the percentage its premium for Policy Years 2005, 2006, 2007, 2008, 2009, 2010 and 2011 represents as a part of all Member premiums for those same seven years.

 - a) No Participant's TOPS dividend shall exceed 20% of the Participant's Current Year (2011-2012) premium for the Workers' Compensation Pool.
 - b) Minimum TOPS share dividends shall be \$25 per Participant Member.

- 4) Other Distribution Particulars shall be in accord with the Board's approved Trust Ownership Participation Shares Policy.

4b. Approval of New Members

Ms. Bodziony, Trust Membership Services Manager, provided the Trustees with information regarding the application of the Bradford Fire District for membership into The Trust's Property/Liability Pool to be effective April 5, 2012. She noted that the application had been positively endorsed by the Underwriting Committee at its meeting on March 22, 2012.

Mr. Demty then provided the Trustees with information regarding the applications of four new Members to the Dental Pool. Background was provided with respect to each entity. Mr. Demty indicated that the applications had been positively endorsed by the Underwriting Committee at its meeting on March 22, 2012, and by the Employee Benefits Committee at its April 16, 2012 meeting. Mr. Dwyer added that it was not certain that each of these local governmental entities would finally choose to join the Dental Pool.

On a motion made by Trustee Avedisian, seconded by Trustee Keiser, the Board voted unanimously to accept the Bradford Fire District as a Trust Member and a Member of the Property/Liability Pool effective April 5, 2012, to accept the Town of Warren and the Rhode Island Interlocal Risk Management Trust into the Dental Pool, and to conditionally accept the Town of Bristol, the Town of New Shoreham, and the New Shoreham School Department into the Dental Pool.

<u>Trustee</u>	<u>Vote</u>	<u>Trustee</u>	<u>Vote</u>
Stephen Alfred	aye	Robert Hicks	aye
Jack Ambrogio	absent	Bruce Keiser	aye
Scott Avedisian	aye	John Mainville	aye
Jeffrey Ceasrine	absent	Diane Mederos	aye
Peter DeAngelis	aye	Lori Miller	absent
David Faucher	aye	Michael Petrarca	aye

4c. Claims: Settlement Authority and Activity of Special Note

Notice of Intent to Seek to Convene into Executive Session

On a motion made by Trustee Mederos, seconded by Trustee Avedisian, the Board, after a unanimous roll call vote, convened into Executive Session pursuant to the Rhode Island Open Meetings Act, Rhode Island General Laws 42-46-5(a)(2), in order to discuss litigation matters related to the cases of Providence Country Day School v. City of East Providence, and Estate of John McKenzie v. Town of Johnston.

<u>Trustee</u>	<u>Vote</u>	<u>Trustee</u>	<u>Vote</u>
Stephen Alfred	aye	Robert Hicks	aye
Jack Ambrogio	absent	Bruce Keiser	aye
Scott Avedisian	aye	John Mainville	aye
Jeffrey Ceasrine	absent	Diane Mederos	aye
Peter DeAngelis	aye	Lori Miller	absent
David Faucher	aye	Michael Petrarca	aye

Motion to Return to Open Session

On a motion by Trustee Mederos, seconded by Trustee Avedisian, the Board voted as follows to conclude the Executive Session and resume the public meeting:

<u>Trustee</u>	<u>Vote</u>	<u>Trustee</u>	<u>Vote</u>
Stephen Alfred	aye	Robert Hicks	aye
Jack Ambrogi	absent	Bruce Keiser	aye
Scott Avedisian	aye	John Mainville	aye
Jeffry Ceasrine	absent	Diane Mederos	aye
Peter DeAngelis	aye	Lori Miller	absent
David Faucher	aye	Michael Petrarca	aye

Motion to Seal Minutes of the Executive Session

On a motion by Trustee Avedisian, seconded by Trustee Mederos, the Board voted as follows to seal the Minutes of the Executive Session until such time as the matters taken up had been resolved:

<u>Trustee</u>	<u>Vote</u>	<u>Trustee</u>	<u>Vote</u>
Stephen Alfred	aye	Robert Hicks	aye
Jack Ambrogi	absent	Bruce Keiser	aye
Scott Avedisian	aye	John Mainville	aye
Jeffry Ceasrine	absent	Diane Mederos	aye
Peter DeAngelis	aye	Lori Miller	absent
David Faucher	aye	Michael Petrarca	aye

4d. Board and Committee Governance

Chairman Alfred noted that there was a vacancy on the Board of Trustees resulting from the resignation of Dr. Gallo. He asked the Trustees to provide recommendations to be considered to fill the vacancy. He also asked Trust Staff for such recommendations. He reiterated that it was a “school” Trustee who had resigned and, while it was not mandatory that the position be filled with a Trustee from our School members, it would be preferred as it would help to maintain the balance referenced in the Trust By-Laws.

5. Operations and Funding Reports

Mr. Dwyer distributed to the Board the Operations and Funding Report for the Property/Liability and Workers’ Compensation Pools. The Operations and Funding Report was shown for both Pools through March, 2012. Mr. Dwyer also distributed to the Board the Report showing the Composite Adjusted Loss Ratio on a consolidated basis for both Pools. Mr. Demty distributed and provided the Self-Funded Cost vs. Funding Analysis for the Health and Dental Pools for the period ending March 31, 2012.

Mr. Dwyer noted that, year to date, the Workers Compensation pool was operating at a 62% loss ratio, which is exceptional, while the Property/Liability Pool is running at a 100% loss ratio, which is not good. He also noted that both the Health and Dental Pools were performing favorably through the first nine months and that the performance of the Health Pool was

particularly positive in light of the estimates prior to the start of the Policy Year. There were no questions from the Trustees regarding the Reports.

On a motion made by Trustee Avedisian, seconded by Trustee Hicks, the Board voted unanimously to accept the Operations and Funding Report for the Property and Casualty Pools and the Employee Benefits Pools as presented.

<u>Trustee</u>	<u>Vote</u>	<u>Trustee</u>	<u>Vote</u>
Stephen Alfred	aye	Robert Hicks	aye
Jack Ambrogi	absent	Bruce Keiser	aye
Scott Avedisian	aye	John Mainville	aye
Jeffrey Ceasrine	absent	Diane Mederos	aye
Peter DeAngelis	aye	Lori Miller	absent
David Faucher	aye	Michael Petrarca	aye

6. Informational Items

Reports on the following items were provided to the Board as informational matters:

- a) Quarterly Investment Performance Report thru December 31, 2011
- b) Drug and Alcohol Testing Consortium CDL Results for 2011
- c) Report on Financial Transactions Involving Woonsocket Education Department and City of East Providence
- d) Employee Benefits Pool Underwriting Follow-Up Items
- e) Report on the Supreme Court's Injured On Duty Decision
- f) Group Life Contract Renewal with Underwriting Partner Standard Insurance Company

In light of Management's report on the status of certain financial transactions with the City of East Providence and a discussion which occurred at the April 2012 Employee Benefits Committee meeting, Trustee Faucher inquired whether the Board should re-examine The Trust's late payment policy for Health Pool and Dental Pool premiums. In response, Mr. Dwyer provided an even more current update on the situation with East Providence, noted that the City had made payments as requested, including late payment charges, and had provided an acceptable payment plan for going forward. Mr. Dwyer next discussed the late payment policy itself. He indicated that it included a conversion plan that had been developed in consultation with Blue Cross Blue Shield to ensure that it complied with State law and regulations. He concluded by stating that he felt that the current policies were appropriate and workable. There was concurrence from the Trustees.

7. Adjournment

On a motion made by Trustee DeAngelis, seconded by Trustee Mainville, the Board voted unanimously to adjourn the meeting.

<u>Trustee</u>	<u>Vote</u>	<u>Trustee</u>	<u>Vote</u>
Stephen Alfred	aye	Robert Hicks	aye
Jack Ambrogi	absent	Bruce Keiser	aye
Scott Avedisian	aye	John Mainville	aye

Jeffry Ceasrine	absent	Diane Mederos	aye
Peter DeAngelis	aye	Lori Miller	absent
David Faucher	aye	Michael Petrarca	aye

The meeting then stood adjourned at approximately 11:40 A.M.

Respectfully Submitted,



Ian C. Ridlon
Corporate Secretary