

Mr. Selig: I'm a native of Laconia, New Hampshire. I am a resident of Durham, New Hampshire. I have chosen to live and work in the State of New Hampshire, and the reason that I passed up reading "Good Night Moon" to my two little girls last night was I thought it was important to prepare some remarks to be here because risk management, and public based risk management is an important part of the public sector fabric of our State. These trusts serve an important role for our communities, our school districts, and our counties. It has been noted in the past, but I want to reemphasize that the Board members of Primex, as are the Board members of the other two trusts in the State, are comprised of members. And, they give of themselves, not only in their local communities, but they go above and beyond to serve at no compensation on these Boards, which typically means additional time, additional meetings, additional nights away from their families.

The Board members are good people, they care deeply about the State, and although I have not been on the Board of the LGC, I know and have known many of the Board members, many of whom are here, for upward of 20 years, and I can tell you that while some of them may be stubborn, they are good people, and they are looking out for the interests of their communities.

I heard a comment earlier from the representative from the Secretary of State's Office who mentioned that it is important, based upon some of the trials and tribulations he outlined in terms of gathering information to send a message, and I think he viewed this bill as the message. I think that is the wrong analysis, the wrong point of view. From my perspective, what's needed is thoughtful discussion and dialogue on whether the present regulatory framework is adequate, and if it is not, let's talk about why it is not and come up with some thoughtful solutions on how to address those issues.

In terms of the issue of refunds versus rate stability, I can tell you in Durham one of our core values is sustainability, and we would prefer rate stability over a one-time unstable cash disbursement which would render the pools unstable, and would be very problematic.

A question came up earlier about choices within the system. There are choices within the system, the evolution, there is evolution of products and services that has taken place over the years within each of the pools, I think to the better, and there is head-to-head competition that has been going on some time between the pools, and when I was on the Board of Trustees, and I am not now, but when I was on the Board, we talked a lot about how much money are we keeping in reserves, are we keeping too much on the table? Because our residents are suffering, our taxpayers are struggling, and we

don't want to keep a dime extra on the table if that is money that can be returned. But, we kept in mind the issue of stability and sustainability because that was important to us, and the fact that when Durham, for example, is interested in looking around the market, that we can go to, okay, we are with LGC right now so we are with Anthem and Health Trust. We can go to Primex and ask for quotations as we did a year ago to see how LGC is doing. We could go to School Care and see, to Wendy Parker's dismay who is sitting here, we may do that at some point in time to see what the prices are. But, it keeps them all honest, it keeps their pencils sharp, and I think that overall that is good for the State of New Hampshire.

A question arose, Senator Cilley, in terms of being lean and mean, and I can't speak for LGC because I haven't been on their Board, I can speak for Primex and since...

Senator Jacalyn L. Cilley, D. 6: That was going to be a question.

Mr. Selig: Thank you. Since, in 2004, when I came on the Board of Directors, we had a problem, from my perspective at Primex, and one of the problems was that most of the members of the Board were no longer active public servants, they were neither employed nor elected by their communities. And, in addition to that, they were paid for attending Board meetings and committee meetings. I, and some of the new members of the Board that came on at the time, felt that that was wrong; it was inappropriate that that was public funds, and we put an end to that process. And, what we saw within the span of about two meetings was all of those old Board members vanished. There was no pay any longer. And, we worked hard to bring on new Board members and you will see at the bottom of my testimony that I distributed, the list of present Board members, and there is a good group there, city managers, superintendents, school board people, etc.

We then proceeded to look at all of the operational procedures at Primex, our policies, and we revamped all of those because we felt that they were inadequate at the time. We looked at our different types of coverage, and the question was, was there value in continuing to introduce a new health insurance option, which was the Harvard Pilgrim option, into the State, because health insurance is not always profitable for a pool, you can lose money, and you can lose money in a big way if you are not doing it correctly. And so, we felt that the risk was worth it because we thought that it was important to have additional choices for the public sector employees in the State, and so we have sustained that environment, and I think that has been beneficial overall.

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We also looked at the very organizational structure of Primex, and we revamped it probably three times over my five years there, and we concluded with a, a new, we actually went through two directors, we had Kevin Clougherty, who's now the Commission of the Department of Revenue Administration for the State. He was our Interim Executive Director, and then we transitioned to Ty, who's now our CEO. And so, and as part of that process, we went out and did a national survey on what the appropriate pay was for our staff, and we were concerned, as a Board, that our CEO was paid too much money, frankly, and I think to Ty's dismay, he is not paid anywhere near what his predecessor was paid, but I think that is good because I think we are paying what we need to pay in a competitive market to attract and retain good people. And I can only assume that that same dynamic is taking place at the LGC and its group there; it is good business I think that is taking place. And so Primex, I can tell you as a former, as a recent former Board member, they are lean and mean or as lean as we could get them to be during my tenure there.

In terms of keeping members up to date, this is what's happening, this is a challenge in every community, in every school district. We will talk about an issue at a public meeting. We have that issued defined and outlined in our minutes. We televise our public meetings, we put out an e-mail newsletter to the community, we have a public hearing at it, and we still have people after the fact coming in and saying how did this happen, I never knew this occurred, how could this have occurred?

And so, prior to the Supreme Court ruling, which was the New Hampshire Firefighters v. the LGC, Primex, again I can't speak for LGC, but for Primex we do not view ourselves as a public entity per se. We knew we were the guardians of public funds, but we didn't keep minutes that we thought would be public minutes, and we did not operate in a framework or an environment where we were expecting that someone from the public or a member would come in and say, I would like to see what all the employees make, I would like to see this, I would like to see that. And so, when we viewed that opinion, we met with legal counsel, and we put into place a series of protocols to ensure that we could be compliant, and that we could operate in the light of day as a public entity, and I think we've been doing that. And, I know in terms of our interaction with Primex, and you've heard this with LGC, the customer service reps do come out and they do sit down with the members. It is typically the chair of the school board, or the superintendent, or the town manager, or the city manager who they sit down with them and say hey look, here's your experience, these are what your new rates are going to be, and you have to know we pushed back to say, why are we getting this increase? We don't want to see this increase.

In terms of LGC, I conveyed fairly strenuously to LGC, through our channel to LGC, that I thought they should dig as deep as possible into their reserves to modify rates for health insurance products, which we obtained in Durham because we are struggling in Durham, the taxpayers are struggling, and I think they heard that message, and they worked hard to try to do that.

I'm very concerned about the reserve levels identified in this bill, and so, I would ask that you look very hard on those because, from my knowledge, and it took me at least two years before I could begin to understand the statistical information and to stay awake during the actuarial presentations to really grasp the meaning of those numbers. But, I think that that 5% number is just not sustainable. It is just not workable, and so, if you need a number let's talk about what that number should be—a number that works for all the pools.

In addition, in, this is something that no one has mentioned, but we've talked about. In the proposed amendment, Section 5-B: 4- a, number 2, it is line 17 of the bill, it speaks about the Secretary of State shall have the exclusive authority and jurisdiction for rescission, restitution, and disgorgement of agreements. This presents some significant business practices problems for these organizations because, do you think that Anthem, or Harvard Pilgrim is going to enter into an agreement with us when at the stroke of a pen, the Secretary of State can come in, and for whatever reason, disgorge that agreement? It creates problems for us to get reinsurance that we need. It is not we any more, it's Primex. I'm still start of Primex, as a member.

So, that is particularly problematic, and I think that it is important that you are aware of that, and I think that, I'm just, am very concerned that I know statewide there has been controversy in terms of the Local Government Center. I can tell you that the Local Government Center provides very important resources to the towns and cities and school districts of the State. The New Hampshire Municipal Association Division provides outstanding legal services, particularly to the little communities that can't afford a full-time counsel or don't have the resources to really contract out their legal counsel. So, they get a lot of calls there, and it's very helpful. They lobby on behalf of communities as well, which is very important. But, their products are excellent products, as are the Primex products. The reason Durham, in particular, is split, partially we have products with Primex, and partially LGC, is because of a competitively based RFP process and that is how we ended up.

So, my concern is that if this legislation proceeds, which I would urge you not to move forward in its present form, I fear, and I, I say this just as a representative of Durham, I fear that this could be the beginning of the end

for New Hampshire's public sector pools, and that would not be in the public interest. So, I really would urge caution. I respect what you are doing, I know you are getting feedback from people out there in terms of what is happening within the pools, but these pools are very important and you need to really walk tenderly and gingerly and, if regulation is what is needed, then let's talk about that, let's do it in a thoughtful and a timely way, and come up with something that will work. Thank you.

Senator Margaret Wood Hassan, D. 23: Thank you for your comments.  
Senator DeVries.

Senator Betsi DeVries, D. 18: And, thank you, Madam Chair, and I apologize I didn't hear 100% of your testimony, but I just wanted to ask a question or two on what I did hear when I came back into the room. And, I apologize, your name again, Sir?

Mr. Selig: My name is Todd Selig, and I am from Durham, New Hampshire.

Senator Betsi DeVries, D. 18: Selig, and you are from the Town of Durham and on the Primex Board as well.

Senator Margaret Wood Hassan, D. 23: Former Primex.

Senator Betsi DeVries, D. 18: Former.

Mr. Selig: I was on the Primex Board; I'm not any longer.

Senator Betsi DeVries, D. 18: Thank you. Mr. Selig, you indicated that you had pushed back on LGC on the health care costs, and asked them to, I believe it was your words, to dig very deep to bring rates down as much as they could. Is that somewhat paraphrasing your thoughts on that?

Mr. Selig: It is exactly right. I reached out to members of the Board, and said Durham is struggling, I think this is the year for you to dig down and do as much as you can to mitigate rate increases, for Durham, in particular, because that is who I'm representing, but also for other communities, and the feedback I received back from those Board members is that they have done that within sound business practices.

Senator Betsi DeVries, D. 18: And, and your anticipating my question, and thank you, Mr. Selig, because it's your understanding that they did dig deep and they found significant dollars in order to reduce the rates this year?

Mr. Selig: Well, I believe they have followed the protocol they followed to ensure that they're leaving no more money on the table than is absolutely necessary to ensure their stability as an organization, and to provide as competitive a product, as competitively priced product as possible.

Senator Betsi DeVries, D. 18: So, that being said, Sir, and thank you. The ratio, the RBC of maintaining that 4.2%, do you believe that they actually decided to dip below the 4.2% in order to return reserves to the communities this year?

Mr. Selig: I have no firsthand knowledge of that. All I know is that I spoke in no uncertain terms to some of my colleagues who were on the Board, who I have a great deal of respect for, and they communicated back to me that they considered issues such as the ones that I raised in their rating decisions.

Senator Betsi DeVries, D. 18: But, would you agree with me, Sir, that they either dipped below the 4.2% or they had significant undesignated Board dollars, I think was their term in their annual report, at their discretion in order to reduce rates? It had to be one or the other. Would you agree?

Mr. Selig: I think the Board does has discretion within their policies that they follow to make rating decisions. I was not at the table when those discussions took place; I am simply going by the personal relationships that I have with members of their Board.

Senator Betsi DeVries, D. 18: Thank you.

Senator Margaret Wood Hassan, D. 23: Senator Cilley.

Senator Jacalyn L. Cilley, D. 6: Thank you, Madam Chair. A couple of questions. Do you know what your rate increase was this year, Mr. Selig?

Mr. Selig: I do know, yes.

Senator Jacalyn L. Cilley, D. 6: Can you tell me?

Mr. Selig: It was quite high, unfortunately, at around, I'm trying to think, gosh I deal with too many numbers. I'm so sorry. I believe it was at 23% was a high increase this year.

Senator Jacalyn L. Cilley, D. 6: I believe you are correct. Could you tell us what it was the year before?

Mr. Selig: The year before we actually saw a decrease in rates by approximately 12%.

Senator Jacalyn L. Cilley, D. 6: Okay, and the year before?

Mr. Selig: The year before I believe was on the order of 10%.

Senator Jacalyn L. Cilley, D. 6: Decrease or increase?

Mr. Selig: Increase.

Senator Jacalyn L. Cilley, D. 6: And, let's see how far your memory goes, the year before that?

Mr. Selig: I, I can't go...

Senator Jacalyn L. Cilley, D. 6: And, my question is this, that it seems as though these rates seem to fluctuate quite a bit and do Primex's?

Mr. Gagne: It depends on what line that is, Senator. We were very diligent about making sure that you're not, our members are not seeing substantial swings in their rates or their premiums.

Senator Jacalyn L. Cilley, D. 6: But, and a couple more questions. We keep hearing that we need these huge reserves in order to maintain stability. But, in talking with folks at the community level that know what the rates are. I don't see that stability. When you take a 10% decrease one year and a 23% hit the next.

Mr. Selig: But, but there is more to it than that.

Senator Jacalyn L. Cilley, D. 6: I understand.

Mr. Selig: And, this is why it is complex. In Durham's case, we for many years, had pooled our resources with Oyster River Cooperative School District, which encompasses Lee, Madbury, and Durham. And, by pooling our resources with them, by combining numbers, we were able to be individually rated with the district, and for many years, statistically speaking, that worked to our advantage. We had an option as a community with fewer than 100 employees, we have about 85 employees that are full-time, to be grouped in with the under-100 pool, these are communities or entities that have under 100 people, and they are rated as a group. And, statistically, as I try to be smart, and try to look out ahead in terms of what is best for the community, it appeared that the rate increases in the under-100

pool were more competitive than the ones we were seeing when we were grouped and rated individually with our cooperative school district, and the reason for that was simply because of actual claims by the members. The under-100 pool had become a healthier group than what we were being combined with the school district, and so we worked with the Health Trust, and with one full year's notice, we delinked ourselves from the school district and aligned ourselves instead with the under-100 pool. And, and we caught the statistics right, and so we enjoyed, in that first year, a drop in our rates by about 12%.

Unfortunately, the under-100 pool incurred losses. They incurred claims by members with significant issues, and therefore, in the subsequent year the members went up. And so, if you average it out over time, I think you will see that the increase is probably on the order of 8% per year. But, are we happy with 8% per year? No, but when we had gone out and priced it in the private market, the LGC rates are still more competitive than we were able to get in the private market and the products are better, and the support is better.

Senator Jacalyn L. Cilley, D. 6: But, my understanding is that there was around 20-plus percent increases for a lot of communities. But, be that as it may, one last question because you described an organization in which you went into and fought very hard knowing that it was supported by taxpayer dollars to be, you know, to be careful in your expenditures while you were on the Board. You talked about lowering the CEO's salary, you've talked about reducing the expenditure. We'd love to see some of those, some of those figures what it decreased from year to year over the last few years.

I wonder if, as an elected official, actually you were the town manager in Durham, so as somebody who represents your community, if you don't find it somewhat disturbing that a competitor of yours, also using public dollars, seems to continue to grow every year and does things such as, I see minutes here from 2004 where in about 2 and a half minutes, a decision was made to buy a \$1.74 million parking lot and I think the final cost was probably a little under that, but not substantially, just to make sure that Home Depot, and it say this quite clearly, doesn't move into the other side of them. Do you want to go back and tell your residents that that is where some of their health care dollars went or, you know, other dollars?

Mr. Selig: First, I just want to clarify that, because I am not on the Board of Primex any longer, and we have coverage with both entities, LGC is not a competitor of mine, or of Durham's. We are members of both organizations.

Second, I have, I do not have firsthand knowledge of those decisions. I wasn't at the table, I wasn't a part of it, and frankly I wasn't focusing on those issues, although I knew that the space allotted at LGC was inadequate based upon the staff they needed to support the various lines of coverage, and there was an interest over a number of years in expanding the facility, and a number of conversations with former Executive Director John Andrews about that.

But, I think that we're mixing two things in this conversation. If there is a concern about LGC, and the way LGC is managed and governed and the way they have spent their assets, then let's have a conversation about that. The conversation we are having now applies, not only to LGC, but to two other risk management organizations and I just want to make sure that everyone on the Committee understands that, and... But again, our organizations, people are not perfect, organizations are not perfect, I would have frankly, years ago loved to have seen the conglomeration of LGC and Primex. I was an advocate of that for years.

Many years ago there was compensation funds of New Hampshire, and the school board's insurance trust, and at the time, the New Hampshire Municipal Association. And, I had hoped above all hopes, that those organizations, of which the time I was with the school district, and we had lines of products with each of them, would all merge because I was sure there would be economies of skill in that. But, for a variety of reasons that, was not to be, and instead Comp Funds of New Hampshire, and the New Hampshire School Boards Insurance Trust merged to become the New Hampshire Public Risk Management Exchange, which is now Primex, and Primex and LGC began to go head-to-head with various lines of coverage, and I think that going head-to-head was probably some of the nexus behind some of the decisions you have seen over the years within both organizations in terms of what they have done, how they have organized themselves to be as competitive as possible.

But, what I have come to understand over time is that it actually has worked, I think, to the benefit of the public sector, to have the three pools working against, not against, but in competition with one another because it ensures that their pencils are staying sharp. So, although they are pooled entities, we have competition not only with the private sector, but within the pooled entities. But, you get, as a member, the benefits that come along with being part of the pooled entity. When I came to Durham about 10 years ago, we had purchased our property liability insurance through the private sector, and I was surprised that we had done that, and we decided to go out for an RFP to see what the pricing would be, and at the time, it was Primex who came in substantially below what we were paying at the time for private

insurance. LGC bid on it as well, we had a long public discussion, and a public forum about who to choose. And, the nice thing about going on with Primex, and it would have been the same benefit of going on with LGC, is that, unlike the private market where you have to have all the resources and all the private market gives you is the product, they don't answer your questions, or help you understand whether or not a certain type of activity that the municipality might want to entertain is covered or not, with these organizations, they will work with you to advise you. So, by subscribing to any one of them, you are actually bringing out another department to the town to provide outstanding advice and guidance, and you heard a little of that when Superintendent Halloran mentioned the risk management people from LGC coming through a building to make sure it was safe. We do the same thing with a new skateboard park, with a new facility, with a skating rink.

Senator Jacalyn L. Cilley, D. 6: Thank you.

Mr. Selig: Thank you.

Senator Margaret Wood Hassan, D. 23: Thank you. I just had a couple of factual questions to get my head. When did Primex, when was it established?

Mr. Gagne: Thirty, just over thirty years ago, Senator.

Senator Margaret Wood Hassan, D. 23: Thank you. Are there any other questions? Seeing none, thank you all very much for your testimony.

Mr. Gagne: Thank you.

Senator Margaret Wood Hassan, D. 23: I think it makes sense to take the folks from School Care next, and that is Lisa Duquette and Michelle Walter. And, if there is anybody else I'm missing on the list who is part of that group that is signed up, please feel free to join them. Good afternoon, and thank you for your patience.

Lisa Duquette: Thank you. Good afternoon, Madam Chair, and members of the Committee. Thank you for allowing us to speak to you today. For the record my name is Lisa Duquette. I am the Program Administrator for the New Hampshire School Health Care Coalition, which incorporates the School Care health benefit plan. So, I will frequently refer to us as School Care, but those are actually the plans we offer, not the name of the organization.

In the role of Program Administrator, I also have the duties of Chief Executive Officer of the organization. Would you like her to introduce herself?

Senator Margaret Wood Hassan, D. 23: Yup.

Michelle Walter: My name is Michelle Walter, and I'm an employee rep for Shaker Regional School District. I also am the current chair of the Board, and also am a teacher who would be affected by this legislation.

Senator Margaret Wood Hassan, D. 23: Thank you.

Ms. Duquette: Good afternoon. I have submitted a piece of written testimony for your perusal, and what I would like to do is just highlight a few of the important items and first give you a little background information about School Care.

**Please see attachment #4, written testimony submitted by Lisa Duquette, School Care.**

We are unique in nature. We were formed in 1995; we were formed by labor and management organizations that were affecting schools such as New Hampshire School Boards Association, school business officials, school administrators, and the NEA New Hampshire. We were formed to come up with a competitive product. At that time, most of the entities, the public entities in New Hampshire had one source to go to. We were looking to develop a product that was cost effective, high quality, and exceptional service. Since that time, we have operated the pool for nearly 15 years. Today we have approximately, 14,000 employees, retirees, and their dependents predominantly in New Hampshire school districts. We do have about a dozen municipalities that are small in our program as well.

The proposed amendment to House Bill 1393, we are strongly in opposition to. First and foremost, I know that you have heard, but I wanted to interject the importance of taking time to determine appropriate reserving levels. There are many things, as you have heard, such as health care cost trends, catastrophic claims like a pandemic, economic downturn like we are in today, that all affect our ability to continue to provide the quality products that we are committed to provide to our members and their employees, and the adequate reserves are needed to do that. So, determination of that level, appropriate level, is necessary, and we hope that in the short time between now and the end of the session that you will take the time to step back and give it some additional thought.

I want to tell you a little bit about how our Board designates reserves and surplus. Our Board has maintained a policy, it is not an RBC policy, it is actually based upon input from our actual actuaries, and ultimately what it does is it designates 20% of expected annual claims in a medical risk corridor or reserve. Net assets, or the rest of the members' equity in the program, the surplus, is then designated by specific action at Board meetings annually for the purpose of future rate stabilization. Over the last 5 years, we have returned to our members over \$8,000,000 of surplus through rate stabilization.

This is phenomenal; you have to know the size of our program. The size of our program today is approximately \$70,000,000 a year. Over the past 5 years, using this reserving practice, these methodologies, and the rate stabilization fund, our average rate increase is 5.2% for our member entities when medical trend has been approximately 11%. I am happy to share with you other details, but that is the highlight of that part of it.

The other considerations we have are because we are a labor management organization we are very in tune with both the management and the labor perspective, and one of the things that came to our attention quite quickly when we saw this amendment, the proposed amendment, was the consideration that returning dollars to the underlying entities, the school districts, and those municipalities that belong to our program, that it is, would be very complex to do that, number one, and secondarily, all of that money was not derived from those public entities, that are deductions, in most cases, may be 5%, 20%, I know we've got some groups that pay 50% of their health care costs in schools, and this money does not belong to the employer; some of it would belong to the employee. For that reason, that's why we were formed to give it back, and it specifically states in our articles of agreement that we give it back through future rates. That's all I have.

Senator Betsi DeVries, D. 18: Thank you for your testimony. Do we have questions from the Committee? Senator Cilley.

Senator Jacalyn L. Cilley, D. 6: Thank you, Madam Chair. We've heard from every one of the pooled risk management programs that this helps to stabilize rates, but I guess I would ask you, are you familiar with RSA 5-B and all of its subsections and the fact that it does say that you return surplus monies? It doesn't say, if it is too complicated, you don't have to do it; it doesn't say, I mean, it simply says return it.

Ms. Duquette: That is correct.

Senator Jacalyn L. Cilley, D. 6: Okay.

Ms. Duquette: That is correct, and our articles of agreement specifically, actually mimic the language in RSA 5-B and then add to it how we will do that.

Senator Jacalyn L. Cilley, D. 6: And so, you have chosen rate stabilization, and if somebody leaves your pool, they leave the money as well?

Ms. Duquette: That is correct.

Senator Betsi DeVries, D. 18: Follow up.

Senator Jacalyn L. Cilley, D. 6: Follow up, thank you. I guess I would also ask, if it was too complicated, and I should have asked this to the others, if it was too complicated to really return the surplus monies, why you wouldn't have come in and said this statute doesn't work in the way that we think you intended it?

Ms. Duquette: I think the statute as written definitely works in terms of how pooling functions across the country, and so it does involve the comingling of funds, and in our case, we only operate a health care program. So, we are not comingling with any other programs; however, throughout the country this is widely acknowledged as how pooled operate, and the vast majority of them do refund it through rate stabilization and not through direct checks.

Senator Jacalyn L. Cilley, D. 6: Thank you.

Senator Margaret Wood Hassan, D. 23: Before we have a series of more questions, there are a lot of folks in the room who aren't here about this bill, believe it or not. And, I've just double checked our rules. We do not have to finish having executive votes on other legislation or this legislation today; we can do it Tuesday morning at our regular Committee time. So, my guess is that this hearing is going to go for at least another hour to an hour and a half and so it is not my plan to exec any other bills today. So, for anybody who's sitting around waiting for us to make decisions on other legislation, they are probably all out in the hall right now, I just wanted to announce that so they can go home and have dinner. Okay? Thanks, and continue, who had...? Senator Bragdon did.

Senator Peter E. Bragdon, D. 11: Thank you, Madam Chair, and thank you for your testimony. And I guess, in full disclosure, as chairman of a local school board, I believe we participate in the School Care products. I note that your setting of reserves is slightly different from the other ones, not using the

risk based capital. Yours though appears to be 20% of expected annual claims as what you set for reserves?

Ms. Duquette: That is correct.

Senator Peter E. Bragdon, D. 11: And, obviously different organizations operate in different manners, but looking at the LGC numbers, their expected claims are \$400,000,000. Is my math correct then that the 20% of the \$400,000,000 would be about \$80,000,000 in reserves?

Ms. Duquette: That is correct.

Senator Peter E. Bragdon, D. 11: And I do note also that you submitted some testimony that at least it seems to be in the State of Maine that if the Insurance Commissioner determines that the rates are too low, you have to provide cash assurity of 25% of the prior 12 months.

Ms. Duquette: That is correct.

Senator Peter E. Bragdon, D. 11: So, you are talking, it seems to me that, for a shared risk pool to provide for the worst case scenario to be able to protect the pool, you need a lot of money and have access to it.

Ms. Duquette: That is correct.

Senator Peter E. Bragdon, D. 11: Thank you.

Senator Betsi DeVries, D. 18: Thank you, and if I could follow up, and there has been a lot of numbers offered by the 3 organizations and they are all starting to blend in my mind. But, I'm sure you were paying close attention to the testimony that was offered before so maybe you can help me understand. You just told us that you have returned to the communities in rate reduction, was it \$8,000,000?

Ms. Duquette: Over \$8,000,000 over the last five years.

Senator Betsi DeVries, D. 18: Over five years?

Ms. Duquette: Correct.

Senator Betsi DeVries, D. 18: Didn't we hear testimony, if you recall, from others over the last couple of years they have returned some money? Have you ever done a comparison organization to organization because you are much smaller, admittedly?

Ms. Duquette: The comparisons, I have to tell you that we do, Senator DeVries, are comparisons primarily around financials and whether our reserving looks like it is in line with others, how it compares to our actuaries, and whether we are able to offer a competitive price. And so, we really, one of the things that we as a small organization have been hit hard by and questioned, particularly by larger communities when they have looked at School Care is that they've said that we did not have financial reserves. We have been following this closely because they have been getting advice from their consultants, in the past, and I am talking 5 plus years ago, that School Care might not have been as strong as they should be, and an entity such as the City of Concord went through that very exercise. Okay?

So, first and foremost, we want to make sure that we are financially solvent and viable, that we can offer products to large schools and municipalities. And then, secondarily, we are making sure that are products are competitive, not only in the benefits that they provide, but in the pricing.

Senator Betsi DeVries, D. 18: Follow up if I might? But, am I not wrong though in assuming, based on your size, and the rate of return that you have offered, and the very small increase in your health care product, which I think you said averages at 5%, have you done the numbers? Doesn't it sound like you are returning a whole lot more to your communities than some of the other individual or entities that have testified to us today?

Ms. Duquette: I don't have knowledge of how much is being returned to them. What I can tell you is that schools and municipalities are frequently going out for RFPs, and we look at their claims information and their demographics, and there have been many cases in the past where School Care could not be competitive based on the experience of those groups.

Senator Betsi DeVries, D. 18: Follow up. Looks like the gavel has been given to me.

Senator Jacalyn L. Cilley, D. 6: Thank you, Madam Chair. We heard that that LGC partners, or actually has a contractual relationship with Anthem. Primex partners with Harvard Pilgrim under slightly different arrangements. Who is your partner?

Ms. Duquette: Our partner is Signa.

Senator Jacalyn L. Cilley, D. 6: Signa. Follow up?

Senator Betsi DeVries, D. 18: Follow up if you would, Senator Cilley.

Senator Jacalyn L. Cilley, D. 6: If I were a school administrator, could I call Signa and get a quote from them?

Ms. Duquette: Our agreement with Signa provides that School Care has the right of first refusal to provide a quote.

Senator Betsi DeVries, D. 18: Follow up.

Senator Jacalyn L. Cilley, D. 6: Follow up. So, Senator Bragdon asked the line of questions earlier, and this is, this troubled me when I started looking at everything, and I keep wondering. When these pools were set up, they were not set up to compete with the free market; they were set up as an alternative, and specifically in RSA 5-B: 1, it says, you know, you can buy traditional insurance, or you can join a risk pool, you know, you could form a risk pool, and so it is never in the best interest of the citizens of this State or these entities, I think, to enable an entity that squeezes out the free market, and yet what I hear is, as a school system, I can't get a quote from Signa.

Ms. Duquette: Let me expound upon...

Senator Jacalyn L. Cilley, D. 6: How many other options do I have?

Ms. Duquette: Well, let me expound upon that. The right of first refusal is a pretty broad statement that I made. That really involves us looking at the group, let me, let me take as an example. Manchester School District, in the last 12 to 18 months went out to look at health insurance. School Care, because of its size, and because of the size of the Manchester School District, made a conscious decision, no, we are not suited to provide the benefits and the service that an entity of this size needs. We said Signa please bid, we are not in that position.

Likewise, there have been other situations in the past, where, through the right of first refusal, we have what we call standard benefit designs, so we would quote the entity the standard benefit design and Signa can come in and quote a different product maybe that better meets the needs of that entity or maybe it doesn't. It might be something with a special financing arrangement; it might be different benefits. But, what we are trying to accomplish through the right of first refusal is not having School Care and Signa providing a quote for the same product because actually, School Care in all cases, would be able to provide it at less cost through the pool than Signa could on a direct basis.

Senator Jacalyn L. Cilley, D. 6: Follow up if I may?

Senator Betsi DeVries, D. 18: Yes, follow up.

Senator Jacalyn L. Cilley, D. 6: Could you tell me what the ratio is and I would like to get this information from the other pools. You are essentially a middleman, middle person, if you will. And, I think that the insurance providers often term the TPA, the third party administrator, is that how, is that what we call them?

Ms. Duquette: Yes, I wouldn't necessarily refer to us as that, but, that is a term.

Senator Jacalyn L. Cilley, D. 6: But, you are? I mean, you are collecting money, and Signa is doing all of the insurance paraphernalia, and they're processing everything and then they give you a claims amount and say this is your bill each month. Right?

Ms. Duquette: That is correct.

Senator Jacalyn L. Cilley, D. 6: Could you tell me what you pay that entity versus what you charge for administrative costs?

Ms. Duquette: Let me just reiterate to make sure I understand your question. Your question is how much is paid to Signa versus how much is our administrative costs?

Senator Jacalyn L. Cilley, D. 6: Mhm.

Ms. Duquette: We pay Signa approximately 4% of the premium collected, and our administrative costs as an organization, for internal administration are approximately 2%.

Senator Jacalyn L. Cilley, D. 6: Okay, so you would be less than your third party administrator?

Ms. Duquette: Yes.

Senator Jacalyn L. Cilley, D. 6: Okay, thanks.

Senator Margaret Wood Hassan, D. 23: Senator Bragdon.

Senator Peter E. Bragdon, D. 11: Thank you, Madam Chair. Another question I thought of is, do the plans tend to change over time as well? For instance, responding to market pressures if a school were involved with your

organization had a certain plan and it may have certain deductibles or certain co-pay type things, does that plan stay the same year to year, or in an effort to help contain the rate increases, do those plans change a little bit?

Ms. Duquette: They have changed several times over the past 15 years. Some times it is increasing co-pays, and other times, it might be, frankly an addition of a benefit at the request of the member entities who vote those changes.

Senator Peter E. Bragdon, D. 11: And, so a follow up to that.

Senator Margaret Wood Hassan, D. 23: Yes.

Senator Peter E. Bragdon, D. 11: And, so when we compare changes for School Care over the years versus other organizations, it may not be an apples to apples comparison because the plans are certainly different to start with and even the plans within each organization may change with market pressure. So, I guess I am saying that it is difficult to compare numbers from one organization to another, let alone even within one organization?

Ms. Duquette: Correct.

Senator Peter E. Bragdon, D. 11: Thank you.

Senator Margaret Wood Hassan, D. 23: Anybody else? Thank you very much for your testimony. Would you like to...

Ms. Walter: I actually have a few things that I would like to state.

Senator Margaret Wood Hassan, D. 23: Sure.

Ms. Walter: And, just for the record, I live in Raymond. And, as was distributed to the Committee, the letter from Stuart Rubinstein from Willis, our actuary, did indicate that their recommendation is having six months of expected paid claims and expenses as part of the reserve for \$35,000,000. And so, that would be the recommendation from the actuary.

**Please see attachment #5, written testimony submitted by Michelle Walter for Stuart Rubinstein, New Hampshire School Health Care Coalition.**

Senator Margaret Wood Hassan, D. 23: Thank you. Okay.

Senator Jacalyn L. Cilley, D. 6: I just want to understand that number, if I may?

Senator Margaret Wood Hassan, D. 23: Yeah.

Senator Jacalyn L. Cilley, D. 6: Is that what would be considered the run out plus the run out administration costs?

Ms. Walter: Yes, six months of that, of the dollar amount in reserves.

Senator Jacalyn L. Cilley, D. 6: So, it would be based on your, what, what claims are?

Ms. Walter: The anticipated...

Senator Jacalyn L. Cilley, D. 6: Annually, divided by months plus the administration of those claims. Okay, so there is three parts to your reserve, thanks.

Senator Margaret Wood Hassan, D. 23: Thank you.

Ms. Walter: The other, the other issue that is of concern is something that Lisa addressed, is that there is no mechanism to disburse money to the employees for his or her personal contribution. Now, I have negotiated a number of contracts over my time in education, and as you know, districts negotiate bargaining agreements with not only teachers, but ESP, custodians, food services, some employees are non-bargaining, non-union. So, they have just an individual plan with the district and each group either pays a percentage of the annual premium, or a flat dollar amount, and this is usually pre-tax by the employee. So, my concern is that the bill says that the money goes back to the political subdivision, which is the district. Nothing ensures that the employee's contribution is going to be given back to the employee.

Also, during the time frame designated for reimbursement, whether that is looking at a five-year time frame, or looking at the past ten years, whatever it is, how are perhaps retired individuals or people who are no longer employed who did contribute during that time going to receive any reimbursement if there is reimbursement?

The other issue I have is that if, there is an idea that perhaps if the, if there is not enough money in the reserves and claims and expenses exceed the reserves, we have a Board policy that it does call for the dissolution of the organization. Some people have said, well why don't you just assess the

districts with additional money so you will be solvent? Well, first of all, you can't do that. If you enter into a contract with the district for a dollar amount, they have then bargained that with the teachers and so forth, and that the teachers and the ESP are going to be paying a flat dollar amount or a percentage. So, even if you could assess that additional dollar amount. Let's say it is going to cost an extra \$500 per employee. If the collective bargaining agreement says that, as an employee, I pay whatever the district doesn't pick up, it means that all of that money now is on the employee and I really don't think that is a fair thing. But, aside from, that our Board policy does say that we cannot offer additional assessments during a plan year, and also, if for some reason we can not meet our bills, that we have to dissolve. And at that point, who is left to pay the doctors' bills and the hospital bills that then come in as people have been serviced and so forth, and where will the members then go for insurance?

So, I think there are other issues that, there are ramifications beyond the actual bill that need to be considered and I certainly would ask for some time to do that.

Senator Margaret Wood Hassan, D. 23: Thank you. Yeah, and I guess, go ahead.

Senator Deborah R. Reynolds, D. 2: Well, thank you, Madam Chair, and thank you for your testimony. I think you might be under a little bit of a misunderstanding about what the bill does versus existing law. Are you aware that existing law, whether or not it was a good idea to do it this way I'm not speaking to, specifically says that the pools shall return all earnings and surplus in excess of any amounts required for administration claims, reserves, purchase of excess insurance to the participating political subdivisions? You understand that is existing law?

Ms. Walter: Yes.

Senator Deborah R. Reynolds, D. 2: Whether you agree that that is a good idea or not, we are not changing that. Do you understand that?

Ms. Walter: I do understand, yes.

Senator Deborah R. Reynolds, D. 2: Thank you. No further questions.

Ms. Walter: And, if I may...

Senator Margaret Wood Hassan, D. 23: Certainly.

Ms. Walter: Explain my rationale, is that currently that monies, if you will, is put into rate reduction.

Senator Deborah R. Reynolds, D. 2: Yeah, I think we all get that.

Ms. Walter: And, so...

Senator Deborah R. Reynolds, D. 2: We all get that.

Senator Margaret Wood Hassan, D. 23: We all understand that, and Senator Bragdon, and then I have a question.

Senator Peter E. Bragdon, D. 11: I'm sure we all understand this so I want to make sure that I understand it. The law says that the excess gets returned to the members. You are saying that it does get returned to the members, maybe not that day or that year, but returned to the members as rate reductions spread out over time. Is that the position that you have?

Ms. Walter: Yes.

Senator Peter E. Bragdon, D. 11: Thank you.

Senator Margaret Wood Hassan, D. 23: And, I just, I want to follow up on this because I think it's kind of the crux of the legislative concern here, is, and cite me to the right section so I make sure.

Senator Jacalyn L. Cilley, D. 6: RSA 5-B:3.

Senator Margaret Wood Hassan, D. 23: It is 3, right?

Senator Betsi DeVries, D. 18: B: 5. 5-B:5.

Senator Margaret Wood Hassan, D. 23: Okay, so I just want to be clear because 5-B, Section 5-B: 5, says return all earnings and surplus in excess of any amounts required for administration, claims, reserves and purchase of excess insurance to the participating political subdivisions. It does not say members. It says political subdivisions, and I think what's concerning us is that there are three organizations that have been here today who organized under this statute who have some very sophisticated lobbyists, and very sophisticated lawyers, who can read statutes as well as we can, and you have organized yourselves in a way, and set Board policies, which do not necessarily have the force of statute, that makes it very difficult for you to follow the plain language of the statute, and one of the reasons for the legislation and one of the reasons we are asking the questions is, if this was

hard to follow, you come back to the Legislature and say, hey this isn't working so well, and here is why we have some practical implementation issues.

And so, you know, that's, forgive me for making more of a statement than a question, but would you believe, I suppose, that that's what's concerning us, is that the organizations seem to just be ignoring the plain language of the statute? And, that raises concerns about who is watching the money, and if you are willing to ignore the statute about one thing, are you willing to ignore rules about other things? And, when taxpayer money is involved, or just large amounts of money with an institution that isn't very well regulated because there isn't a lot of oversight, that's what begins to get regulators, legislators, guardians of public money concerned, not, you know, crazy, but that's why we are asking the questions.

Ms. Duquette: Madam Chair, I would just, for the record, and respectfully to each and every one of you state that we do not believe that we are not following the letter of RSA 5-B. It may be open to some interpretation about what that means, but those funds are absolutely being returned to the members and remember, we are governed by the entities that own us, it is their money, so they are making those decisions, not the staff.

Senator Margaret Wood Hassan, D. 23: How many members of your organization are your Board?

Ms. Duquette: We have a 10-member Board made up of 5 management and 5 labor.

Senator Margaret Wood Hassan, D. 23: Right, and how many political subdivisions?

Ms. Duquette: Approximately 60.

Senator Margaret Wood Hassan, D. 23: Thank you. Senator Cilley.

Senator Jacalyn L. Cilley, D. 6: Thank you, Madam Chair. For the, I think I asked you earlier if a member leaves and you're returning money as a rate reduction, do you give anything to that member?

Ms. Duquette: No.

Senator Jacalyn L. Cilley, D. 6: Okay, then I don't see how this is a matter of interpretation. If you tell us that the only real mechanism that you have is to return it as a rate reduction and somebody leaves, they've lost, which the

statute seems to indicate shouldn't happen to them. How do you respond to that?

Ms. Duquette: The response is that pooled risk management involves various public entities coming together to comingle their funds and basically self-insure like a large entity would do, like a City of Manchester. They're coming together, as an entity, to self-fund, they're pooling their risk. If one is, has big losses in one year and is running a deficit balance, another has a positive, there is a balancing of that.

Senator Jacalyn L. Cilley, D. 6: If I could just follow up.

Senator Margaret Wood Hassan, D. 23: Yes, follow up.

Senator Jacalyn L. Cilley, D. 6: Last question. That is not my question. My question is, once you have identified a surplus, you said you used a figure, you returned \$8,000,000 over 5 years. You had to have said, that is a surplus, we are going to give it to you in a rate reduction. Once you have identified the surplus, if that member leaves, they cannot get that back.

Ms. Duquette: That is correct.

Senator Jacalyn L. Cilley, D. 6: Thank you.

Ms. Walter: Madam Chair, may I speak?

Senator Margaret Wood Hassan, D. 23: Yes.

Ms. Walter: I would like to just draw an analogy. As I'm a pretty healthy person, and the amount of my policy that I use, probably if I didn't have insurance and I just went to the doctor a few times a year, I probably wouldn't rack up the amount of my policy for the year. But, I take insurance because you just never know.

Senator Margaret Wood Hassan, D. 23: Right.

Ms. Walter: And, what I'm hearing is, if I'm, as a healthy person, I didn't use all the money that my plan is worth, then why don't I get that back and it goes back to the fact that it is a pooled risk.

Senator Margaret Wood Hassan, D. 23: I'm just, forgive me, you are dealing with the Commerce Committee, and we spend a lot of time on insurance and we understand the basic concepts of it. The issue here is not whether that is a good way to run an insurance pool or not, or what shared

risk, the concept of shared risk within an insurance pool. The issue is the plain language of the statute says that, if you have a surplus, it is supposed to go back to the political subdivisions. It doesn't say you can reduce rates over time, and some members win and some members lose, or some subdivisions win and some subdivisions lose and that's what we are trying to get at. We understand why it makes sense for you all as a pooled risk entity to do it that way. Our question is whether the law allows you to. Okay, thank you.

Anybody else with any questions? Seeing none, thank you very much for your testimony. Okay, how's staff doing with hands, fingers, stretching? You are doing alright? Okay, then let's keep going as best we can and I'm just double checking, as I've said I have a couple of different lists here. Is it Katie Chambers from the Milford School District?

Senator Peter E. Bragdon, D. 11: I don't think she is able to be here today.

Senator Margaret Wood Hassan, D. 23: Okay, okay. She checked in. If somebody is not here, I'm just going to read for the record. She checked in, in opposition. Donna Nashawati?

Donna Nashawati: Donna Nashawati.

Senator Margaret Wood Hassan, D. 23: Thank you.

Ms. Nashawati: Thank you very much for hearing my testimony. I am, my name is Donna Nashawati. I'm the Town Manager for the Town of Sunapee. I've been there for approximately five years; prior to that I was the City Manager in Franklin. The Board of Selectmen, five-member Board of Selectmen in Sunapee, has sent me down to basically vote their entire Board's opposition to the amendment.

A little bit about my Board of Selectmen. Again, it is a five-member Board. Of those five members, they have a combined 51 years of service as selectmen, and only one of them has one year. So, think about how many years that has been. The Town of Sunapee has a member relationship with LGC; we buy our health insurance and our property liability insurance from them. We have a workers' comp relationship with Primex. We very deliberately do that so we can avail ourselves of the training and benefits that both entities have.

We have in the past gone out, compared pricing, compared services, and I think that the Board of Selectmen, when they sent me down here to talk to you, was to say they fully knew how the trust runs, they fully knew how the

pooled process works. LGC has come up and annually my Board of Selectmen is very active. By the way, I am not a member of either Primex or LGC's Board, so it is as pure as a member that I am speaking.

LGC and Primex both have annual conferences, my Board members attend. They have annual dinners where they talk about the process that they go through, the rates, the setting, you know, how much they would have gone up had they not got costs into line. My Board of Selectmen has been first hand recipient of the ability to meet at LGC's offices and the function rooms that they have. They realized the cramped quarters that LGC had in the past, and fully supported the fact that there was a necessity for public entities to be able to come together to discuss things like education funding, like you know budgets, those kinds of things.

So, I think that the message that they sent me to speak was that, you know, there are individual communities who are kept up on the process. I'm not a insurance pool expert, I don't ever want to be, but I do want to say that I feel that we get quality service from both entities, and I think that my Board has, over time, expressed that knowing that they are run by member Boards, and the experience that they go out and get, they know they are not making these decision in-house, that they are going out an higher experts relative to the reserves, relative to whether or not to buy reinsurance or not, you know, those kinds of pieces. They specifically had a discussion about that and they feel that they are very responsible, both outfits, are very, very responsible and that they go out and make sure that they are getting qualified people to give them advice.

Senator Margaret Wood Hassan, D. 23: Thank you. I don't want to interrupt you.

Ms. Nashawati: No that's okay.

Senator Margaret Wood Hassan, D. 23: You ready for questions? Okay.  
Senator Cilley.

Senator Jacalyn L. Cilley, D. 6: Thank you, Madam Chair, and thank you for your testimony. There are a couple of parts to this bill, and I am wondering, it seems to me that what we are hearing an awful lot about is a mechanism for trying to get at how do we set a reasonable reserve, and there will be some discussion about that. But, the earlier part of the bill about pooled risk management programs being transparent and providing information to an entity of the government, so that, and maybe even posting it on the website, I'm assuming Sunapee posts all of its towns information,

you can't spend a dime without showing the taxpayers where it went, can you?

Ms. Nashawati: We have all that information available if somebody comes in and asks. I mean, like every town there is a detailed budget with every line item in the budget, the published portion of it is not every line item, it's rolled up. You know, a lot of time you have to ask the questions, you know, do we have a transfer station that runs both our neighboring town and ours? If you knew the expenses that were in it, you would look at it and say jeez it is awfully expensive to run your transfer station. But, if you ask the questions further, you will find out that it is two towns' expenses, and two towns' revenues on the other side.

Senator Jacalyn L. Cilley, D. 6: Follow up, if I may?

Senator Margaret Wood Hassan, D. 23: Yes.

Senator Jacalyn L. Cilley, D. 6: So, with an entity that is subsidized, and these risk pools are subsidized by your taxpayer dollars, I'm a taxpayer in New Hampshire, my family is, wouldn't you like, even if you have to ask for it, wouldn't you like to be able to receive that line item right now?

Ms. Nashawati: The Board of Selectmen talked about this, and what they felt, and let me just give you an analogy. The Board of Selectmen annually look at their fund balance and decide how much of that fund balance to apply towards the tax rate, and the general rule of thumb is they look to see how much the previous year we didn't spend of the operating budget that got added to fund balance, and that has been a pretty stable amount. So, they apply that amount to fund balance in order to level out the tax rate.

The Board of Selectmen, obviously, and I will reiterate what Todd Selig said was, we like to try to keep as stable a tax rate as possible. When you get a tax bill in June, you are getting half a tax rate, you are getting last year's bill, and an entire year goes by before your new tax rate is calculated. So, our citizens rely on the fact that they know about what their tax rate is going to be at the end of the year. If our revenues and expenditures fluctuate widely, we end up, on the municipal side, end up cutting even more from our budgets because at that point the schools are already set and the counties are dictated. So, you know, from that perspective, yes.

Senator Margaret Wood Hassan, D. 23: Follow up.

Senator Jacalyn L. Cilley, D. 6: That was not the question I asked, forgive me. I am wondering how you might feel about going to your taxpayers and

saying that you are paying dues and that they are handling trusts funds to organization such as the ones in Kentucky, and I'm not suggesting that any...

Ms. Nashawati: I don't know anything about that.

Senator Jacalyn L. Cilley, D. 6: But, I want to make it very clear, I am not suggesting that any one of our risk pools are like this. The issue for me is that, because of this lack of transparency, we don't know, and so an audit in Kentucky shows expenditures on alcohol, on entertainment, on basketball games, exorbitant salaries, etc.. I'm asking how your Board feels about transparency.

Ms. Nashawati: If I could answer the piece. I think that the Board does support some sort of oversight, and I don't think anybody is opposed to some sort of oversight. I think my Board is more in opposition to the reserve, and the required amount of reserve given by an entity that may not be expressly aware of the way public deposit pools operate and meet their reserves.

As far as some oversight, I mean, we have some oversight. We have auditors that have to file audit reports and they have to be published, and you know. I don't think anybody is opposed to having some sort of, you know, campaign to be able to publicly put out more information. But I don't think, you know, my Board was looking at it to say that they are not telling me because I think my Board always knew that they could go get the answers when they wanted to if they had a question.

Senator Jacalyn L. Cilley, D. 6: Final question.

Senator Betsi DeVries, D. 18: Final question.

Senator Jacalyn L. Cilley, D. 6: Is your Board opposed to any, any establishment of a prudent reserve because they have been told that rates are going to be all over the place and because we don't have any expertise to help us make that decision because I have seen some of those e-mails, they are rather ugly?

Ms. Nashawati: I think my Board is more in tune, in fact, we have two people who were involved with hospitals. My Board is more concerned that, if they would have to go out and purchase reinsurance, the reinsurance would be much more costly and they would be paying a much higher amount afterwards.

Senator Jacalyn L. Cilley, D. 6: Okay, thanks.

Senator Betsi DeVries, D. 18: Further questions? Thank you for your testimony.

Ms. Nashawati: Thank you.

Senator Betsi DeVries, D. 18: Is Charlotte Brown still with us from the Town of Sunapee?

Ms. Nashawati: She is not, she was with me when we came down Tuesday.

Senator Betsi DeVries, D. 18: I understand, it has been a long day. And, John Salisbury from the citizen of Concord. I think we have written testimony that was handed in from him.

**Please see attachment #6, written testimony submitted by John Salisbury, Concord, New Hampshire.**

I would imagine that we have already heard from Tom Enright, LGC. We heard from the rest of the organization. I have him on the list. Is he still wishing to speak?

Mr. Steiner: He is no longer here.

Senator Betsi DeVries, D. 18: Scott Dunn for the Town of Gilford?

Mr. Steiner: Scott is not here.

Senator Betsi DeVries, D. 18: Dave Caron with the Town of Londonderry.

Dave Caron: Senator, I would like to yield my time to the next speaker.

Senator Betsi DeVries, D. 18: Who would you like to yield your time to...to us?

Mr. Caron: The next speaker, Madam.

Senator Betsi DeVries, D. 18: To us? Thank you, the next speaker, I didn't hear that, Dave, we appreciate that, and Steve Fournier, Town of North Hampton.

Steve Fournier: I am here.

Senator Betsi DeVries, D. 18: Steve is with us.

Mr. Fournier: And, I had written comments, but I am going to change up a little bit because it doesn't sound like you guys want to hear what was originally what towns and cities were concerned about with the reduction of the, putting that cap in.

My name is Steve Fournier, I am Town Administrator for North Hampton. I am a new member of the Board of Directors for the LGC, I've been on a little over a year. So, I don't have all the history that you can ask me a question on that.

I think one thing that I want to talk about is the impact of the decision that you make on the local budgets. You know, I am hearing a lot that we are laying off firefighters because of budget problems, and we are sending money to the LGC, or to Primex, and we have no idea where it is going. Well, I know Senator Cilley just asked a question of my colleague from Sunapee, don't you want to know where your money is going because you subsidize for that insurance? But, you know what? I don't ask Ford where all my money goes when I subsidize when I buy a cruiser, I don't ask Coca Cola when I buy Coca Cola and everything where it all goes. So, that is subsidizing those companies as well.

I think the LGC, Primex, and School Care are very open with their money, and in their books. They tell us all the time, they meet with us more often than anybody. So, I am not really concerned on the prudent management thing because there is a Board of Directors made up of local officials who are looking out for what is best interest for the cities and towns. Plain and simple. It is our money, we are sending it on behalf of the taxpayers who elected our elected officials, and appointed us to send the money to the LGC to provide health care back to them.

You know, I just think it's very bizarre, and strange, and kind of curious in who is fanning the flames of why this is coming up so late in the session. You know, why is it coming up towards the end of this session, why didn't it come up at the beginning? The Secretary of State claims he has known for a long time that there have been issues for regulation. That is fine, to, could bring that up and work with everybody. On the other side, why is the cap coming up now? Is it, I know I have heard many times that is has nothing to do with the operating budget, and the tough fiscal time that you guys are facing. I hear it. You know, now my budget committee drilled me this year about the health care rates and I went out to bid. I looked at many different companies, and we did stay with the LGC, but I do question also why is it coming up so late in the session.

I know Senator Cilley also said that in the paper this week, if rates go up just go back and ask the taxpayers to fund more. It doesn't quite work that way, especially in towns when there is a traditional town meeting. You can't reappropriate until the next year. My boards have always said we are trying to try something new and different that any savings that we on the local level have, we are going to try every year to put in a capital reserve fund and put it towards an increase in next year. Makes sense, and guess what, that is what the LGC, Primex, and School Care does.

Another thing I would like to say is that, you know, we keep hearing that the RSA says that all the money is supposed to go back to the municipalities; it doesn't say how the money is going back. I don't know if it is supposed to go back in a check, I thought, you know, with the vagueness that is in there that those three Boards are doing the prudent thing and making sure that we are not having spiking every year. They were going to have, if we have increases, they are stable increases. Instead of every year saying, oh, here is a check for \$10,000 that goes back to our fund balance that we can't use except to once a year to maybe offset the taxes. But, it does not go back to paving roads.

So, in closing, I just want to say, I think the three organizations in this State are run well. I think that you have to trust them; you have to also trust the local officials who are running those organizations, those members of the Board of Directors, and I just think that any action, I think we need to slow down look again at how we are doing, study if there is any regulation that is needed, let's study this, let's not just pass this through at the last minute.

Senator Betsi DeVries, D. 18: Thank you, Mr. Fournier. Would you take a question? Senator Reynolds has one?

Mr. Fournier: Sure.

Senator Deborah R. Reynolds, D. 2: Thank you very much, Madam Chair. Thank you very much, Mr. Fournier. Mr. Fournier, let me, let me just ask you a question. Look at the situation from this side for a second. We are elected officials, we are entrusted to be responsible, not only to our communities, but to the State, and we are told by probably the most well-respected public official in this State that he has been trying to get information from a nonprofit, voluntary corporation that has millions and millions of dollars of public money for months, and he has relied on existing statutory authority that he has to get these documents, and was sued and brought to Court, and he comes to the Legislature and says, you know, there is a problem here. I think that there are some excess reserves, and while the statute says the amounts have to go back to the participating political subdivisions, that is not happening.

So, when we talk about timing here, because I have heard this message and this huge campaign out there that somehow we are rushing in to do something when the reality is the information was not disclosed for months and months at a time. So, are you aware of that in terms of what is happening on this side of the table? Is it responsible for us to ignore the Secretary of State of the State of New Hampshire, who says he has a concern, and turn a blind eye and then wait for something back to happen if it ever does, and have the taxpayers say to us, why didn't you do something? Look at it from our side.

Mr. Fournier: And, I do, thank you, Senator, and I understand that. You know, you have the Secretary of State is very well-respected, and if he has some concerns, I understand that the LGC, you know, wants to sit down and work with him on that.

On the other side is, that, you know, we are hearing the campaign that these organizations are sitting on millions of dollars and doing nothing with them. I mean, we are hearing that today that it was that they're out there buying land for no reason, with the money. That is not true. I think, you know, there are campaigns on both sides of the issue here, and I understand, Senator, that you, that you're concerned that there is a large sum of money, and you have the public's trust that you need to be concerned about that. But, the local officials who are working on those Boards also have the public's trust, and they are working, monitoring those funds, and I can tell you that no body on any of those Boards would be sitting on any funds more than what they thought were prudently needed.

Senator Betsi DeVries, D. 18: Follow up, if not, I knew you might have one, Senator Cilley.

Senator Jacalyn L. Cilley, D. 6: Thank you, Madam Chair. I want to respond to a couple of his points, and then I have a couple of questions.

First of all, in your House testimony you also questioned the timing of this, and you heard Senator Reynolds explain it as, you know, it took some time once the Secretary of State was finally able to access that information and then was muzzled on it by a Court order for the time being. And, he clearly has some concerns. So, it took us time to compile some information to say, alright, does this validate moving forward? Nothing is ever great timing, but guess what? Starting tomorrow for the rest of this month, I am sitting in Commerce on my Fridays looking at the FRM, where 500 individuals to the tune of \$80,000,000 got hurt. So, when we get, when we have reason to believe that there is something that deserves public hearings, we are going to

do it, and your analogy to buying a car and not asking about you know Ford or any other company to divulge information was totally, I mean, apples and oranges. We are talking taxpayer dollars. That is why we are here.

Senator Betsi DeVries, D. 18: Would you believe?

Senator Jacalyn L. Cilley, D. 6: Would I believe, and if I might, you know, this is not accusation about, this is questioning, I will read to you, you are a Board member, you were not there according to your own testimony?

Mr. Fournier: Correct.

Senator Jacalyn L. Cilley, D. 6: When this happened. In less than 3 minutes, Mr. Andrews refers to a piece of land sitting next to them, refers to it as a \$1.27 million parking lot, says there is a building on it, maybe we will be able to sell it. One Board member says, you know, do you, you know, it would be better if we waited until November 19<sup>th</sup>. Well, you know we need to make a down payment, that could all happen before November, and in less than two minutes, there is that kind of a parcel purchased, and he says quite specifically, so it will ensure we don't have a Home Depot behind us, as though some how hurting the aesthetics of the buildings.

Now, my question to you...

Senator Margaret Wood Hassan, D. 23: Senator, Senator, would you please just specify what you are reading from so that...

Senator Jacalyn L. Cilley, D. 6: I'm sorry. It is the booklet of the briefing material that we have, and Donna if you will show him the page. It is minutes from executive session, September 30<sup>th</sup>, 2004.

Donna Soucy: Senator, which tab are you referring to? I am going to provide it for Mr. Fournier.

Senator Jacalyn L. Cilley, D. 6: It is tab 30, Page 7, in that section.

Mr. Fournier: Thanks. Okay.

Senator Jacalyn L. Cilley, D. 6: And, what I would point out Mr. Fournier, is from that point of redacted material to the next page, which is approximately 4 paragraphs, that transaction is pretty much sanctioned, and then it went forward after that. So, my question to you is, do you want to go back to the members of your community, especially in economic times like

this and have decisions like that, have to defend decisions like that that are ultimately subsidized with taxpayer dollars?

Mr. Fournier: Well, first thing, I do question the length of time on the discussion; it does not say it was three minutes. I don't know, minutes are a summary of the proceedings that happened. There could have been other discussion as to major outcomes.

Senator Jacalyn L. Cilley, D. 6: Well played.

Mr. Fournier: Knowing, knowing that before being on the Board the set up of the operations of the Local Government Center, usually, and much like the many communities, there are subcommittees that may have meetings and they recommend the Board meetings. Boards don't get involved in every small detail. Don't get me wrong, I am not saying the purchase of the property is small detail.

Senator Jacalyn L. Cilley, D. 6: \$1.7 million dollars is a small detail?

Mr. Fournier: Right, I didn't say that that is why I said don't get me wrong when I said that. But, usually there is other committees that would review this and probably bring a report to the Board. I am not sure, I have not read all the minutes. At some time there may have been a report saying, you know, we are recommending the purchase of this property. There could have been other hearings that, or other meetings that the subcommittee may have reviewed that and recommended that to the Board, much like, right now I'm on the Finance Committee. I review things that have to do with rates and we recommend to the full board. Yes, those are much longer discussions because it is a much more passionate issue, but I can't tell from these minutes and I don't think it's...

Senator Jacalyn L. Cilley, D. 6: Were you here when Primex testified?

Mr. Fournier: Yes, but I couldn't hear everything, though.

Senator Jacalyn L. Cilley, D. 6: And, you have been on this Board for a year?

Mr. Fournier: Yup.

Senator Jacalyn L. Cilley, D. 6: And, you heard Mr. Selig talk about how they scrutinized every expenditure, they thought their Executive Director was making too much money, they thought they could do things more efficiently. He seemed in his testimony, very committed, first of all,

acknowledging that that was a publicly financed entity. The building and land belongs to the members and he seemed very committed to keeping cost really well. So, I see increase after increase. Does your Board do that? Do you questions salaries?

Mr. Fournier: Absolutely.

Senator Jacalyn L. Cilley, D. 6: Do you recommend reductions in salaries, have you recommended a lowering of staff of 133 people, graphic designers, marketers, that sort of thing?

Mr. Fournier: First, I am not on the personnel committee, I have not been involved in all the personnel decisions. As in, do we scrutinize? Absolutely. That Board scrutinizes every decision that is made. They visit the facility, they are their meeting all the time. There is no difference between the operations that Todd was saying about the Primex and his being a Board member, and the people on the LGC. Right now, the LGC are looking at everything, you know, we are part of the bad economic times as well. When insurance, you know, when investments are not there, we do not have return rate as well. So, we have to look at it too. So, yes, we are doing as much scrutiny I would say as Primex.

Senator Jacalyn L. Cilley, D. 6: Final question.

Senator Margaret Wood Hassan, D. 23: Question.

Senator Jacalyn L. Cilley, D. 6: Could you give me a couple of examples of what do you, or anybody else on the Board has recently recommended as cuts to the LGC operating budget?

Mr. Fournier: I can't think of any off the top of my head that I have recommended. I am a new member. I don't know all the in and outs of the operations, I don't want to speak for the other Board members. I can't think of one of the top of my head at this point. I could see if we could find some of that information for you.

Senator Margaret Wood Hassan, D. 23: Thank you. Senator DeVries.

Senator Betsi DeVries, D. 18: Thank you, and as a Board member for this last year, you probably would know this number off hand I don't have it right in front of me. We just talked about the marketing line in your budget. Can you tell me what you spent this last year?

Mr. Fournier: I don't know that off the top of my head.

Senator Betsi DeVries, D. 18: You don't? It was a larger number and I don't have it in front of me. I remember it was a larger number than I would have thought. Can you tell me what you are marketing for at the Local Government Center?

Mr. Fournier: We market to, much like the other ones, to make sure that the local governments understand what they are receiving for the products that you are getting for the Health Trust, for the workers' compensation, for property liability; just giving the information out there to the various pools and what they could get from the products that they offer.

Senator Betsi DeVries, D. 18: That wouldn't be a market. Thank you, Madam Chair. That would be a membership line.

Mr. Fournier: I think there is staff here that can answer that better than I could.

Senator Betsi DeVries, D. 18: If I could follow up?

Senator Margaret Wood Hassan, D. 23: Yes.

Senator Betsi DeVries, D. 18: And, I will move on from that because you represent as a town manager...

Mr. Fournier: Yup.

Senator Betsi DeVries, D. 18: And I forget the town.

Mr. Fournier: North Hampton.

Senator Betsi DeVries, D. 18: The Town of North Hampton. You represented at the beginning of your testimony that your selectmen, I believe, or councilors, I believe, have scrutinized you?

Mr. Fournier: My budget committee, oh absolutely.

Senator Betsi DeVries, D. 18: On your budget committee.

Mr. Fournier: Absolutely.

Senator Betsi DeVries, D. 18: And, and have they asked you those kinds of questions on the discretionary dollars that are spent such as marketing that maybe could have been tightened in this very difficult economy and thus

decreasing the amount of, the rate increase that you are seeing as a community this year?

Mr. Fournier: Well, I think you are, you misunderstood what I was saying. I said when my budget committee, when they scrutinize me as a town administrator with my own town budget, not as a board member for the Local Government Center Board of Directors.

Senator Betsi DeVries, D. 18: If I could follow up?

Senator Margaret Wood Hassan, D. 23: Yes.

Senator Betsi DeVries, D. 18: Because, wouldn't the health care costs be part of your own budget as town manager?

Mr. Fournier: Oh, absolutely, and when they scrutinized it, they asked us to make sure, and they even said as a Board of Director, will you please go out and get quotes from other agencies. I did; they did not come in as beneficial as Local Government Center.

Senator Betsi DeVries, D. 18: And, did those rates increase this year?

Mr. Fournier: Yes.

Senator Betsi DeVries, D. 18: And, your budget board did not scrutinize that with you as to whether, as a Board Member at the LGC, you know, I serve as an alderman in a community, and when you have that kind of opportunity, I would be asking the extra question.

Mr. Fournier: They did some, but not completely.

Senator Betsi DeVries, D. 18: And, you were able to tell them, although you are not able to tell me today, what some of those discretionary items such as marketing might have been, and explained how vitally important they are even though you're not...

Mr. Fournier: Senator, sorry, they did not, they were asking why was there an increase in the health insurance rates. I tried to explain to them the same thing that you have heard. They did not get into why is the marketing, the board members, the budget committee members did not get into that.

Senator Betsi DeVries, D. 18: Final?

Senator Margaret Wood Hassan, D. 23: Okay.

Senator Betsi DeVries, D. 18: We have heard that before. You've heard some of the questions that we have had here over the last four or five hours and now does it not concern you with your hat on as a town administrator that there were discretionary allocations made about the 4.2% necessary funding of the reserves that went to things like, in one year 7.8 million, and in another year it was many millions for the purchase of a building, or 1.7 for the land, and recently there has been a new computer system? Doesn't that concern you when you have your municipality hat on, not your Board hat on?

Mr. Fournier: Right. As a town administrator, I think that we all have situations that there were purchases such as that that you know there has been prudent examination of the purchases. If the Board of Directors at that time, and you know whatever time those purchases were made, decided that that was beneficial for the organization at the time to do that, do you question it? Yes. Do you think, well they are there to represent us, you have to trust their judgment, much like everybody likes people here to go to the Senate, to go to the Board of Aldermen. You have to trust your judgment, and you do check up on things.

Senator Betsi DeVries, D. 18: Final question that I would have for them. Would you not believe, Mr. Fournier, that if that question had been put in front of me with my municipal hat on, my taxpayers would be asking for any excess dollars to reduce a tax increase be sent back to them especially in these economic times, and don't you feel that same weightiness in, with your municipality hat on?

Mr. Fournier: I do, and I believe that it depends on how you see it coming back to you. I think that everybody that I dealt with understood that they put the money aside and they use it to reduce the rates in the future.

Senator Margaret Wood Hassan, D. 23: Thank you. Other questions? All set. Thank you very much for your testimony.

Senator Jacalyn L. Cilley, D. 6: Madam Chair, because we are on the Board stuff, can Mr. Caron testify, could we ask him for a couple of questions? He ceded his time, you know, to the next speaker.

Senator Betsi DeVries, D. 18: He did cede his time.

Senator Jacalyn L. Cilley, D. 6: He was the last Chair, and he was on the Board longer than Mr. Fournier.

Senator Margaret Wood Hassan, D. 23: Well, it is up to him whether he wants to speak so that is up to him.

Senator Betsi DeVries, D. 18: This is Mr. Caron from the Town of Londonderry.

Senator Margaret Wood Hassan, D. 23: Yes, I know.

Mr. Caron: Hello.

Senator Margaret Wood Hassan, D. 23: Good evening.

Senator Jacalyn L. Cilley, D. 6: I think you need to...

Senator Margaret Wood Hassan, D. 23: You just need to identify yourself for the record.

Mr. Caron: Sorry, Dave Caron, Town Manager Londonderry.

Senator Jacalyn L. Cilley, D. 6: Mr. Caron, thank you for being accommodating.

Mr. Caron: Sure.

Senator Jacalyn L. Cilley, D. 6: I'm sure that the day has been as long for you as it has been for us. But, I noted in testimony that you provided to the House that you were a longer standing board member than Mr. Fournier and that you had served as Chair. Am I correct?

Mr. Caron: That is correct.

Senator Jacalyn L. Cilley, D. 6: Okay. So, you heard some of the questions that I asked Mr. Fournier?

Mr. Caron: I did.

Senator Jacalyn L. Cilley, D. 6: Okay, and the purpose of these questions is to determine, as you know I'm sure, as a town administrator, that you have at least four things in the statute that say can come out of the fund. And administration is always, you know, what comprises administration, purchase of parking lots, price administrations is you know administrative expenses for the purchasing of a building comprised of administrative expenses. The more lean administrative expenses are to lower the cost to the

overall system, the more money is either in reserves or surplus. Would you agree?

Mr. Caron: That is correct.

Senator Jacalyn L. Cilley, D. 6: So, my question is, on all the time that you were on the Board, were there years when expenses were lowered, of the operation of the trusts? Were there years when staffing was cut back? Was there ever a time, and most especially in these years of recessionary period, where there was a retraction of expenses, or the Board recommended?

Mr. Caron: More recently, to my recollection, is that the LGC maintained a fleet of vehicles for its employees to complete its responsibilities by traveling statewide. And, I believe that fleet number was reduced by two-thirds upon the expiration of the fleet and a review as to what actual resources would be best through the use of fleet vehicles, or actually paying mileage to employees. That is one example.

Senator Jacalyn L. Cilley, D. 6: Follow up.

Senator Margaret Wood Hassan, D. 23: Okay, follow up and then Senator Reynolds.

Senator Jacalyn L. Cilley, D. 6: How many employees of LGC had vehicles?

Unidentified speaker: Around 20.

Senator Betsi DeVries, D. 18: She is not giving testimony.

Senator Margaret Wood Hassan, D. 23: That is okay. We will have Mr. Caron repeat it on her behalf.

Mr. Caron: It was reduced from 20 to 12.

Senator Jacalyn L. Cilley, D. 6: And, last? So, if I understand correctly, you reduced the fleet and now you pay mileage?

Mr. Caron: I presume.

Senator Jacalyn L. Cilley, D. 6: And that's a savings?

Mr. Caron: Yes, it is. If it would not be a savings we wouldn't have operated that way.

Senator Jacalyn L. Cilley, D. 6: Thank you.

Senator Margaret Wood Hassan, D. 23: Senator Reynolds.

Senator Deborah R. Reynolds, D. 2: Are there any other assets like this that you have purchased?

Senator Margaret Wood Hassan, D. 23: Assets like?

Senator Deborah R. Reynolds, D. 2: Assets like vehicles. Have you rented condos? Have you, what have you guys been doing?

Mr. Caron: Well, a couple of things. First of all, is that we didn't own the vehicles, we leased them, so we didn't own any vehicles. Second of all, there is no need for us to rent condos, so we don't rent condominiums. We purchase property to expand our facility when our demand for our services increase, which results in an increased number of employees. Our employee level is member driven by the level of services we provide to our members. If our, if our demand for our services increase, naturally, we will need more employees to service those members.

Senator Deborah R. Reynolds, D. 2: Thank you for answering the question.

Mr. Caron: Sure.

Senator Margaret Wood Hassan, D. 23: One more. We've have got about six more people who want to testify.

Senator Jacalyn L. Cilley, D. 6: Okay, thank you for that response. I guess I am just really curious when I look at operating expenses, you know, one of 4 plus million dollars in health, and I'm sure some of that is training, and so on, but some of those expenses, and you heard me testify, not testify, you heard me ask a question earlier about the increase in salaries and so on. All of those expenses are absolutely necessary, graphic arts, \$400,000 in legal fees? You know, as I look at some of this stuff, I just think why would a trust fund need this, or you know, I should say, a pooled risk pool management? I am really getting tired, a pooled risk management program.

Mr. Caron: LGC has grown as a result of a demand for our products to a \$350,000,000 organization. Attentive to that organization our responsibility is to make sure that we ensure the safety of our members assets, that we provide the benefits which they have entrusted us to provide to them, communications, legal, it is all part of the operations. When you talk about the salaries, I am not quite sure what you are referring to, Senator, but I

would be curious as to the number of employees from one year to the next. For example, the Board made a conscience policy decision to bring workers' claim, workers' comp claims communications in-house. We felt that it would be more efficient, and in the long run save us more money. That is why we did it. If it was more efficient to contract out for those services, we would have continued on that business model.

Senator Betsi DeVries, D. 18: Can I ask?

Senator Jacalyn L. Cilley, D. 6: I have a few...

Senator Margaret Wood Hassan, D. 23: Okay, one question and then one question.

Senator Jacalyn L. Cilley, D. 6: I'm going to have to wrap a couple in that. So, there is not, like Anthem providing your health care, is actually the insurer if you will, it is an insurance company, third party administrator...

Senator Margaret Wood Hassan, D. 23: What...

Mr. Caron: I'm sorry, I'm not following the question.

Senator Margaret Wood Hassan, D. 23: What's the question?

Senator Jacalyn L. Cilley, D. 6: Anthem. He said that they brought in the administration of their workers' comp. I am trying to figure out what that means?

Mr. Caron: Right. What you have with the workers' comp sector is you have to investigate claims, you have to adjudicate claims, you have to process claims, and during our infancy, we contracted for those services. We have reached the point now, we have reached a critical mass we believe, where after review of our organization that it is more efficient and more cost effective for our members to no longer secure those services from a third party, but to bring those in-house and hire employees to provide those services.

Senator Jacalyn L. Cilley, D. 6: Okay. Fine, thank you.

Senator Margaret Wood Hassan, D. 23: Thank you. Senator DeVries.

Senator Betsi DeVries, D. 18: Madam Chair, I will cede my time back because we prprtracted this and some time tonight we all need to get home