

RI Citizen Alert

A report on the state of Rhode Island government

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& make a
difference
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May/June 2004

Volume 12, Number 2

Audit Blue Cross !



Lavish perks turn the Blue Cross Board into a King's Court

Governor not satisfied with concessions

BY WILL BARBEAU
BEVERLY CLAY
ROBERT ARRUDA

Rhode Islanders are again venting their anger on talk shows and in newspapers over financial shenanigans, power abuse and shoddy oversight of another state institution. This time it's Blue Cross/Blue Shield, created by the General Assembly in 1939, to help citizens with health insurance.

In a rapid sequence of events, twelve associations representing 7,000 health care providers held a joint press conference at the Rhode Island Medical Society on April 28 to demand the resignation of Blue Cross CEO Ron Battista, citing his "contempt" for the industry. Then, on April 30, legislative leaders held a press conference to announce their plans for changing Blue Cross. Governor Carcieri then asked the Blue Cross

Board to a meeting on May 3. At this meeting Blue Cross Board Chairman Frank Montanaro announced a few cosmetic concessions (called "sweeping changes") including ending directors' salaries and meetings in fancy hotels and generous severance packages.

The Blue Cross board continued treating the health care industry with utter contempt by ignoring its demands.

Oversight timidity

Initial reactions by the Governor, Attorney General, Director of the Department of Business Regulation and members of the legislature to the stories of excessive salaries, perks and severance packages had one thing in common: *timidity*. No one asked for the obvious: forensic and performance

see **Blue Cross**, page 2

Mystery amendment killed Constitutional Commission will be bi-partisan!

BY BEVERLY CLAY

On April 20, H-7736 SubA as amended passed unanimously in the House to set up a "bipartisan preparatory commission" with four appointments by minority leaders. A week later, an identical bill S-2102 SubA as amended, passed in the Senate. Once formed, the commission will conduct hearings on possible constitutional issues to help voters in November to decide: "Shall there be a convention to amend or revise the Constitution?" Unanimous passage of these bills was a big win for OCG and its many citizen supporters.

It was a rocky road to victory. The original bills had mysteriously blossomed overnight with a "Sub-A" amendment removing minority appointments. It would have no longer been a bi-partisan commission as mandated by the Constitution!

While the Assembly recessed the week of April 11-17, an alarmed OCG activated its e-mail and post card alert lists to urge members to contact their legislators and leaders of the house and senate. A major opinion piece by OCG's Vice Chair Beverly Clay appeared in the *Providence Journal* and sev-

eral other papers bringing full weight to bear on the issue. Then both bills were amended again to include four minority leader appointments, as sought by OCG. A major breakthrough! It demonstrates the power of citizen involvement. Kudos to all who participated!

House Majority Leader Gordon Fox (D-Prov) responded to one e-mailer with these comments: "I have always included the minority party in the legislative process and in the operation of the House. That is the way I like to do business. I hope the resolution which passed the House yesterday with a unanimous vote is more reflective of the balanced approach with which I like to resolve issues."

OCG efforts to determine who authored the midnight amendment denying minority leader appointment have been unsuccessful.

Now, a commission must be formed to finish work by July 31. The results will appear in the Voter Information Handbook. That leaves less than three months to conduct hearings, research issues, write a report to tell voters what issues might go before a constitutional convention.

Medical Society claims Blue Cross drove competitors out to raise prices

BY WILL BARBEAU

One of the startling revelations to come out of the Rhode Island Medical Society press conference April 28 was the debunking of the claim that Blue Cross CEO Ron Battista had "turned the company around."

Dr. Tilak Verma, President of the Society explained it this way:

"The less heroic and more truthful version, we believe, is that Mr. Battista and his predecessor recklessly drove their company into the ground in the late 90's losing \$73 million over 3 consecutive years in a concerted effort to drive Harvard Pilgrim and Tufts from Rhode Island. They succeeded.

Blue Cross won that war, and all the rest of Rhode Island lost. They did enormous damage to this market. Once competition and consumer choice was gone... it was not that great a trick to restore the company's profitability with a series of double-digit rate increases, one on top of the other every year for the past 4 years."

Doctors plan class action suit

Related to this, the May 4 edition of the *Providence Journal* carries news that a group of doctors is organizing a class-action suit against Blue Cross "alleging that Blue Cross drove out competition and kept reimbursements low."



Visit www.ocgri.org and sign up for
OCG's Electronic Army

Chairman's corner...

BY BOB ARRUDA

Presiding over this group of activists is a big challenge. They are so, well, *active*. But I am proud of their activism - as you should be. It is pointed toward making your state a better-governed place. These are



some of the things that are happening, and what they mean to our future:

Blue Cross audit: Operation Clean Government has called for a forensic and performance audit of Blue Cross

by an independent out-of-state agency. We believe that what has been seen is the tip of an iceberg that cries out for examination. A level playing field for several competitive health plans might better serve all Rhode Islanders.

Constitutional Convention: We missed our chance to update our state constitution in 1994. We're now trying to keep the Assembly and citizens on track for the event, which first requires a "Yes" vote on the November ballot. Strong citizen response to an OCG "alert" helped maintain the bipartisan integrity of the preparatory commission.

OCG Ethics legislation: Our bill to improve the selection of Ethics Commissioners was well received by the Senate Committee on Government Oversight.

Funding reform: Our 'sister' organization - the Hebb Foundation - has been classified as a non-profit group. Tax-free grants and bequests can now be used to cover the costs of reform work. We hope to find people who know how to solicit grants for the foundation.

The Candidates School: OCG's day-long seminar on running for any elective position was given high marks by the 175 attendees. We run one every election year. Our goal is to have no seat go unchallenged and to increase citizen participation in the election process.

RI Citizen Alert: You are reading the second edition of our newly designed newspaper. The first edition was inserted into 15

weekly newspapers to more than 100,000 readers. We look forward to greater distribution to keep more citizens informed about their government.

Coming ethics complaints: We are now studying a number of potential complaints to be filed with the Ethics Commission. Much work goes into these studies by our pro bono legal staff. It is not something done lightly.

Speakers Bureau: Will Barbeau chairs the OCG Speakers Bureau and is actively seeking out groups wishing OCG speakers. The purpose of the OCG Speakers Bureau is to inform civic minded groups of OCG's activities and purpose along with recruiting new members and volunteers.

OCG's Electronic Army: Vice-Chair Bev Clay has worked diligently to create a list that now numbers over five hundred e-mail addresses. When OCG needs to influence legislators on a particular issue, Bev sends out a specific request to our electronic army to contact their legislators. It is democracy in its purist form. Bev is working hard to increase the size of this list. If you are interested in getting involved in your government, please sign up at www.ocgri.org.

Watching low profile issues: Another responsibility OCG has taken upon itself is to maintain an alert watch over long and short term issues as well as high and low profile matters. For example, the Constitutional Convention cited above is a long term issue dependent upon a short term issue. Or, notice on page three, attention is focused on low-profile bills in the legislature calling for statewide property taxes for education. Also on page three, the Governor's budget, which is getting little attention, is discussed. These are low profile issues which will eventually jump up into high profile crises.

I have outlined just some of what OCG is working on this year. What I find amazing is that this is all being accomplished by volunteers. No one in OCG is paid. This belies the argument that RI citizens don't care about their government and don't pay attention.

I know a couple of thousand who care very much and are paying close attention. How about you?

Grants and bequests to fight corruption are tax-deductible Hebb Foundation now 501(c)3

BY ROB SENVILLE

OCG is pleased to announce that its sister organization, The Hebb Foundation for Governmental Research and Education, has been given recognition as a tax exempt organization under the Internal Revenue Code. The Foundation, a public charitable



ANGUS "GUS" HEBB

nonprofit organization, is named in memory of Angus Hebb, a former Chairman of OCG, and a vigorous government reformer and environmental advocate.

Mimi DeCesaris, President of the Hebb Foundation, said: "This is a wonderful opportunity for Rhode Islanders. Being able to fund OCG educational and research activities through tax deductible contributions

is extraordinarily exciting. The Hebb Foundation intends to raise money to fund public forums, a candidates school, public television broadcasts, internships, surveys and other OCG educational projects and activities."

"The Hebb Foundation hopes that it can give OCG the financing it needs to make significant progress in educating the public so that citizens can empower themselves to take the steps necessary to secure honest, ethical and responsible government in Rhode Island."

OCG Board Members Bob Arruda, Andy Galli, and Nolan Byrne also serve on the Hebb Foundation Board, along with Mimi DeCesaris, Mike Salvadore, Rob Senville, Karin Hebb, Rae Condon, and William Harsch.

By working together, OCG and the Hebb Foundation intend to change the level of governmental awareness in Rhode Island. These sister organizations are united in the belief that educated citizens will utilize their new found knowledge and tools to change their constitution and laws, to monitor their government officials, and to end the wasteland of political corruption and lack of governmental ethics in Rhode Island.

Please support our efforts to bring clean government to Rhode Island by giving generously your tax deductible donation to the Hebb Foundation. Mail Donations payable to the "Hebb Foundation" to: The Hebb Foundation PO Box 8683, Warwick, RI 02888. Please call the Hebb Foundation at 401-434-4293 with any questions.

IMPORTANT NOTICE (401) 861-3900

The phone number for Operation Clean Government has been changed to (401) 861-3900. The number will be listed in the next phone book in the white pages and under organizations in the yellow pages. Please note this change in your personal directory.

Audit Blue Cross, *continued from page 1*

audits of Blue Cross/Blue Shield by an independent out-of-state accounting firm. (A forensic audit looks for fraud and other legal proceedings, a performance audit looks at the core administration.) If the CEO can "borrow" \$600,000, who knows what else is going on? That's why Operation Clean Government is calling for these audits as the starting point of any overhaul.

Seize assets?

Typical of many angry letters from citizens published in the *Providence Journal* is this from Katherine Kranz, a Warwick social worker, who wrote on April 19: "I am outraged and appalled at the salaries of Blue Cross executives. . . Blue Cross has stymied many of us who provide essential services. . . We continue to make less than we did 10 years ago."

Long-time Blue Cross subscriber Lawrence Silvia of Portsmouth provides bill-

ing evidence that his unchanging family group of three paid a monthly premium of \$812.88 in 2001 and \$1682.82 in 2004, a surprising jump of more than 100 percent in four years. "It's outrageous," Silvia says, "the state should seize the assets and start over with a clean slate of executives and board members."

History repeating itself?

When questions are asked, such as: "Where was the Blue Cross Board of Directors during these decisions?" it is learned that board members were paid hefty salaries with additional payments for attending meetings. This is a poor way to assure arms-length oversight of any organization.

This unfolding scandal is reminiscent of past creations by the General Assembly including such historic events as the RISDIC banking crisis of 1991, the retirement system crisis of the same era, RIHMFC and oth-

ers. Among the issues yet to be explored are the numerous conflicts-of-interest inherent in board members doing business and negotiating with Blue Cross as union reps, doctors, judges and lawyers. A full review of the conflicts represented by the Blue Cross Board Chairman Frank Montanaro is especially in order, as the Governor points out.

A Board of Shame

Public anger was further stimulated by the *Providence Journal* report on April 13 when investigative reporters Mike Stanton and Tracy Breton wrote that Blue Cross' Board of Directors and guests and past board members spend fully paid recreational weekends at one of the Cape's most expensive hotels. What judgment can be made of such excesses by a so-called nonprofit organization? Are such pillars of the community corrupt? Perhaps the best surmise is that they have given up a mature

perspective of their responsibilities for these ego-perks. Such lavish treatment turned the Blue Cross board into a King's Court.

Overview of RI health plans

The resulting reexamination of health insurance in Rhode Island is revealing that for-profit plans such as Harvard Pilgrim may well have been driven out of business by the pseudo non-profit Blue Cross system. It has since raised its rates to outrageous levels — meanwhile piling up multimillion dollar surpluses.

Blue Cross needs competition

The real story is that there is excess at the top which is driving up health insurance rates. Rhode Island's health care system needs a total review so that truly healthy competition can be returned to the state with a level playing field for several businesslike health plans.

To enable citizens to challenge the power of special interest groups

State Property Tax bills need watching

Editor's note: Two bills on "education equity and property tax relief" are pending. Senate bill S-2654, introduced by Senators Alves, Fogarty, McBurney, Goodwin and McCaffrey, is in the Senate Finance Committee. House bill H-8318, introduced by Representatives Fox, Schadone, Corvese, Ginaitt and Trillo, is in the House Finance Committee. The identical bills, if enacted, will establish a state property tax for the purpose of providing equal per pupil funding in every city and town.

Laffey explains danger

**BY STEVE LAFFEY
MAYOR OF CRANSTON**

Many of us (mayors and town administrators) went to meetings hosted by the talented people at RIPEC and engaged in good dialogue on a State property tax. The concept of creating a predictable formula that cities and towns can rely on for educational funding is a noble one that was worth talking about.

I have since tried to figure how a formula wrapped in a new State property tax would REDUCE overall property taxes. Moving money around from city to city or collecting people's hard-earned money at the state level with the thought of giving it back to the cities is just one more beadedom we don't need.

The problem lies in the fact that there is no plan for controls on spending at the local level, no mention of ANY numbers whatsoever, and no indication of controls over profligate school committees.

I agree with many who say that because of massive waste and inefficiency at the State level, we are funding too much of our local education with regressive and egregious property taxes. But, it is not the amount of funding that's the central problem.

What we have is an accountability crisis. Right now in Rhode Island, School Committees are seemingly autonomous bodies cloaked behind city councils and Mayors. They remain in the shadows as they drive up the cost of education at rates three, four, and five times the rate of inflation. This must change!

But if the numbers are determined at the state level to bring the property tax theory to reality, you can bet by the time the lobbyists, union heads, and State House sausage makers assign that cost to educate an "average" child, it will reflect free health insurance for teachers, shorter school days, better retirement packages... etc.

If State Legislators really want to help limit property taxes, they must pass laws con-

trolling costs. For example, require every contract in state and local governments contain clauses that ALL employees pay a certain part of health insurance. There are no fish in George's Banks because nobody paid to fish. People respond to incentives. In



MAYOR LAFFEY

Cranston schools and other Rhode Island cities, the incentive is to overuse health insurance because it's "free!"

A new state property tax lowering overall property taxes is as likely as a record sugar cane crop under Castro's Cuba. It never happens. Instead, right now up at the State House and in public union closed-door meetings, special interests are designing new schemes to get more special education designations, no-layoff clauses, minimum manning requirements, and more... and more ways to tax you.

To them, it's just another tax — another way to gain power. But for us, it translates into seniors forced out of their homes, kids not going to summer camp, and for some young families, the death of the American dream because they will not be able to purchase their first home. And that is not an option. We cannot, stop until we bring about meaningful reforms that lower outrageous property tax burdens.

Governor Carcieri hits the road to seek support for his proposed budget

Meanwhile legislators are silent on their plan regarding a balanced budget.

BY SANDRA THOMPSON

While spring has brought blue skies and sunshine to Rhode Island, there is a dark cloud looming in the not so distant future that will affect every person in Rhode Island. The budget deficit. It is huge and it is very serious.

April is nearly over and we are more than halfway through the 2004 legislative session, and yet, we have heard little if anything from the General Assembly on what they plan to do about the budget. Too often the RI budget comes up at the end of the session and is decided without any opportunity for citizen input.

Legislators in neighboring Massachusetts released a budget proposal this month that is very close to Governor Romney's budget plan introduced in January. Consequently, MA legislators will have time to work out the details in a public forum before they vote on a final budget.

Governor Carcieri submitted his budget last January. Since then he has been attending town meetings throughout the state in an effort to seek support for his budget and to answer questions from the public. He is attempting to cut spending and hold the line on taxes as he promised during his campaign. He has been meeting with municipal leaders and union leaders in an effort to work together to solve what many think is the biggest issue facing our state.

Municipalities, state workers, union leaders and human service agencies are complaining loudly about proposed belt tightening and will put tremendous pressure on legislators.

The Governor counters that the money just is not there to please everyone. In addition to our current \$200 million deficit, Governor Carcieri is projecting a \$69 million deficit in the following year, and by 2009 it is predicted to grow to \$178 million.

How did Rhode Island get into this financial crisis? Very simply, legislators have spent more money than we take in. Over the past 10 years, state spending has increased nearly 70 percent which out paces both inflation and the rate of personal income growth for Rhode Island citizens who are paying more in taxes than they do on their mortgage.

So, what can we, the people, do about it before we end up with even higher taxes? (We are already 4th highest in the nation.) The people of Rhode Island need to take an active interest in their government and counter the special interests that have the ear of the General Assembly. And because it is an election year the voters wield considerable power.

Come November, those elected officials who are not serving the best interests of the people can be fired. A good beginning would be to insist that our representatives tell us what they plan to do to balance the budget. And, at the same time inform them that higher taxes and/or more taxes are unacceptable.

If you do not know your legislators you can call your city or town hall to get their names and phone numbers, or you can log onto the Operation Clean Government website, www.ocgri.org. Call now. And keep calling until you get your questions answered and make your wishes known.

Also call House Speaker William Murphy (222-2357) and Senate President Joseph Montalbano (222-6656). Don't wait until the budget is hastily passed at the very end of the session, because even if Governor Carcieri vetoes the budget, the General Assembly has the votes to override his veto. It will be a done deal and we will be left paying the bill.

Operation Clean Government calls on all Rhode Islanders to get active and get results.

***YOU can help reform Rhode Island
Join OCG today!
See page 4 for details***

OCG's Candidates School earns high marks from 175 attendees

BY SANDRA THOMPSON

"The best \$75 dollars I've spent this year," was the comment of a very satisfied attendee to the 2004 OCG Candidates School held on March 27 at the Crowne Plaza in Warwick. It was just one of many favorable responses from nearly 200 potential candidates who enrolled for the day long session to learn how to run an effective election campaign.

This year the school expanded its program to include special sessions targeting women and minorities who are interested in seeking office. The YWCA Northern Rhode Island joined in sponsoring this special program.

OCG initiated the idea for a candidate school in 2000. That class produced Governor Don Carcieri and Cranston Mayor Steven Laffey among other alumni who are now elected officials. According to OCG

chairman Bob Arruda, the watchdog group wanted to encourage more Rhode Islanders to participate in their government. "Too many election races go unchallenged and



Mike Vallente, in his keynote address, urges future candidates to address voter's concerns and have a passion for the issues.

the voters are not given a choice. This leads to unbalanced government that does not serve the best interests of the citizenry," Arruda continued.



Energetic Kate Coyne-McCoy, former congressional candidate (Democrat), points out the importance of running for the right reasons.

Individuals may be interested in running for office but have no idea where to begin. It is daunting. Thus, the curriculum focuses on election rules, setting up a campaign strategy, organization techniques, using the media effectively and the necessary fund raising.

Mike Vallente, former Rhode Island political activist who is now an executive in the California Republican Party and a key player in Arnold Schwarzenegger's winning campaign for governor, set the tone for the conference in his keynote address, "Run to Win." For people who adhere to the "only in Rhode Island syndrome" he argues that, "Government should be as good as the people who live here."

If the enthusiasm on the part of the attendees to the candidate school is any indication, it should be an exciting election year.

OCG Ethics Legislation well received



SENATOR J. MICHAEL LENIHAN presides over the Government Oversight Committee as it hears testimony on new bills concerning the Ethics Commission. Members present (left to right) include: Senators James C. Sheehan, Leo R. Blais, Lenihan, Elizabeth H. Roberts and V. Susan Sosnowski.



WAITING TO TESTIFY are Operation Clean Government board members (left to right) Sara Quinn, Beverly Clay and Rod Driver.

Lenihan Committee hears OCG testimony

BY BEVERLY CLAY

OCG's bill (S-2917) to speed up and strengthen the process for selecting Ethics Commission members was heard by the Senate Government Oversight Committee on April 5. Sponsored by Senate Majority Leader M. Teresa Paiva-Weed, it is also supported by Common Cause. Senator J. Michael Lenihan chairs the committee.

Attorney Sara Quinn, former Executive Director of the Ethics Commission and now an OCG Board member, crafted the OCG bill, which calls for the advice and consent of the senate for ethics committee appointees and a review process similar to that for judges.

The ethics panel has nine Commissioners, each with a staggered term of five years with no reappointment. The governor names four. The other five are selected by the governor from lists submitted by the speaker of the house, the house majority leader, the president of the senate and the minority

leaders of the house and senate. The governor cannot make these five appointments without the lists from the other nominating authorities.

Ethics Commission members may serve until their replacement is named. Presently, replacements for two commissioners are long overdue: one by House Speaker William Murphy, who was required to submit his list to the governor in September 2002; and a second by House Majority Leader Gordon Fox whose list was due in September 2003.

OCG's legislation would correct this situation by placing a 30-day time limit for legislative leaders to submit names. If their time elapses, the governor can send his own choice to the Senate within 15 days. If the governor's time runs out, the lieutenant governor can step in with his choice.

The bill was well received by the Lenihan committee, and indications are that there will be further discussion.

OCG speakers stump state

With recent activation of a "speakers' bureau," OCG leaders are fanning out into communities to explain the group's activities, history and objectives. Church groups and Rotary Clubs are the most active audiences.

One fact audiences have trouble with is that Operation Clean Government is an all-volunteer, non-partisan grass roots group, without any agenda other than that expressed on its literature: "To promote honest, responsible and responsive state government in Rhode Island."

"What do you mean by 'grass roots'?" has been heard.

That question is answered with a simple

invitation to attend a meeting of the Board of Directors. Anyone can walk in and listen, perhaps even offer ideas. The organization has no office staff or headquarters' location other than members' homes, or perhaps its web site.

Speakers' Bureau Manager Will Barbeau arranges schedules and dispatches speakers best qualified for various groups. He handles some talks, whereas OCG Chairman Bob Arruda goes out for major addresses.

Groups interested in OCG speakers should visit www.ocgri.org, to request a speaker or they can call (401) 861-3900.

Don't Miss Operation Clean Government's State of the State Cable TV Show

Sundays at 8 A.M. on Cox Channel 13 (statewide)
Thursdays at 9 P.M. and Fridays at 3 P.M. on Cox Channel 18
(in central areas of Rhode Island)

Shows are taped on the second and fourth Thursday of each month. To receive announcements of the content of the programs, send us your e-mail address through the OCG website, www.ocgri.org, requesting to be on our e-mail alert lists.

Join the OCG Team

For as little as \$1 a month, you can help fight corruption and unethical behavior in RI state government.

OCG's goal is to promote Honest, Responsible and Responsive state government. OCG has no political affiliation. We have no paid staff. WE ARE ALL VOLUNTEERS. Funds raised are used to file court suits and ethics complaints and to print and distribute newsletters. Other expenses include mailings, office supplies and public forums. Take pride in your state by being a member of this great team. **JOIN NOW!**

OCG MEMBERSHIP FORM

YES, I want to join other Rhode Island citizens and help to promote Honest, Responsible and Responsive State Government.

New member Renewal

My membership contribution to OPERATION CLEAN GOVERNMENT is enclosed:

\$12 Individual \$15 Family (list all names to be included) \$25 \$50 \$100 \$___ Other

Name(s) _____ Home Phone _____

Business Phone _____

Street _____ Email Address _____

City/Town _____ State _____ Zip _____

OCG is a non-profit organization, however contributions are not tax deductible because our activities include lobbying.

Yes, I would like to volunteer some time or participate on one or more of the OCG committees. Please call me.

OPERATION CLEAN GOVERNMENT • PO BOX 8683 • WARWICK, RI 02888

I heard about OCG from _____

May/June 2004

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RI Citizen Alert is a publication of
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www.ocgri.org

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