

EARLY AUTUMN
Sunny but chilly this morning before temperatures reach the 60s; clear tonight.
Forecast, E10

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Health insurer reenters R.I. market

Tufts Health Plan, which left the state in 1999 following a price war, has gained approval to begin offering medical insurance to Rhode Island residents.

BY DAVID SCHARFENBERG
JOURNAL STAFF WRITER

Tufts Health Plan, a Massachusetts-based health insurer, announced yesterday that it is returning to Rhode Island to challenge the two insurers dominating the market.

Tufts, which pulled out of the state in 1999, will take on Blue Cross & Blue Shield of Rhode Island and the smaller UnitedHealthcare of New England.

"We're very excited about entering the Rhode Island market," said James Roosevelt Jr., president and chief executive officer at Tufts.

State officials, doctors and business leaders said they welcomed the return of a company with a reputation for customer satisfaction.

But they cautioned that the competition will probably not lead to any reductions in premiums.

"Health care is not like any other part of the economy," said Steven DeToy, a spokesman for the Rhode Island Medical Society. "Bringing more so-called competitors to the market has never proven to reduce rates and improve access."

Christopher F. Koller, the state health insurance commissioner, said 8-to-10-percent annual increases in health-care costs — driven by everything from expensive new technology to poor management of chronic diseases — mean premiums will continue to rise.

But observers voiced hope that the competition could at least slow the increase of premiums in the state.

Tufts has been angling to enter the Rhode Island market for months now, meeting with state regulators, politicians and business interests to promote the idea.

Roosevelt said there were three prerequisites to a return: the company had to win the proper

SEE **TUFTS, A4**

Cicilline's brother linked to probe over back taxes

John Cicilline, who is to be sentenced today on a federal conspiracy charge, submitted a bad \$75,000 check on behalf of a client who owed taxes.

BY MIKE STANTON
JOURNAL STAFF WRITER

PROVIDENCE — Mayor David N. Cicilline's brother John, who faces prison when he is sentenced in federal court in Boston today for shaking down drug-dealer clients, is at the center of another controversy, involving \$75,000 in delinquent Providence taxes.

Two years ago, John Cicilline gave the City of Providence a \$75,000 check on behalf of a client, Providence businessman Nelson Garcia, who owed the city back taxes.

But when the lawyer hired by the city to pursue the delinquent taxes tried to deposit the check,

which was written on John Cicilline's law office account at Fleet Bank, he was told that there were insufficient funds, according to members of Mayor Cicilline's administration.

To this day, the taxes remain uncollected. According to city tax records, Garcia currently owes \$78,658 in back taxes on office furniture and equipment for his business — known as "tangible"

SEE **CICILLINE, A4**



CICILLINE

THE ECONOMIC CRISIS

R.I. jobless rate at 8.5%

The rate, the highest in more than 15 years, marks eight consecutive months of job losses as employers shed 1,200 jobs last month.

BY LYNN ARDITI
JOURNAL STAFF WRITER

Rhode Island's job market went from bad to worse last month, as more payroll jobs vanished and the state unemployment rate spiked to 8.5 percent — the highest level in more than 15 years, a government report released today shows.

Employers last month shed 1,200 payroll jobs — the eighth straight month of job losses — and the state unemployment rolls swelled to 48,800, the highest level on record, according to the state Department of Labor and Training.

The latest jobs report comes amid a backdrop of a state budget shortfall and a financial crisis on Wall Street this week that has shaken global investment markets.

Now, state labor officials report that the job market's deterioration is accelerating — which will mean more people unable to find work or make their mortgage payments, experts say.

"It is a very, very difficult and scary time," said the Rhode Island Department of Labor and Training's director, Sandra M. Powell. "It's another economic crisis, but many residents lived through the

early 1990s..."

During the 1989-91 recession, the state unemployment rate peaked at 9 percent and Rhode Island lost 48,200 jobs, a decline of 10.4 percent, according to figures provided by state labor officials. Prior recessions brought even higher unemployment rates. In 1974-75, the state's unemployment rate peaked at 13 percent.

Nationally, the unemployment rate in August rose from 5.7 to 6.1 percent, and the nation lost 84,000 jobs, according to the U.S. Bureau of Labor Statistics.

Massachusetts yesterday reported its unem-

SEE **JOBS, A7**



AP / PABLO MARTINEZ MONSIVAIS, above and below

Massive bailout plan in works

Bush administration officials approach congressional leaders with a plan for the government to take on banks' bad debts.

JOURNAL WIRE REPORTS

WASHINGTON — In another breathtaking display of government intervention, top officials at the Treasury Department and Federal Reserve last night began discussing with congressional leaders a plan to buy up vast numbers of distressed mortgages held by ailing financial institutions.

While the details of the plan remain to be hammered out, the discussions could result in the biggest bailout in U.S. history, and the most direct commitment of taxpayer funds so far in the worst financial crisis that Fed and Treasury officials say they have ever seen.

Senate Majority Leader Harry Reid, D-Nev., said he expected the administration and the Fed to have a proposal to lawmakers in a matter of hours, rather than days.

"What we are working on now is an approach to deal with systemic risks and stresses in our capital markets," said Treasury Secretary Henry M. Paulson Jr. It would be "a comprehensive approach that would require legislation to deal with the illiquid assets on financial institutions' balance sheets," he added.

"The root cause of the stress in the capital markets is the real estate correction," he added.

Federal Reserve Chairman Ben Bernanke said he looked forward to

SEE **BAILOUT, A7**

Snapshot of the economy

■ **The president's views:** During a brief appearance in the Rose Garden yesterday morning, President Bush, above and right, said he would take any actions necessary to stabilize markets in the face of a crisis that is shaking confidence in the nation's financial system. "The American people are concerned about the situation in our financial markets and our economy. And I share their concerns," he said. "The American people can be sure we will continue to act to strengthen and stabilize our financial markets and improve investor confidence."



■ **Banking:** Investment bank Morgan Stanley continued to actively seek financial partners to ensure its continued independence, while Washington Mutual, which has lost billions of dollars due to bad mortgages, was being looked at by several potential buyers, including JPMorgan Chase & Co., Citigroup Inc., Bank of America Corp. and Wells Fargo & Co.

■ **Credit:** The Federal Reserve and the central banks in other major industrialized countries pumped billions of dollars into the world's banking system in an urgent bid to stop further damage. Meanwhile, figures released yesterday showed that banks and Wall Street firms ramped up borrowing from the Federal Reserve's emergency lending facility over the past week.

■ **Money-market funds:** Boston-based Putnam Investments yesterday closed a \$12-billion money-market fund and announced plans to return investors' money after institutional clients pulled out cash despite the fund's lack of exposure to troubled financial firms. The move is believed to be unprecedented in the industry. **Details, F1**

■ **Oil:** Oil prices gained 72 cents to close at \$97.88 a barrel on the New York Mercantile Exchange.

■ **Gold:** The price of the precious metal surged for the second straight day, up \$46.50 to \$897 an ounce.

State looks to move \$260 million into safer accounts

State money for such things as student loans, water-related projects and home mortgages is in investment accounts that are not protected by collateral.

BY STEVE PEOPLES
JOURNAL STATE HOUSE BUREAU

PROVIDENCE — A day after scrambling to retrieve more than \$100 million from the failing American International Group, Rhode Island officials disclosed yesterday that hundreds of millions of dollars

invested with other companies may be at risk.

In addition to the AIG funds, state agencies have at least \$260 million — designated for such things as student loans, water-related projects, and home mortgages — parked in investment accounts that are not protected by collateral.

Should those investment firms experience credit problems similar to AIG — and there is no immediate sign they will — Rhode Island could lose its money.

"We've got to, in an abundance of caution, protect the taxpayers on

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Your turn: How do the latest Wall Street developments affect you? Neil Downing, the Journal's MoneyLine columnist, will host a live chat with projo.com readers today at noon. To participate, go to projo.com/chat

this where we can," Governor Carcieri said yesterday. "If there's an opportunity to collateralize, put it in a safer investment, I would do that... It's a very, very unsettled time. The market rebounded today, but we're

in a whole new world."

Indeed, a "SWAT team" of financial experts representing the governor, the state treasurer and the General Assembly gathered in the State House yesterday to chart a new course of action in a financial system that has been turned on its head.

Just Monday, it appeared as though Rhode Island might lose access to \$140 million locked in AIG accounts known as "guaranteed investment contracts." The money, which wasn't protected by collateral,

SEE **FUNDS, A7**



INSIDE TODAY

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HIGH SCHOOL KICKOFF

As the season gets under way tonight, there's no clear favorite to take the Division I state high school football title this year; a look at some of tonight's marquee matchups. **D1**

NO PROGRESS

Governor Carcieri confirms that court-ordered mediation between his administration and state workers over his attempt to impose higher health-insurance rates on union employees has fallen apart. **B1**

PLACE YOUR BID

Goods confiscated by the state police, including the coin-making machinery and the blank metal strips, left, allegedly used by Louis B. "The Coin" Colavecchio to make near-perfect counterfeit tokens for slot machines, goes up for auction. **B1**

