HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
Minutes of the Administrative Committee Meeting
October 9, 2002

TRUSTEES PRESENT
Ms. Kathryn S. Matayoshi, Chairperson Mr. Gerald Machida
Ms. Audrey Hidano Mr. Willard Miyake

ATTORNEY
Mr. Brian Aburano, Deputy Attorney General

HEUHBTF STAFF
Mr. Mark Fukuhara, Administrator Ms. Gerti Reagan, Consultant
Mr. Lawrence Nishihara Mr. Gary Sanehira
Mr. Leslie Ozawa Ms. Donna Tonaki
Ms. Maria Quartero

OTHERS PRESENT
Mr. George Butterfield, HSTA-Retired Mr. Gordon Murakami, Royal State
Ms. Elaine Fujiwara, HDS Mr. Rod Tam, HMSA
Ms. Ruth Kim, HSRTA Mr. George Yamamoto, HGEA-Retiree

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I. CALL TO ORDER

The meeting of the Administrative Committee was called to order at 9:06 a.m. by Chairperson Kathryn Matayoshi in the Office on Aging Conference Room 410, No. 1 Capitol District Building, 250 South Hotel Street, Honolulu, Hawaii, on Wednesday, October 9, 2002.

II. APPROVAL OF MINUTES

MOTION to approve the minutes of July 17, 2002, August 8, 2002, and August 22, 2002 as submitted. (Machida/Hidano).
Discussion: None.
Vote: Unanimously passed.

III. REPORTS:

A. Administrator

Mr. Fukuhara reported that a letter was sent to the Office of Collective Bargaining asking for a response in writing whether the Trust Fund is required to abide by Act 90, the Privatization Act and that he has not received a formal response.

Mr. Fukuhara gave an overview on the Biennium budget regarding current and vacant positions at the Health Fund.

B. Attorney General

<u>Attorney-Client Privileged Communication Regarding Questions Related to Contracting with a TPA</u>

Mr. Aburano gave an overview on his memorandum regarding the following questions related to contracting with a third party administrator (TPA): (1) can the Trust Fund enter into a contract with a TPA when its current approved budget does

not have any funding authorized, approved or appropriated for such a contract; (2) can the Trust Fund enter into a multi-year contract with a TPA; (3) is the Trust Fund required to submit a budget to the legislature for approval.

1. Lack of Funding
Based on his review of the Hawaii Constitution and applicable statutes, Mr. Aburano stated that it is questionable whether the Trust Fund could enter into a contract with a TPA if its current approved budget did not have funding authorized, approved or appropriated for that purpose. He noted that there is some controversy about entering into a contract that is subject to obtaining funding, and that the Federal Government frowns upon that type of contract. He said that it may be possible but advised that there are strong questions about the legality of such contracts.

2. Multi-Year Contract
Mr. Aburano stated that if you have a multi-year contract that goes beyond the biennium budget, you are contracting for an obligation that you don't have funds for in the 3rd and 4th years. He said that you could enter into a contract that is subject to getting an appropriation and/or approval for the 3rd and 4th years of the contract, but that raises the same problem as he just discussed. Mr. Aburano noted that the Federal Government prefers that federal agencies only enter into contracts for that period of time for which money is appropriated. If a federal agency wants to go beyond that time, the Federal Government prefers that the contract contain an option for renewal. Under this approach, the option to renew the contract is exercised only if the money is later appropriated for the renewal period.

3. Budget
Based on his review of the Hawaii Constitution and applicable statutes, Mr. Aburano advised that the Trust Fund does have to submit a budget. By law, the governor is responsible for preparing and submitting to the legislature biennium and supplemental budgets and a six-year program and financial plan. The six-year program and financial plan is to encompass all state programs and the information presented by program should include all costs regardless of the means of financing and shall show costs by year of expenditure regardless of whether such costs have been authorized by prior appropriations. He stated that what is in the budget is not limited to what is appropriated in general funds; rather it is to include all program costs. State statutes require every state agency, which would include this Trust Fund, to develop and prepare budgetary requests and program and financial plans and submit them to the Department of Budget and Finance. The policies and principles underlying this process show that it is meant to create a standard and comprehensive system for state program and financial management that enable the governor and legislature to plan, program and finance the programs of the State. It is required so that the governor and legislature can coordinate the financing of the State and state programs. He stated that if you look at the underlying policies

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and budgetary process, it is apparent that the Trust Fund does have to submit a budget even though most of its budget probably will not have to be expressly appropriated, i.e., it is anticipated that most of its budget will come from contributions that are paid for premiums for health and other benefit plans.

C. Benefits Consultant

Ms. Reagan gave an overview on the Administrative Cost Allocation Alternatives. (see handout)

She reported using the methodologies discussed at the last Administrative Committee meeting and applying the updated budget figures from Mr. Fukuhara. She explained that the Committee approved the method: by premium, line of coverage, and total enrollment. She stated that these allocations assume that we will have the same proportions of enrollment in the various plans as there are currently. This may or may not occur and that carries some risks: 1) you don't collect enough to cover your costs; or 2) you collect too much to cover your costs. The staff will need to monitor what is collected so reconciliation can be done on the administrative fee portion.

After discussion by Trustees and public, by consensus the Committee approved the by premium by line of coverage and by total enrollment method and made the recommendation to submit all the data, to include showing the retirees by medicare/non-medicare, to the next Board meeting.

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IV. UNFINISHED BUSINESS

A. TPA

Discussion held by Trustees. Subcommittee for TPA review: Trustee Miyake and Trustee Hidano.

MOTION made to recommend authorization for Administrator to utilize Garner Consulting to assist in developing RFP for TPA not to exceed $15,000.00 to the Board. (Machida/Hidano)
Discussion: None
Vote: Unanimously passed.

Recess 10:51 a.m. – 11:02 a.m.

V. NEW BUSINESS

A. Legislative Proposals

Discussion held by Trustees and recommendation made by Committee to submit Potential Legislative Issues (see handout) to the Board.

ELIGIBILITY:
NO - Nos. 1, 2
YES - No. 3

BENEFIT ADMINISTRATION:
NO - No. 4 (support concept, ability to customize plans for groups)
YES - Nos. 5, 6

BOARD OF TRUSTEES:
NO - Nos. 8, 9, 12
YES - Nos. 7, 10 (include in 7), 13 (include ex-officio), 14 (also amend AG statute)
DEFER - 11

BENEFITS:
NO - Nos. 15, 17, 18, 23, 24 (support), 25
YES - Nos. 19, 20, 21 (use medical CPI), 22
DEFER - 16

HEALTH FUND TRANSITION:
NO - Nos. 26, 27, 29, 30
DEFER - 28

B. Financial Plan – 5 Year Projection
Deferred to next Administrative Committee meeting.

VI. COMMUNICATIONS FROM THE PUBLIC AND INPUT FROM ATTENDEES

1. Draft Bill from University of Hawaii, Amy Yasuda dated October 9, 2002 relating to ERS.

2. Draft Bill from University of Hawaii, Amy Yasuda dated October 9, 2002 relating to Unmarried Couples.

VII. NEXT MEETING
The next regular Committee meeting to discuss RFP for TPA and other matters is scheduled for Friday, October 18, 2002, 10 a.m., location to be determined.

VIII. ADJOURNMENT
Motion to adjourn. (Machida/Hidano)
Discussion: None.
Vote: Unanimously passed.

Meeting adjourned at 1:26 p.m.

Respectfully submitted,

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Kathryn Matayoshi, Chairperson

DOCUMENTS DISTRIBUTED:

1. Minutes for July 17, 2002. (6 Pages)
2. Minutes for August 8, 2002. (3 Pages)
3. Minutes for August 22, 2002. (4 Pages)
4. HEUHBTF Administrative Cost Allocation Alternatives dated October 8, 2002. (2 Pages)
5. SHPS, Inc. Proposal Worksheet regarding TPA (2 Pages)
6. Information from Converges dated October 9, 2002 regarding TPA. (5 Pages)
7. Potential Legislative Issues 2003 Legislature dated October 8, 2002. (3 Pages)
8. Draft Bill from University of Hawaii, Amy Yasuda dated October 9, 2002 relating to ERS. (5 Pages)
9. Draft Bill from University of Hawaii, Amy Yasuda dated October 9, 2002 relating to Unmarried Couples. (2 Pages)
10. Letter to Speaker & Senate President regarding Proposed Amendments to Chapter 87A, HRS dated March 12, 2002. (8 Pages)

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