

HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
Minutes of the Administrative Committee Meeting
May 17, 2005

TRUSTEES PRESENT

Mr. Mark Recktenwald, Chairperson	Mr. Willard Miyake
Mr. George Kahooohanohano	Mr. Stanley Shiraki (arrived at 8:37 am)
Mr. Gerald Machida	Ms. Kathleen Watanabe

TRUSTEES ABSENT: None

GUEST TRUSTEE

Mr. Nelson Befitel (arrived at 10:37 am)	Mr. John Radcliffe (arrived at 9:56 am)
Ms. Joan Lewis (arrived at 10:57 am)	Ms. Katherine Thomason

ATTORNEY: Mr. Brian Aburano, Deputy Attorney General

EUTF STAFF

Mr. James Williams, Administrator	Mr. John Garner, Consultant
Mr. Lawrence Nishihara	Ms. Gerti Reagan, Consultant
Ms. Maria Quartero	Ms. Donna Tonaki
Ms. Kathleen Shiroma	

OTHERS PRESENT

Ms. Lynette Arakawa, HDS	Ms. Ruth Kim, HSTA-R
Ms. Roxane Begi, UH, Manoa	Mr. Kendall Matsuyoshi, Rep. Takai's
Ms. Sandra Benevides, Kaiser Permanente	Ms. Sarah Moriyama, ORTA
Mr. P.K. Ariki	Mr. Michael Moss, HMSA
Ms. Monica Engle, VSP	Ms. Gertrude Nitta, HGEEA-R
Ms. Elaine Fujiwara, HDS	Ms. Gladys Quinto, HI Uninsured
Mr. Rick Jackson, MDX Hawaii	Mr. Peter Rodriguez, Hartford
Ms. Laurel Johnston, HI Uninsured Project	Ms. Carol Taniguchi, HI Uninsured
Mr. Eleu Kane, Summerlin	Mr. Myles Taniguchi, TRIA

I. CALL TO ORDER

The meeting of the Administrative Committee was called to order at 8:36 a.m. by Chairperson Mark Recktenwald in Conference Room 1935, City Financial Tower, Honolulu, Hawaii, on Wednesday, May 17, 2005.

II. APPROVAL OF MINUTES

The Committee reviewed the draft minutes for March 22, 2005.

Amendments: page 5, line 5 - delete comma after 2005 and add "to" change clients to "compliance" and delete comma after HIPAA.

By consensus of the Trustees, the Administrative Committee approved the minutes for March 22, 2005 as amended.

III. REPORTS

A. Administrator

1. PeopleSoft Upgrade RFP Update

Overview by Ms. Shiroma regarding the PeopleSoft upgrade RFP. SPO issued an addendum to registered vendors and a separate letter to vendors notifying them of the cancellation of the RFP. The report of the Evaluation Committee will be discussed in Executive Session.

2. Alternatives to PeopleSoft System

To be discussed after Executive Session.

Trustee Shiraki arrived at 8:37 a.m.

3. 2005 Open Enrollment Update

Mr. Lawrence Nishihara reported that 35 sessions were held with less than 1,400 employees attending. Due to minimum changes, the EUTF received 1,835 active open enrollment forms and 35 retiree forms. The personnel offices have until the end of this month to submit open enrollment forms.

4. PEHF Refund Project Update

Mr. Lawrence Nishihara reported that the Department of Motor Vehicles assisted the EUTF in identifying 3,000 new addresses and 2,000 checks were mailed and only 224 returned. Mr. Nishihara gave an overview regarding the need to extend temporary positions. Discussion held by Trustees and staff regarding the budget and if the project will be finished by September 30, 2005. Mr. Nishihara stated that there is no additional cost and it is within the current budget and that most of the project should be finished by the end of September 30, 2005.

By consensus of the Trustees, the Administrative Committee recommends that the Board authorize the extension through September 30, 2005 of temporary appointments for positions established for the Health Fund refund project.

5. FY06 & FY 07 Budget Approved by Legislature

Overview by Ms. Tonaki regarding the FY06 & FY 07 budget approved by the legislature (see written report). Mr. Williams clarified that though the funding for the Attorney General (AG) services increased, the legislature reduced the AG's budget (General Fund) and added the funding to the EUTF budget (Trust Fund). Discussion held by Trustees and staff regarding the AG's funding, concerns about the EUTF funding this position, and how this funding will affect the EUTF budget. The

Administrator will follow-up regarding how the funding could be corrected. Mr. Williams explained the rationale on why the legislature reduced the budget for positions and will look at the necessity of these positions and stated that the IT position is needed now. Mr. Williams stated that the PeopleSoft funding for FY 2005-06 of \$800,000 would be used for the general purpose of systems support and development and obtaining a new system. The legislature had concerns about the PeopleSoft system and questioned why the EUTF would upgrade the PeopleSoft system. Discussions held by Trustees and staff regarding reports for charter schools due to the budget proviso that requires that Budget and Finance pay a penalty if the required report is late.

6. Proposed Legislation Affecting EUTF Update

Mr. Williams gave an overview regarding the proposed legislation affecting EUTF (see report). Discussion held by Trustees and staff regarding HB1548 that changes the composition of the Board and concerns about HB1608 (VEBA). Mr. Williams explained that no action would be taken by the EUTF regarding transition of records until the VEBA bill is signed. Further discussion by Trustees and staff regarding the impact on staff and options to take for additional funds if the VEBA bill passes. Mr. Williams is recommending that the Board authorize him to submit comments to the Governor that would be neutral if the Board takes no position.

By consensus of the Trustees, the Administrative Committee recommends that the Board authorize the Administrator to communicate to the Governor comments and information related to the impact of HB1548 on EUTF with no position taken.

Further discussion by Trustees regarding the affects of HB1608 relating to GASB 43&45, whether the EUTF should take a position, and the fiduciary responsibilities of the EUTF Trustees. No consensus by the Trustees of the Administrative Committee to take a position on HB1608.

By consensus of the Trustees, the Administrative Committee recommends that the Board authorize the Administrator to communicate to the Governor comments and information related to the impact and pros/cons of HB1608 with no position taken.

7. Direct Deposit of Medicare Part B Premium Refunds in Cooperation with ERS

Ms. Shiroma provided an update regarding the direct deposit of Medicare Part B premium refunds in cooperation with ERS (see Administrator's report).

8. EUTF Facilities – Option to Lease Additional Space
Overview by Mr. Lawrence Nishihara (see report). Discussion held by Trustees and staff regarding the renovation costs.

By consensus of the Trustees, the Administrative Committee recommends that the Board approve Option B to acquire approximately 1,800 square feet of the ewa suite and authorize the Administrator to take the necessary steps to implement this acquisition of additional space.

9. GASB 43&45
Overview by Mr. Williams regarding GASB 43&45 (see Administrator's report).

10. Strategic Direction Survey
Overview by Mr. Williams regarding the strategic direction survey completed by the Trustees. The basic idea of the survey is to get a dialogue started. Trustees expressed that strategic planning is good and this is an excellent start.

By consensus of the Trustees, the Administrative Committee stated that the Administrator should move forward in utilizing the results and developing ideas for the Board to consider.

- B. Deputy Attorney General
Mr. Aburano reported:

1. HB1608-VEBA
Overview by Mr. Aburano regarding the legal issues/questions concerning the implementation of the VEBA bill assuming it is signed into law: [Trustee Radcliffe arrived at 9:56 a.m.] (1) Can the EUTF transfer protected health information (PHI) to the VEBA? It would be okay under HIPAA because VEBA is a covered entity and like the EUTF is obliged to keep PHI confidential. However, he recommends that the EUTF try to insure that any PHI transferred to the VEBA only relate to employees who will be transferring to VEBA and that the EUTF seek assurance or remind the VEBA of its obligation to keep the information confidential and to use the information only for the purposes of its health plans. He also recommends that the EUTF try to get assurance that if the EUTF needs the same type of information in three years when the VEBA bill expires or if the VEBA plan terminates earlier than the VEBA bill expiration date, that VEBA would transfer such information to the EUTF. (2) Whether it is okay to start retirees at

two different times? The language in the statute is not clear, but provided that the VEBA and HSTA have a reasonable ground to start the existing retirees at a later time than the new retirees, it should be permissible under the statute. (3) Who should make the one time option to the existing retirees, what should be the timing of the giving of this option, and who should set the procedures? The bill is silent on this issue and since the existing retirees are currently members of the EUTF it is reasonable to argue that the EUTF should make the one time offer in coordination with the VEBA. The EUTF Board and staff should be the ones to design the process or at least provide input into the process. (4) Who would make Medicare Part B payments to VEBA plan retirees? The bill provides that the State and Counties would directly disburse Medicare Part B payments to any of the retirees that join the VEBA. This language is different from the language in Chapter 87A which implies that the EUTF would make the payment. Based on the difference in the language, it appears that the State through the Department of Budget and Finance and the Counties through their respective departments, are the one who are obligated under the statute to make the Medicare Part B payments to retirees joining the VEBA. (5) What amount of contributions are going to be paid to the existing retirees who opt to transfer over to VEBA? This is a matter for the public employers to negotiate and not an issue for the EUTF to resolve.

2. Medicare Part D - Opinion

This item will be addressed under the Benefits Committee agenda.

C. Benefits Consultant

Mr. Garner reported:

1. May Report (see written report)

a. HIPAA Security Policies and Procedures Report

In the evaluation, everything that is within the control of the EUTF is in good shape and some things are beyond the control of the EUTF such as the disaster recovery facilities and statewide policy on encryption of e-mail. Garner Consulting will be submitting quarterly reviews regarding HIPAA compliance and will do re-training on HIPAA security for the EUTF staff.

b. Performance Standards

Overview by Mr. Garner regarding the carrier performance standards (see report). HMSA and Kaiser did not meet performance standards. Kaiser's standard related to promptness in answering calls carries a financial penalty, however, it is calculated on an annual basis. Missing a standard for one quarter does not necessarily invoke a penalty.

c. GASB

Ms. Reagan reported that Garner's determination is that the EUTF provides a defined benefit plan (see letter). Discussion held by Trustees and consultants regarding the difference and definition of a defined contribution plan and a defined benefits plan for the purposes of GASB. A determination is needed on who will take the lead on getting the actuary evaluation.

By consensus of the Trustees, the Administrative Committee authorized the Administrator to send a letter to the Comptroller to seek an opinion from the EUTF auditor's.

d. COBRA Procedure Manual

No action, Trustees are to review the COBRA Procedures Manual for the next Board meeting. Mr. Garner stated that a change would need to be made because, unlike the other carriers, Kaiser will not be able to provide new notices that are required by regulations. The manual will be modified to reflect that Kaiser will provide EUTF with the information and that EUTF will need to comply with the regulations.

IV. UNFINISHED BUSINESS: None

V. NEW BUSINESS

A. PeopleSoft Upgrade RFP

By consensus of the Trustees, the Administrative Committee recommends that the Board ratify the cancellation of the PeopleSoft RFP.

B. Alternatives to PeopleSoft System

To be discussed after Executive Session.

C. EUTF Facilities-Option to Lease Additional Space

Discussed and action taken under Administrator's report.

D. COBRA Procedure Manual

Discussed under Benefits Consultant report.

E. Hawaii Uninsured Project

Presentation by Laurel Johnston, Executive Director of the Hawaii Uninsured Project (see handouts).

F. Extension of Temporary Staff

Discussed and action taken under the Administrator's report.

G. MedAmerica/Hartford Assumption

Overview by Mr. Aburano regarding the issue of an agreement to an assignment of responsibility for the long-term care contract with Hartford. MedAmerica/Hartford is not asking for an assignment of contract, they are asking for an assumption reinsurance transaction. Mr. Aburano stated that an assumption reinsurance transaction may not be the same as an assignment of contract but it has the same effect, i.e., it would release Hartford as an insurer under the long-term care program. MedAmerica is looking at the possibility of offering additional benefits to the existing members of this program in order to encourage the EUTF to enter into the assumption reinsurance transaction. MedAmerica will be looking at exactly how many EUTF members are in the program and will get back to Mr. Aburano and Mr. Garner. Mr. Aburano will report back to the Board at the next Board meeting whether entering into the assumption reinsurance agreement would result in advantages for the EUTF or its members.

H. Proposed Legislation Affecting EUTF

Discussed and action taken under the Administrator's report.

VI. COMMUNICATIONS FROM THE PUBLIC AND INPUT FROM ATTENDEES

There was no communication from the public.

VII. FUTURE AGENDA ITEMS AND NEXT MEETING DATE

The next regular Committee meeting is tentatively scheduled for June 21 or 22, 2005

VIII. EXECUTIVE SESSION

MOTION was made to go into Executive Session to deliberate or make a decision on matters that require the consideration of information that must remain confidential pursuant to federal or state law, and to consult with the Board's attorney on questions and issues pertaining to the Board's powers, duties, privileges, immunities, and liabilities regarding: (1) Benefits Consultant Contract; (2) HIPAA Security Policies and Procedures; (3) PeopleSoft Upgrade RFP No. 05-033-0; (4) MedAmerica/Hartford Assumption Reinsurance Transaction; and (5) any other item of business on the Administrative Committee's agenda at 10:32 a.m.. (Watanabe/Kahoohanohano) The motion passed unanimously. Employer Trustees-3/Employee-Beneficiary Trustees-3)

Recessed at 10:32 a.m. and Reconvened at 10:35 a.m.

Trustee Befitel arrives at 10:37 a.m.

Trustee Lewis arrives at 10:50 a.m.

MOTION was made to move out of Executive Session.
(Kahooohanohano/Watanabe) The motion passed unanimously. Employer
Trustees-3/Employee-Beneficiary Trustees-3)

Executive Session adjourned at 11:01 a.m.

V.B. Alternatives to PeopleSoft System

By consensus of the Trustees, the Administrative Committee recommends that the Board authorize the administrator to issue a request for professional services for a qualified PeopleSoft systems integration provider to provide support until a long-term software solution can be implemented, with a not-to-exceed cost of \$300,000 annually.

By consensus of the Trustees, the committee recommends that the Board authorize the administrator to seek a procurement exemption and, if the exemption is granted, to negotiate with the ERS contracted systems vendor, with any resulting proposed agreement subject to approval by the Board of Trustees

IX. ADJOURNMENT

By consensus of the Trustees, the Administrative Committee adjourned.

Meeting adjourned at 11:06 a.m.

Respectfully submitted,

/s/

Mark Recktenwald, Chairperson

APPROVED on November 29, 2005 as amended.

DOCUMENTS DISTRIBUTED:

1. Draft Minutes for 3/22/05. (5 pages)
2. Memorandum to Board of Trustees (BOT) from Administrator regarding March-

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- April Administrator Report dated 5/9/05. (8 pages)
3. Memorandum to BOT from Administrator regarding Recommendations to Replace PeopleSoft/HFIMS dated 5/10/05. (4 pages)
 4. Memorandum to BOT from Administrator regarding FB 2005-07 Biennium Budget Bill - House Bill No.100, House Draft 1 (HD1), Senate Draft 1 (SD1), Conference Draft 1 (CD1) dated 5/9/05. (2 pages)
 5. Memorandum to Board of Trustees from Administrator regarding Option to Lease Additional Space dated 5/9/05. (3 pages)
 6. Benefits Conference for Public Employees on 7/11-13, 2005. (4 pages)
 7. Memorandum to BOT from Garner Consulting regarding May Benefit Consultant Report dated 5/6/05. (8 pages)
 8. The Hawaii Uninsured Project information. (9 pages)