

HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
Minutes of the Benefits Committee Meeting
July 17, 2002

TRUSTEES PRESENT

Ms. Audrey Hidano, Vice-Chairperson
Mr. Willard Miyake

GUEST TRUSTEES

Mr. Sam Callejo (Arrived 9:15 a.m.; Left 10:25 a.m.)
Mr. Gerald Machida (Arrived 9:15 a.m.)

TRUSTEES ABSENT

Ms. Joan Lewis, Chairperson
Mr. Neal Miyahira

ATTORNEY: Mr. Brian Aburano, Deputy Attorney General

HEUHBTF STAFF

Mr. H. Mark Fukuhara, Administrator
Mr. Tracy Ban
Ms. Lynette Fukunaga
Ms. Shirley Kawamoto

Mr. John Garner, Consultant
Ms. Gerti Reagan, Consultant
Ms. Wanda Kimura
Ms. Karen Tom

OTHERS PRESENT

Ms. Jean Aoki, HSRTA
Ms. Lynette Arakawa, HDS
Mr. Gary Asato, Kaiser
Mr. George Butterfield, HSTA-Retired
Ms. Nani Crowell, HSTA
Ms. Monica Engle, VSP
Mr. Charles Khim
Ms. Ruth P. Kim, HSTA-Retired

Mr. Norbert Mendes, HDS
Mr. Maurice Morita, HSTA
Ms. Sarah Moriyama, ORTA
Mr. Michael Moss, HMSA
Mr. Gordon Murakami, Royal State
Mr. Rod Tam, HMSA
Mr. George Yamamoto, HGEA-Retirees

I. CALL TO ORDER

The meeting of the Benefits Committee was called to order at 9:10 a.m. by Vice-Chairperson Audrey Hidano in Department of Business, Economic Development and Tourism, Conference Room 436, No. 1 Capitol District Building, 250 South Hotel Street, Honolulu, Hawaii, on Wednesday, July 17, 2002. Chair Lewis was unable to attend this meeting.

II. APPROVAL OF MINUTES

Approval of the May 14, 2002 minutes was deferred as Trustee Miyake was not present at that meeting.

III. UNFINISHED BUSINESS:

A. Structural Plan Decisions

1. Multi-Tier Structure

Garner Consulting described various tier structures that may be used in the Trust Fund's benefits plan design based on demographic and other information currently available to the Trust Fund about plans offered by the Health Fund and the unions. Garner said that in estimating what effect the various tier structures may have on participants in the union plans, it had made some assumptions about

HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND

Benefits Committee Meeting

July 17, 2002 Minutes

PAGE 2

how many participants were in the various tiers of the union plans since it did not have that information. Garner will be requesting information from the unions so that it can more accurately project the effect of various tier structures at the next meeting of the Committee. Until then, a four-tier structure, based on the number of dependents, would appear to have the least negative impact and most positive impact for current active beneficiaries.

Retirees would continue on a two-tier structure. A third tier may be possible, but this tier may exceed the cap. The Deputy Attorney General was tasked with determining whether any savings realized for retirees may be applied to a third tier.

2. Cafeteria Plans

Motion was made to recommend to the Board to keep the status quo for cafeteria style plans, i.e., no cafeteria plans. (Miyake/Hidano)

Discussion: Various cafeteria plan types and timing issues were discussed.

Vote: Unanimously passed.

3. Bundling of Benefits

Motion was made to recommend to the Board to: 1) obtain "stand alone" quotes for medical, prescription drug, dental, and vision; 2) obtain quotes to bundle medical and prescription drug; and 3) allow carriers to propose additional bundling. (Miyake/Hidano)

Discussion: Whether to bundle or not and what should be bundled.

Vote: Unanimously passed.

4. Other Benefits

Motion was made to defer and revisit this issue after July 1, 2003.

(Miyake/Hidano)

Discussion: Additional benefits, i.e., supplemental life insurance and long-term disability insurance, where the employee pays all premiums, and other benefits, such as, discount programs, which are not insurance plans. Mr. Aburano was asked to look at Act 88 on whether life insurance had to be offered for active employees since both the words "shall" and "may" appear in different sections of the statute. Consultant to request information from the unions on whether they have a substantial amount of excluded or associate members who are covered with supplemental life insurance.

Vote: Unanimously passed.

RECESS: 10:50 a.m. to 11 a.m.

IV. NEW BUSINESS

Agenda items IV.A., Medical Plan Details; IV.B., Pharmacy Benefits; and IV.C., Life/Dental/Vision Benefits, will be taken up at future Committee meetings.

D. Request for Proposal

1. There being no objection, the Committee agreed to recommend to the Board the following:
 - a. The RFP will follow the State's process and be handled by the Administrator.
 - b. No orientation conference will be held.
 - c. Letters of intent will be requested.
 - d. Move the deadline for responses to written questions from Tuesday, September 16, 2002 to Friday, September 13, 2002, at 4 p.m. (HST).
2. Motion was made to recommend to the Board a two-year contract with two-year extension. (Miyake/Hidano)
Discussion: None.
Vote: Unanimously passed.
3. Motion was made to recommend to the Board that premiums for the two-year extension be determined by factoring a 12-month base period plus maximum trend assumption, plus claims experience. (Miyake/Hidano)
Discussion: Various methods of determining premiums for the extension period were discussed.
Vote: Unanimously passed.
4. Financial Issues – Cash Flow Techniques
There being no objections, the Committee agreed to recommend to the Board the following:
 - a. Premium Delay. Premium payments to the carriers will be made monthly, in arrears.
 - b. Retrospective Premium Agreement. Carriers would be paid 95% of premiums with a 5 percent retro to be held in reserve until after the contract year is completed at which time it would be determined what portion, if any, of the 5% was needed to cover claims and retention. Mr. Fukuhara will work with Garner to determine the impact on costs should the Trust Fund hold the reserves for IBNR (incurred but not reported claims) rather than the carriers.
5. There being no objection, the Committee agreed to recommend to the Board performance standards that address service and focuses on turnaround time and accuracy which will also be used to develop performance guarantees.
6. There being no objection, the Committee agreed to recommend to the Board a composite rate structure for payment of premiums to the carriers.
7. There being no objection, the Committee agreed to recommend to the Board two default plans for retirees, an HMO and non-HMO plan.
8. Out of area plans - for retirees who no longer reside in Hawaii. Garner will ask the Health Fund for information on out-of-state retirees.
9. There being no objection, the Committee agreed to recommend to the Board minimum coverages and exclusions to specify what the Trust Fund wants covered and excluded.

V. FUTURE AGENDA ITEMS AND NEXT MEETING

HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND

Benefits Committee Meeting

July 17, 2002 Minutes

PAGE 4

The next meeting is scheduled for Tuesday, July 23, 2002, at 1:30 p.m., State Capitol, Room 408, to continue on Wednesday, July 24, 2002, at 9 a.m., Executive Office on Aging Conference Room 410, No. 1 Capitol District Building, 4th Floor. The final meeting for the month of July is Wednesday, July 31, 2002, at 9 a.m., State Office Tower, Conference Room 405.

VII. ADJOURNMENT

Motion to adjourn. (Miyake/Hidano)

Discussion: None.

Vote: Unanimously passed.

Meeting adjourned at 12:28 p.m.

Respectfully submitted,

Audrey Hidano, Vice-Chairperson

APPROVED on August 20, 2002.

DOCUMENTS DISTRIBUTED:

1. Garner PowerPoint. (10 pages)
2. RFP Timeline. (1 page)