

1 HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND  
2 Minutes of the Board of Trustees  
3 Tuesday, March 5, 2002  
4  
5

6 TRUSTEES PRESENT: Mr. Sam Callejo, Chairperson  
7 Ms. Audrey Hidano, Vice-Chairperson  
8 Mr. Jim Williams, Secretary-Treasurer  
9 Ms. Joan Lewis  
10 Ms. Kathryn S. Matayoshi  
11 Mr. Neal Miyahira  
12 Mr. Chip Uwaine (Arrived at 10:14 a.m.)  
13 Mr. Jimmy Yasuda  
14 Mr. Davis Yogi  
15

16 TRUSTEES ABSENT: Mr. Will Miyake  
17

18 ATTORNEY: Mr. Brian Aburano, Deputy Attorney General  
19

20 HEUHBTF STAFF Mr. Tracy Ban  
21 Ms. Lynette Fukunaga  
22 Ms. Shirley Kawamoto  
23 Ms. Wanda Kimura  
24 Mr. Gary Sanehira  
25 Ms. Karen Tom  
26

27 OTHERS PRESENT: Ms. Jean Aoki, HSRTA  
28 Ms. Lynette Arakawa, HDS  
29 Mr. George Butterfield, HSTA-Retired  
30 Ms. Nani Crowell, HSTA  
31 Ms. Alana Deppe-Mariota, Kaiser  
32 Ms. Monica Engle, VSP  
33 Mr. Melvin Higa, MBAH  
34 Mr. Charles Khim  
35 Mr. Miles Kubo, HDS  
36 Mr. Norbert Mendes, HDS  
37 Mr. Maurice Morita, HSTA  
38 Mr. Tom Morrison, The Segal Company  
39 Mr. Gordon Murakami, Royal State  
40 Ms. Karen Muronaka, HSTA-Retired  
41 Mr. Rod Tam, HMSA  
42 Mr. George Yamamoto, HGEA-Retirees  
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1 A. CALL TO ORDER

2 The regular meeting of the Board of Trustees was called to order at 9:33 a.m. by Mr. Sam  
3 Callejo, Chairperson, in Conference Room 303/304, No. 1 Capitol District Building,  
4 250 South Hotel Street, Honolulu, Hawaii, on Tuesday, March 5, 2002.

5  
6 The Chair stated that Mr. Miyake had called to advise that he would be unable to attend the  
7 meeting and Mr. Uwaine had called to advise that he will be late.

8  
9 B. APPROVAL OF MINUTES

10 Minutes for February 5, 2002 were reviewed and the following correction was made by  
11 Mr. Miyahira to page 4, line 8 as follows: “Presentation by Mr. Miyahira with the assistance  
12 of Mr. Morrison....”

13  
14 MOTION to approve the minutes as corrected was made by Mr. Yogi and seconded by  
15 Ms. Matayoshi. The motion was passed unanimously. (Employer trustees 5/Employee-  
16 beneficiary trustees 3)

17  
18 C. ADMINISTRATIVE COMMITTEE REPORT

19 Committee Chair Matayoshi reported on the Procurement Process, Interim Budget, and  
20 Appropriation Request to the Legislature.

21  
22 1. Procurement Process. Ms. Matayoshi reviewed the recommended procurement process.  
23 There was discussion as to whether work could be delegated to staff or a consultant.  
24 Committee members commented that the procurement process is a basic process and  
25 each committee can determine the use of staff or consultants in providing assistance in  
26 the committee’s work. The process indicates that the ultimate responsibility lies with  
27 the Board.

28  
29 Ms. Matayoshi requested that Agenda Item VI.A. be taken out of order for action.  
30 There were no objections by the trustees.

31  
32 PUBLIC COMMENTS

33 C. Khim commented that the second bullet under the Purpose section should follow the  
34 statutory language which is broader than as written. He further commented that item II  
35 implies that the lowest qualified bidder is being considered and that the proposed  
36 language does not clearly state that.

37  
38 Committee members agreed to amend the second bullet under the Purpose section as  
39 follows: “Professional services and advisors such as auditors, actuaries, investment  
40 firms and managers, benefit plan consultants or other professional advisors.”

41  
42 Committee members commented that procedural item II was not intended to nor was it  
43 meant to imply that the Board would only consider the lowest bidder in all cases.

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1 Rather, the process refers to qualified bidders as found in paragraph E. Further,  
2 paragraph A provides for the development of evaluation factors of which cost might be  
3 one of several factors. Procedural item II is meant to cover situations where there fails  
4 to be agreement on a contract between the Board and a contractor.  
5

6 M. Higa commented that procedural item III reads as if the Board is required to  
7 approve any negotiated contract.  
8

9 Ms. Matayoshi responded that it was intended that there is no contract unless the Board  
10 approves the contract. She proposed the amendment, "Any negotiated contract shall be  
11 subject to approval by the Board." The Committee agreed to this amendment.  
12

13 MOTION to adopt the procurement process as revised was made by Ms. Matayoshi and  
14 seconded by Ms. Hidano. The motion was passed unanimously. (Employer trustees  
15 5/Employee-beneficiary 3)  
16

17 2. Proposed Budget for FY 02-03.

18 Ms. Matayoshi reviewed the Committee's proposed budget as amended and indicated  
19 the changes made by the Committee (shown in bold on the handout). The changes  
20 included an increase in the Administrator's salary, an additional financial position, an  
21 increase in the salary for the Information Systems position, increase in funding for open  
22 enrollment data entry, an increase in insurance costs, and increases for modification of  
23 the computer system. The revised shortfall amount would be requested from the  
24 legislature.  
25

26 Mr. Aburano asked if there was a budget item for a general consultant to advise on the  
27 setting up and operation of the trust fund as well as on regulatory matters. Committee  
28 members indicated that there was a line item for consultants in FY 02 so that contracts  
29 could be executed in FY 02 and carry forward into FY 03. The benefits consultant was  
30 considered as a general consultant to the Board and the amount indicated in the  
31 proposed budget is double that of the Health Fund's consultant costs.  
32

33 There was discussion on potential transition costs, e.g., audit of the Health Fund.  
34 Transition costs were included in the Health Fund's budget. The Health Fund's assets  
35 will be transferred to the EUTF, and Mr. Aburano is researching if the Health Fund's  
36 liabilities will also be transferred to the EUTF.  
37

38 There was discussion on the issue of using a third party administrator (TPA). The  
39 Committee reported that there was some discussion but the Committee had not reached  
40 a conclusion to be presented to the Board. The Committee's discussion covered two  
41 concepts: 1) an EUTF administrator with a TPA, and 2) EUTF senior management  
42 positions that are necessary whether there is a TPA or not. Funds for senior

1 management positions were budgeted so that the Board would have flexibility in hiring  
2 for these management positions if needed.

3  
4 The Chair commented that staff had asked the Health Fund Administrator to attend this  
5 meeting, however, the Chair received a letter from the Administrator that he would not  
6 be present and would have to discuss it with the Board. The Chair stated that he would  
7 make contact with the Health Fund Board Chair to begin talking about transition  
8 matters. Mr. Williams commented that the Health Fund Board should be assured that  
9 the EUTF Board was attempting to obtain information and had not intended to have the  
10 Administrator make decisions or representations on behalf of the Health Fund Board.

11  
12 PUBLIC COMMENTS

13 M. Higa commented that the Board should also include funds for basic business  
14 requirements such as a disaster recovery program (estimated at \$35, 000 - \$75,000  
15 initial fees), and a records management program which should be established before an  
16 accounting program is considered. Ms. Matayoshi responded that the programs  
17 indicated by Mr. Higa were not discussed in the Committee, however, the State has a  
18 disaster recovery program for its computer systems. The Chair stated that if there is a  
19 funding need in FY 03, it may be possible to request emergency funding based on  
20 needs at that time.

21  
22 C. Khim commented that the Board should include funding amounts in the budget for a  
23 record retention program. He stated that Board must decide on whether the Board will  
24 accept the Health Fund records for input into the Board's computer system or if the  
25 Board will accept the Health Fund records and the Health Fund's computer system. He  
26 commented that Section -24(9) of Act 88, SLH 2001, requires that an agency provide  
27 information to the board. Mr. Sanehira responded that the Health Fund routinely backs  
28 up its computer data and that backup data is stored elsewhere. He stated that ICSD has  
29 a disaster recovery plan. Additionally, the HIPAA security regulations, which has not  
30 yet been finalized, includes a requirement for a disaster recovery plan.

31  
32 Mr. Miyahira stated that the Board should move forward on the budget because the  
33 proposed budget is reasonable based on the current information available and that  
34 adjustments may be made in the future.

35  
36 Mr. Uwaine joined the meeting at 10:14 a.m.

37  
38 There was further discussion on the salary of the administrator. The recommended  
39 amount was to enable the Board to compete in the market for a highly qualified  
40 administrator. The recommended amount for the benefit plan consultant is twice that of  
41 the current Health Fund's consultant expense. The Committee had not identified  
42 whether the funding would cover one or two benefit consultants which is an issue that  
43 must be decided by the Board.

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1  
2 Mr. Uwaine suggested that funding be included for audio equipment to be used at  
3 Board meetings so that any requested reproduction of tapes will be accurate and  
4 audible. Staff reported that a portable system would run approximately \$800 - \$1,000.  
5 There was further discussion that there has only been a single request for copies of  
6 meeting tape recordings and it may be best to hold off purchasing equipment until it is  
7 determined how frequent the requests will occur. If the approved minutes are to be the  
8 primary reference, then it is unnecessary to purchase audio equipment. Mr. Yogi  
9 suggested a contingency item be added to the budget--\$10,000 for FY 2 and \$25,000  
10 for FY 03 to handle these types of unforeseen expenses.

11  
12 MOTION to include contingency funds of \$10,000 for FY 02 and \$25,000 for FY 03  
13 was made by Mr. Uwaine and seconded by Mr. Yasuda. The motion was unanimously  
14 passed. (Employer trustees 5/Employee-beneficiary trustees 4)

15  
16 There was discussion about adding funds for a consultant in FY 03 for the retention of  
17 a consultant in FY 04. The funding for consultants in FY 02 is targeted for a 15-month  
18 contact. The funding was included in FY 02 in anticipation of the execution of  
19 contracts and encumbrance of funds in FY 02. It was discussed that the FY 04  
20 administrative costs are part of employee-beneficiary premiums while the FY 02 and  
21 FY 03 budgets are for start-up expenses of the Fund.

22  
23 MOTION to include \$125,000 under benefit plans in FY 03 was made by Mr. Williams  
24 and seconded by Mr. Yasuda.

25  
26 There was further discussion that the budgeted consultant amount in FY 02 could be  
27 separated into the actual expenses in each fiscal year to account for concerns of the  
28 availability of funding. There was discussion that the additional funding in FY 03 is  
29 necessary to ensure adequate monies for a consultant in FY 04. It was commented that  
30 the amounts currently ported to the employee organizations for their plans are adequate  
31 to cover both plan administration and consultants.

32  
33 PUBLIC COMMENTS

34 G. Butterfield commented that there may be cash flow problems in FY 04 as the EUTF  
35 will not begin to have income until July 5, the first of collected premiums.

36  
37 C. Khim commented that all of the Health Fund monies will revert to the General Fund  
38 in FY 03-04 so the EUTF will need a nest egg until premium collections accrue.

39  
40 There was further discussion on whether the State would require that general funds  
41 used for consultant services in FY 04 be reimbursed. Even though some of the start-up  
42 costs will carryover into FY 04, the rationale for the additional funding is that there  
43 should be sufficient start-up monies for the necessary implementation activities.

1  
2 RECESS at 11:05 a.m.; reconvened at 11:20 a.m.  
3

4 The motion was passed. (Employer trustees 4-YES; 1-Opposed/Employee-beneficiary  
5 trustees 4. Trustees who voted YES were: S. Callejo, A. Hidano, K. Matayoshi,  
6 D. Yogi, J. Lewis, C. Uwaine, J. Williams, J. Yasuda; Opposed was N. Miyahira.)  
7

8 Mr. Uwaine asked staff to comment on Mr. Higa's comments regarding a disaster  
9 recovery program because Mr. Uwaine had missed part of the comments and wanted to  
10 determine if funds needed to be budgeted. Mr. Sanehira reviewed the State's current  
11 disaster recovery program for its departments in response to Mr. Uwaine's questions.  
12 The Chair commented that the Board would determine any necessary funding at the  
13 time decisions are made on transition issues.  
14

15 Ms. Matayoshi summarized the revised budget: For FY 02 there was an addition for  
16 contingency funds of \$10,000 and a shortfall of \$279,653, and for FY 03 there were  
17 additions of \$125,000 for consulting fees and contingency funds of \$25,000 with a  
18 shortfall of \$1,034,012.  
19

20 Agenda Item V.A.8 was taken out of order for consideration. There were no  
21 objections.  
22

23 The motion on the table as amended was passed unanimously. (Employer trustees 5/  
24 Employee-beneficiary trustees 4).  
25

26 3. Appropriation Request to the Legislature

27 Agenda Item V.A.5 was taken out of order. There were no objections.  
28

29 MOTION to make a request to the legislature for an additional funding of \$279,653 for  
30 FY 02, and \$1,034,012 for FY 03 was made by Ms. Matayoshi and seconded by  
31 Ms. Hidano. There was no discussion.  
32

33 PUBLIC COMMENTS

34 G. Butterfield commented that a recommendation from a committee need not be  
35 seconded because it is a committee recommendation and it is assumed that the motion  
36 has already been seconded. C. Khim concurred.  
37

38 Mr. Williams commented that the budget is the best that the Board could do at this time  
39 based upon the information available so that a request could be submitted to the  
40 legislature timely.  
41

42 The motion was passed unanimously. (Employer trustees 5/Employee-beneficiary  
43 trustees 4)

1  
2           The Chair asked staff to work on drafting the request to the legislature.  
3

4 D.     RULES COMMITTEE REPORT

5         There was no report as the first meeting of the Committee was rescheduled to March 12<sup>th</sup> at  
6         1:30 p.m.  
7

8 E.     UNFINISHED BUSINESS

9         Agenda Items V.A.1 and 2 are to be discussed on March 12, 2002.  
10

11         Agenda Items V.A. 3, 6, 7, 9, 10, and 11 were referred to the Administrative Committee. The  
12         Committee will meet on March 7, 2002 and report back for decision-making by the Board.  
13         The Chair commented that for Agenda Item V.A.7, the trustees were sent copies of existing  
14         legislation introduced this session and the trustees may check the status of the bills at the  
15         legislative website.

16         On Agenda Item V.A.6, the Administrative Committee asked that trustees submit any of their  
17         thoughts, ideas, or concerns on Chapter 87A, HRS, so that the Committee may provide a  
18         complete package for consideration to the Board.  
19

20         Agenda Item V.A.4 was referred to the Rules Committee.  
21

22         Agenda Items V.A.6 and 11 were referred to Rules Committee.  
23

24         Agenda Item V.A.12 was discussed in Executive Session on February 26, 2002 and is  
25         completed. Mr. Miyahira requested that the Project Team consultant, Mr. Morrison, be  
26         allowed to present information to the committees as he was involved in the development of  
27         technical matters. There was discussion as to Mr. Morrison's role in relation to the EUTF  
28         board. It was made clear that he is not a consultant to the Board and Mr. Morrison would be  
29         presenting information that had already been given to the Board. It was left to each committee  
30         as to how it wishes to utilize the available resources, Mr. Morrison and staff.  
31

32         Mr. Uwaine asked the Chair that the staff provide the working documents on the proposed  
33         draft rules to the Rules Committee.  
34

35         Agenda Item V.A.13 has been completed. Mr. Uwaine commented that the Board should keep  
36         in mind that selection of a broker should be based upon the broker's service, credibility,  
37         service, representation and not the cost of the premium and the coverage proposed. In  
38         preparing a proposal the broker who contacts a carrier first will lock out any other brokers  
39         because the carrier will only give a quote to the first contact. Once a broker is selected that  
40         broker may obtain quotes from an insurance carrier from which it was not able to obtain a  
41         quote previously. However, it is possible that there are relationships between carriers and  
42         brokers where a broker may not be able to obtain coverage from all carriers. Mr. Williams

1 commented that he has reservations about having an executive session on this subject as  
2 executive sessions should be used only when absolutely necessary.

3  
4 PUBLIC COMMENTS

5 C. Khim confirmed Mr. Uwaine's comments on the broker/underwriter relationship.

6  
7 F. RECORDING AND HANDLING OF MINUTES, PUBLIC ACCESS TO MINUTES, AND  
8 REQUESTS FOR COPIES OF AUDIO TAPES OF MINUTES (Agenda Item VI.B)

9 Mr. Uwaine was concerned about the possibility of an ongoing request for copies of tape  
10 recordings of meetings. Mr. Aburano stated that a request cannot be made for a government  
11 record that does not yet exist; a request can only be made for existing government records. As  
12 such, an "ongoing request" for tapes of future meetings was not valid. Mr. Aburano did  
13 acknowledge that someone could effectively obtain tapes of future meetings if they carefully  
14 requested such tapes immediately after each meeting in the future. There was further  
15 discussion as to who bears the cost of the reproductions. The charge of the copies is borne by  
16 the requestor except that normally legislators are not charged. It was confirmed that the tape  
17 recordings of a meeting would be recycled once the minutes for that meeting was approved.  
18 The cost of reproduction is provided by statute.

19  
20 PUBLIC COMMENT

21 C. Khim commented that the Hawaii Supreme Court addressed the issue of charges for  
22 reproduction of items in the decision on the Society of Professional Journalists (SPJ) vs.  
23 SHOPO. In that decision, the Supreme Court threw out the proposed costs that the police  
24 department was going to charge the SPJ. He suggested that the Board request that the Deputy  
25 Attorney General review that opinion before the Board determines costs for reproduction of  
26 tape recordings.

27  
28 G. COMMUNICATIONS FROM THE PUBLIC AND INPUT FROM ATTENDEES

29 K. Muronaka commented that it is difficult to hear the Board's discussions.

30  
31 Mr. Uwaine suggested that the Board meetings be held at various locations accessible to the  
32 public, e.g., libraries in Kaneohe and Pearl City. There was discussion that the members of the  
33 public who regularly attend Board meetings should be allowed to comment to determine their  
34 feelings on meeting at alternate locations. The Chair requested that Mr. Uwaine develop a  
35 tentative schedule of locations and this item will be placed on the next meeting's agenda for  
36 discussion and public input.

37  
38 H. ADJOURNMENT

39 A motion to adjourn the meeting was made by Mr. Yogi and seconded by Mr. Williams.  
40 There were no objections; the motion as unanimously passed.

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42 The meeting was adjourned at 12:14 p.m.  
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Respectfully submitted,

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James Williams, Secretary-Treasurer

APPROVED on March 12, 2002.

Documents Distributed:

1. Minutes of February 5, 2002. (7 pages)
2. Procurement (Ramseyer copy). (2 pages)
3. Procurement Process (clean copy). (1 page)
4. Interim budget. (2 pages)
5. Letter from Bert Nishihara, Administrator, Public Employees Health Fund. (1 page)