

HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
Minutes of the Board of Trustees
Tuesday, July 9, 2002

TRUSTEES PRESENT

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| Mr. Sam Callejo, Chairperson | Mr. Neal Miyahira |
| Ms. Audrey Hidano, Vice-Chairperson | Mr. Willard Miyake |
| Mr. James Williams, Secretary-Treasurer | Ms. Kathryn Matayoshi |
| Mr. Gerald Machida | Mr. Davis Yogi (Left 10 a.m.) |

TRUSTEES ABSENT

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| Ms. Joan Lewis | Mr. Clifford T. Uwaine |
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ATTORNEY

Mr. Brian Aburano, Deputy Attorney General

HEUHBTF STAFF

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| Mr. H. Mark Fukuhara, Administrator | Ms. Wanda Kimura | Mr. John Garner, Consultant |
| Mr. Tracy Ban | Mr. Gary Sanehira | Ms. Gerti Reagan, Consultant |
| Ms. Lynette Fukunaga | Ms. Karen Tom | |
| Ms. Shirley Kawamoto | | |

CONSULTANTS: Mr. Allen McMillen and Ms. Susan Bostick, Gartner, Inc.

OTHERS PRESENT

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| Ms. Jean Aoki, HSRTA | Mr. Melvin Kutara, C&C, DHR |
| Ms. Lynette Arakawa, HDS | Mr. Maurice Morita, HSTA |
| Mr. George Butterfield, HSTA-Retired | Mr. Michael Moss, HMSA |
| Ms. Alana Deppe-Mariota, Kaiser | Ms. Sarah Moriyama, ORTA |
| Ms. Monica Engle, VSP | Mr. Gordon Murakami, Royal State |
| Mr. Melvin Higa, MBAH | Ms. Kären Muronaka, HSTA-Retired |
| Mr. Charles Khim | Ms. Karen Sawai, HDS |
| Mr. Miles Kubo, HDS | Ms. Diane Sumida, DHRD |
| Ms. Doreen Kuroda, DHRD | Mr. Rod Tam, HMSA |

I. CALL TO ORDER

The regular meeting of the Board of Trustees was called to order at 9:07 a.m. by Trustee Sam Callejo, Chairperson, in Executive Office on Aging Conference Room, 4th Floor, No. 1 Capitol District Building, 250 South Hotel Street, Honolulu, Hawaii, on Tuesday, July 9, 2002.

ANNOUNCEMENTS

Trustees Lewis and Uwaine notified staff that they were unable to attend the meeting. The Chair welcomed Mr. Mark Fukuhara as Trust Fund Administrator and Mr. John Garner and Ms. Gerti Reagan, Garner Consulting, as the Trust Fund's benefits plan consultant. The Chair thanked the Administrative Committee and its Chair, Trustee Matayoshi, for their efforts in these accomplishments.

II. APPROVAL OF MINUTES

The minutes of June 25, 2002 will be ready for review at the next meeting.

III. COMMITTEE REPORTS

A. ADMINISTRATIVE COMMITTEE

1. Evaluation of HFIMS

Mr. McMillen and Ms. Susan Bostick, Gartner Group, reported on their review and evaluation of the Health Fund Information and Management System (HFIMS). (See handout of presentation.) They discussed the strengths and weaknesses of the HFIMS, and made short-term and long-term recommendations as to the Trust Fund's use of HFIMS. Gartner's short-term recommendations focused on HFIMS's ability to handle the Trust Fund's first open enrollment period. One of the recommendations was that the Trust Fund retain a PeopleSoft certified systems integration partner to assist in the configuration of the system and to implement the administrative fee. Ms. Bostick gave a rough estimate of \$450,000 to \$600,000 as to possible cost for retaining such an integration partner. The trustees asked a number of questions concerning Gartner's report and discussed the short-term and long-term recommendations made by Gartner.

RECESS: 10:37 a.m. to 10:51 a.m.

Trustees are to submit any additional questions for the Gartner Group by Thursday, July 11, 2002 to Mr. Fukuhara who will follow-up with the Gartner Group.

2. Benefit Plan Consultant

Milliman USA, by letter dated July 2, 2002, had requested a telephone conference on RFP No. 02-001 (Benefits Consultant). In addition, Aon called to ask about the selection of the benefits plan consultant. Trustee Matayoshi reported that the companies wanted to know how their proposals could be improved for future submittals and what factors the Board used in making the selection. There was nothing said during the telephone conversations that indicated that there would be a challenge to the Board's selection of the benefits plan consultant.

3. Decision-making on Third Party Administrator vs. In-House Administration

Trustee Matayoshi reported that this agenda item would be discussed at the next Administrative Committee meeting.

4. HIPAA Readiness Collaborative

Trustee Matayoshi reported that this agenda item would be discussed at the next Administrative Committee meeting.

B. RULES COMMITTEE

Trustee Miyake reported that the proposed rules were distributed for consultation and comments are due on July 31, 2002. So far two written responses were

received as “no comment.” The Committee will present a full report at the August Board meeting.

C. BENEFITS COMMITTEE

Mr. Garner and Ms. Reagan, Garner Consulting, presented their proposed benefit plan design plan of action. (See handout of presentation.) The trustees discussed Garner’s objectives, benefits strategy, the need for good and affordable benefits for employees and retirees, and current trends in benefit plans.

PUBLIC COMMENTS

Ms. D. Sumida, DHRD, asked for the IRS Code citation that provided for health reimbursement accounts. Mr. Garner indicated that it may be Revenue Ruling 2000-41 or 2000-45, effective June 26, 2002.

Mr. M. Higa asked how the proposed procedure for obtaining cost quotes would work with the recently passed law regulating insurance rates. Mr. Garner indicated that he assumes that the carriers will comply with the rate regulation laws.

Trustee Miyake suggested consideration of options that allowed public employee unions to design and offer health plans to their membership through the Trust Fund or as third party administrators for their membership.

The trustees discussed if such situations were permissible under Act 88, SLH 2001. Mr. Aburano was asked for an opinion. He commented that he would need details of what the unions would propose to make an effective legal analysis.

Mr. Fukuhara said he would work with Trustee Miyake to provide the information necessary for Mr. Aburano to make an analysis of the proposed option.

PUBLIC COMMENT

Mr. Higa commented that two bargaining units have submitted negotiation proposals that the union provide benefit plans and administration to its members. This issue will not be addressed at the bargaining table until the new administration assumes office and this impacts the Trust Fund as there may be multiple negotiated scenarios to deal with.

Mr. Khim provided comments on statutory construction and interpretation of statutes. He commented on the intent of Act 88, noting that the statute expressly authorizes the Board to offer more than one benefit plan, contract for plan(s), and use third party administrators. The shifting administrative costs to the unions would support one of the purposes of Act 88.

IV. OTHER REPORTS

A. ADMINISTRATOR

Mr. Fukuhara presented his plan of action for his first 90-days of employment. (See handout.)

B. DEPUTY ATTORNEY GENERAL

Mr. Aburano discussed his analysis of Act 155, SLH 2002 (regarding insurance producer licensing requirements), and its applicability to the trustees, administrator, and its consultant. He determined that the Act probably does not require the trustees, administrator, and benefits consultant to be licensed as insurance producers because: (1) the Act requires a license only for persons who sell, solicit, or negotiate for insurance, and defines what activities constitute the sale, solicitation or negotiation of insurance; (2) based on what is currently anticipated, the trustees, administrator and consultant will not engage in the activities that are defined as the sale, solicitation or negotiation of insurance; and (3) the trustees, administrator and consultant appear to fall within certain exceptions as to who must be licensed as an insurance producer under the Act, e.g., the Act excepts persons who are administrators, directors and officers of employee trust plans that offer benefits to employees. Mr. Aburano noted that the trustees could send a letter to the Insurance Commissioner asking if they, the administrator and/or the consultant were covered by the Act and, if so, could apply for a waiver from the Act.

Mr. Aburano was asked to draft letter to the Insurance Commissioner from the Chair to confirm that the trustees, staff, and benefit consultant are not required to be licensed under the provisions of Act 155.

PUBLIC COMMENT

Mr. Higa commented that the Trust Fund must determine if it must be licensed as an insurance carrier or producer if it becomes self-funding.

C. BENEFITS CONSULTANT

This agenda item will be included for the consultant reports at future meetings.

V. UNFINISHED BUSINESS

There were no unfinished business to discuss.

VI. NEW BUSINESS

A. Delegation of Authority to Administrator

The Chair reviewed draft delegation of authority documents. (See handouts.)

1. Addition of Signatory On Behalf Of The Trust Fund

This added Mr. Fukuhara as a signatory on all documents on behalf of the Trust Fund.

MOTION was made to approve the letter to DAGS/Comptroller and B&F regarding designated signatories to add Mr. Fukuhara to sign documents on behalf of the Trust Fund. (Matayoshi/Miyahira) The motion was passed unanimously (Employer trustees 4; Employee-Beneficiary trustees 3)

2. Statement of Delegation of Authority

This document covered a delegation of authority for those acts normally and usually performed by administrators of employee benefit trust funds.

The trustees discussed items 2 and 3 and made the following revisions:

- For item 2, "...Prior Board approval is required for any unbudgeted expenditures."
- For item 3, "Entering into contracts required for the day-to-day operations of the Trust Fund such as leased office space, acquisition of goods and services, and equipment, provided the expenditures are within approved budgeted amounts."

MOTION was made to approve the Statement of Delegation of Authority as amended. (Miyahira/Machida) The motion was passed unanimously. (Employer trustees 4/Employee-Beneficiary trustees 3)

VII. COMMUNICATIONS FROM THE PUBLIC AND INPUT FROM ATTENDEES

The Chair announced that the following documents were included in the trustees materials for their information:

- Letter from Ms. Karen Muronaka, HSTA-Retired, and Chair's response

VIII. FUTURE AGENDA ITEMS AND NEXT MEETING DATE

- Next Board meeting: Tuesday, July 23, 2002, 9 a.m., in the Executive Office on Aging Conference Room, 4th Floor, No. 1 Capitol District Building.
- Next Benefits Committee meeting: Tuesday, July 9, 2002, 1:30 p.m. following this Board meeting and will be chaired by Trustee Hidano in the absence of Trustee Lewis. The Chair recommended that all trustees attend.

If the trustees wish to add any items to the July 23, 2002 agenda, please contact staff by Noon, July 17.

IX. ADJOURNMENT

MOTION was made to adjourn the meeting. (Williams/Miyake) The motion was passed unanimously.

The meeting was adjourned at 12:20 p.m.

Respectfully submitted,

James Williams, Secretary-Treasurer

APPROVED on August 6, 2002.

Documents Distributed:

1. Presentation by The Gartner Group regarding HFIMS evaluation. (27 pages)
2. Presentation by Garner Consulting regarding benefit plan design approach. (3 pages)

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3. Letter from Milliman USA dated July 1, 2002 regarding RFP No. 02-001. (1 page)
4. Presentation by Administrator regarding 90-day plan of action. (3 pages)
5. Draft letter to DAGS/Comptroller and B&F regarding designated signatories. (2 pages)
6. Draft Statement of Delegation of Authority. (1 page)
7. Response to letter from Ms. Karen Muronaka, HSTA-Retired. (4 pages)
8. Approved minutes of May 28, 2002. (6 pages)
9. Approved minutes of June 14, 2002. (8 pages)