

HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
Minutes of the Board of Trustees
Tuesday, July 23, 2002

TRUSTEES PRESENT

Mr. Sam Callejo, Chairperson
Ms. Audrey Hidano, Vice-Chairperson
Mr. James Williams, Secretary-Treasurer
Ms. Joan Lewis

Mr. Gerald Machida
Mr. Willard Miyake (Arrived 9:08 a.m.)
Ms. Kathryn Matayoshi
Mr. Davis Yogi (Arrived 9:10 a.m.)

TRUSTEES ABSENT

Mr. Neal Miyahira

Mr. Clifford T. Uwaine

ATTORNEY

Mr. Brian Aburano, Deputy Attorney General

HEUHBTF STAFF

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

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

OTHERS PRESENT

Ms. Jean Aoki, HSRTA
Ms. Irene Bayudan, VSP
Mr. George Butterfield, HSTA-Retired
Mr. Rob Chung, Kaiser
Ms. Nani Crowell, HSTA MBC
Mr. Charles Khim
Ms. Ruth Kim, Retiree - Independent

Mr. Norbert Mendes, HDS
Mr. Maurice Morita, HSTA
Ms. Sarah Moriyama, ORTA
Mr. Gordon Murakami, Royal State
Ms. Karen Sawai, HDS
Mr. Rod Tam, HMSA

I. CALL TO ORDER

The regular meeting of the Board of Trustees was called to order at 9:05 a.m. by Trustee Sam Callejo, Chairperson, in Conference Room 408, State Capitol, 415 South Beretania Street, Honolulu, Hawaii, on Tuesday, July 23, 2002.

ANNOUNCEMENTS

A special presentation was made to Ms. Wanda Kimura who will be returning to the Department of Budget and Finance effective August 1, 2002. Ms. Kimura was instrumental in organizing and providing staff support to the Board for the last seven months and for supporting more than 50 Board and Committee meetings.

The Chair also presented each trustee with a Certificate of Commission from Governor Cayetano.

The Chair noted that Trustees Miyahira and Uwaine notified staff that they were unable to attend this meeting.

II. APPROVAL OF MINUTES

MOTION was made to approve the minutes of June 25, 2002 as submitted. (Matayoshi/Miyake)
The motion was passed unanimously. (Employer trustees-3 – Trustee Yogi was not present for the vote; Employee-Beneficiary trustees-4)

III. COMMITTEE REPORTS

A. ADMINISTRATIVE COMMITTEE

1. Gartner Group Recommendations

Trustee Matayoshi reported that the Committee reviewed each of Gartner's short-term recommendations (see handout). Mr. Fukuhara and Mr. Sanehira will develop a scope of service for configuration changes to the HFIMS system by mid-August. The Information and Communication Services Division (ICSD) vendor list will be used to obtain a vendor to assist with the configuration changes to the HFIMS. Staff is checking with the Department of Accounting and General Service (DAGS) to see if ICSD staff will continue to be available through the next fiscal year and the potential charges. With those two costs identified, accurate pricing for the HFIMS configuration changes can be determined. Mr. Fukuhara will follow-up on the outsourcing of the data entry. Long-term recommendations have been assigned to staff for review. Timeframe on the deliverables will be determined after the scope of work is developed.

2. Decision Making On Third Party Administrator (TPA) vs. In-House Administration

The draft Request for Information (RFI) developed by Trustees Hidano and Williams, Mr. Fukuhara, Mr. Garner, and Ms. Reagan was reviewed (see handout). MOTION for the Board to approve the immediate release of this RFI for a TPA with responses due August 2, 2002. (Administrative Committee) There being no objections, the motion was passed unanimously. (Employer trustees-4/Employee-Beneficiary trustees-4)

3. HIPAA Readiness Collaborative

Mr. Fukuhara has recommended to the Administrative Committee that the Trust Fund join the HIPAA Readiness Collaborative. The membership cost is \$3,000 and the expense is included in the Trust Fund's expenditure plan. Mr. Fukuhara has been delegated authority to proceed.

4. Staffing Update

Mr. Fukuhara reviewed an interim organizational chart which includes five staff positions and a tentative timeline for recruitment of the positions (see handout).

5. Recommendation For A Personnel Committee

MOTION that the Board appoint a personnel committee comprised of the Chair and Secretary-Treasurer to evaluate the CEO and develop the CEO's target goals and criteria and handle other personnel related matters. (Trustee Matayoshi on behalf of the Administrative Committee) There being no objections, the motion was passed unanimously. (Employer trustees-4/Employee-Beneficiary trustees-4)

6. Development of Budget and Legislation

Trustee Matayoshi discussed the addition of two items to the Administrative Committee agenda:

- 1) Budget and financial planning for the next fiscal biennium 2004-2005. The Committee will work with Mr. Fukuhara in developing the budget; and
- 2) Preparation of proposed legislation for the 2003 legislative session. The trustees were asked to review the proposed legislation that had been submitted and indicate if the Board wishes to introduce legislation. The deadline to submit a bill is the end of September.

B. RULES COMMITTEE

Trustee Yogi reported that the consultation period on the proposed rules ends July 31, 2002. The Committee will present a full report at the August Board meeting. The Administrator and Garner Consulting will also provide comments.

C. BENEFITS COMMITTEE

1. Alternate Benefit Committee Designees

MOTION to have an alternate Employee-Beneficiary trustee on the Benefits Committee should there be a lack of quorum. (Trustee Hidano on behalf of the Benefits Committee). The trustees discussed whether alternates were necessary. Trustee Lewis indicated her commitment as Chair of the Benefits Committee and that she was able to attend meetings with a few changes to the meeting schedule. The motion was withdrawn.

2. Structural Plan Decisions

Trustee Hidano reported on the Committee's July 9th meeting and submitted the following committee recommendations for the Board's approval:

- a) Issue a single Request For Proposals (RFP) which includes different components (medical, drug, dental, vision, and life insurance) and provides minimum specifications. Proposals can be submitted on one or more of the components. Retirees will have at least one plan for out-of-state members.

PUBLIC COMMENT

C. Khim suggested having one RFP with subparts for which proposals could be submitted.

R. Chung, Kaiser, asked if the Trust Fund was willing to provide the carriers information on demographics of its members, i.e., actives, retirees pre-65 and post-65, addresses, birth dates, and peer levels, to help carriers provide the best possible proposals. Mr. Garner commented that the demographic information has been requested of the Health Fund Administrator.

The recommendation was passed unanimously. (Employer trustees-4/
Employee-Beneficiary trustees-4)

- b) Provide three types of retiree plan designs in the RFP: 1) A plan based on the current PEHF plan which includes retirees under and over age 65, on the mainland, and in other countries; 2) An actuarially equivalent PPO plans, and 3) A plan that matches active employees' plans.

PUBLIC COMMENT

R. Kim asked the reason for having a plan for retirees over 65 years old that matches the actives' plan being designed. Mr. Garner commented that this would ensure that one plan would be below the employer contribution cap.

The recommendation was passed unanimously. (Employer trustees-4/
Employee-Beneficiary trustees-4)

- c) For the Board's information, the Committee will use an approach that provides the same eligibility rules, tier structure, exclusions, etc. for all plan designs as a means to manage plan structures and carrier competition. A recommendation for a rate structure is deferred for two weeks until more demographic information is obtained by the benefits consultant. A recommendation on Health Reimbursement Accounts (HRA) is also deferred. The Committee will be considering supplemental plans for the working spouse at the next meeting. Per Garner's recommendation, the Trust Fund will continue to use insured plans vs. self-insured plans. The Committee deferred a recommendation on contracting employee organizations as third party administrators of their own plans. Mr. Aburano was assigned to research that issue.

Trustee Hidano reported on the recommendations from the Committee's July 17th meeting for the Board's approval:

- a) Maintain the existing cafeteria plan at status quo, i.e., no cafeteria plans for now.
- b) Include in the RFP a request for plans that include "bundled" and "unbundled" benefit components as follows: 1) A plan that bundles the medical and drug components, 2) Individual plans for each of the medical, prescription, dental, and vision components, and 3) A plan that bundles all of the four components.

The trustees discussed the pros and cons of the different compositions and the effect on the prospective proposers. The trustees asked questions of the insurance carriers present (HMSA, HDS, and Kaiser) on this issue.

PUBLIC COMMENT

G. Butterfield commented that there have been no out-of-state companies that have bid on Health Fund plans and that this may be attributable to minimum requirements, the environment, and the size of the group.

The Committee revised this recommendation to request rate quotes for: 1) A plan with medical and drug components, and 2) Individual plans for medical,

prescription, dental, and vision. Carriers would be allowed to propose additional bundling of plans. (Trustee Hidano on behalf of the Benefits Committee) The motion was passed unanimously. (Employer trustees-4/Employee-Beneficiary trustees-4)

- c) Defer a recommendation on voluntary supplemental life and long-term disability plans pending additional information. Garner will request information from the unions on the supplemental insurance plans offered to union members.
- d) Defer a recommendation on offering discount medical plans.
- e) Trustee Hidano reviewed the RFP timeline: RFP issued by August 30, 2002, bids due October 1, 2002, and contracts awarded November 26, 2002.

The successful vendor will be awarded a two-year contract with an option to extend for another two-years. The premiums for the extension period would be negotiated for each year based on claims experience, expenses, and trends. Mr. Fukuhara suggested that the optional two-year extension be two one-year extensions.

The trustees discussed the timing of the re-negotiation of the premiums during the extension period as related to the timing of collective bargaining negotiations. A suggestion was made to separate the re-negotiation of premiums for retiree plans from the re-negotiation of premiums for active employee plans during the optional two-year extension.

PUBLIC COMMENT

G. Butterfield commented that normally the Health Fund awards benefit contracts in November or December. Thus, it would be necessary to reschedule the next RFP round in order to align the award of benefit contracts with collective bargaining negotiations.

The recommendation was revised to approve the RFP schedule and a two-year contract. (Trustee Hidano on behalf of the Benefits Committee) The motion was passed unanimously. (Employer trustees-4/Employee-Beneficiary trustees-4)

The recommendation for an option to extend contracts for an additional two years was referred back to Committee for further discussion. Trustee Yogi will meet with the Benefits Committee to discuss collective bargaining negotiation timelines.

- f) Include a requirement for a 30-day premium delay where the Trust Fund will pay insurance carriers after the end of a month instead of “in advance” at the beginning of the month.

The trustees discussed the advantages of having a delayed premium payment.

PUBLIC COMMENT

C. Khim commented that premium delay would help the Trust Fund in its accounting and any premium increase will be offset by the Trust Fund's use of the cash flow.

The motion was passed unanimously. (Employer trustees-4/Employee-Beneficiary trustees-4)

- g) Include a 5% retrospective premium agreement where premiums are collected from employers and employee-beneficiaries based upon a contract rate, however, the carriers will bill the Fund at a lower rate. After the end of each contract year, a comparison of the premiums paid and the actual claims experience and retention would be made and any shortage of premiums up to the maximum of the 5% retrospective premium would be paid to the carriers. This is a method to improve the Trust Fund's cash flow and also addresses any shortage that may occur from the use of composite rates in determining premiums paid to carriers.

The Board asked that Mr. Aburano review if any surplus would be held by the Trust Fund or returned to employers/employees.

PUBLIC COMMENT

C. Khim commented that the employers pay a fixed amount and the employees pay the difference of the premiums so any surplus should be returned to the employees. Because Act 88 does not provide for the refund of any surplus to employees, any surplus should be used to reduce the employees' costs, increase plan benefits, or use towards administrative expenses to offset employees' costs.

The motion was passed unanimously. (Employer trustees-4/Employee-Beneficiary trustees-4)

- h) Include performance standards and guarantees with penalties in each insurance contract. Performance standards include such items as timeliness in issuing member identification cards and providing reports. Performance guarantees include such items as timeliness and accuracy in processing claims and includes financial penalties for failure to meet these guarantees.

The motion was passed unanimously. (Employer trustees-4/Employee-Beneficiary trustees-4)

- i) Bill insurance carriers based on a composite rate calculation. A composite rate would simplify administration where a single rate (based upon the established premium rates) would be calculated and paid for all participants instead of a

monthly payment based on the total number of participants for each premium rate tier.

The trustees discussed the pros and cons of using a composite rate.

PUBLIC COMMENT

G. Murakami suggested that the Committee reconsider the use of a composite rate because the use of a composite rate would tax HFIMS.

R. Chung, Kaiser, asked who would determine the composite rate. Mr. Garner responded that the composite rate would be calculated after open enrollment and the RFP would specify that payments would be based upon a composite rate using quoted rates and actual enrollments. Mr. Chung commented that a revenue requirement is used in bidding so a composite rate may not meet revenue requirements used for the next plan year. The concern is who would determine the composite rate.

G. Murakami commented that there should be consideration as to the Trust Fund's liability when there is a population shift in coverages, i.e., family to single plans as this would result in lower premiums and less funds collected. Garner indicated that the contract could provide that if there was a population shift beyond a certain amount, that the composite rate would be adjusted.

The recommendation was referred back to Committee for further consideration.

- j) Provide two default plans to prevent loss of coverage for those current participants who fail to submit re-enrollment applications. The default plans would be the least expensive HMO and non-HMO plan.

The trustees discussed that a default plan may be all right for retirees. However, it may not be appropriate for active employees because an employee may have made a decision not to enroll under any of the Trust Fund plans. There are also consequences to a default enrollment if the employee is participating in a premium conversion plan.

PUBLIC COMMENT

G. Butterfield commented that there may be a large number of participants who fail to re-enroll and the Board should consider some type of default option to handle these participants.

N. Crowell indicated that there are limitations on disenrolling from a health plan for participants who are enrolled in a premium conversion plan.

C. Khim commented on tax implications of a premium conversion plan benefit.

The recommendation was referred back to the Benefits Committee for further consideration.

- k) Obtain bids from out-of-state plans for non-resident retirees which would include an HMO and freedom of choice plan.
The motion was passed unanimously. (Employer trustees-4/Employee-Beneficiary trustees-4)
- l) Include a list of minimum covered expenses and exclusions in the RFP.
The motion was passed unanimously. (Employer trustees-4/Employee-Beneficiary trustees-4)

Recess at 11:30 a.m.; reconvened at 11:43 a.m.

IV. OTHER REPORTS

A. ADMINISTRATOR

- 1. FY 02 Expenditure Report and FY 03 Budget
Mr. Fukuhara reviewed the FY 02 actual and budgeted expenditure report and FY 03 projected budget. (See handout)
- 2. Trust Fund/PEHF Transition Committee
Mr. Fukuhara discussed that he is meeting with the PEHF Administrator and/or appropriate members of his staff twice a week to work out the transition issues.
 - a) Office Space. DAGS/Leasing Branch is checking on space on the same floor of the City Financial Tower as the PEHF. Space that is not contiguous with the PEHF may be available in two months; contiguous space may be available in 2004. DAGS will advise by the end of August.
 - b) Assets and Liabilities. Met with the PEHF's Deputy AG and consultant on the PEHF's assets and liabilities. A comprehensive list of assets and liabilities will be provided by Friday, July 26th.
 - c) HIPAA Compliance. Will work with PEHF to ensure its HIPAA compliance by April 2003. Mr. Ban and Ms. Fukunaga will assist with the RFP on the imaging project for an RFP to be issued in September. Recommended that PEHF amend its records retention policy as this impacts on the records to be imaged.

Mr. Fukuhara will meet with Employees' Retirement System and Departmental Personnel Officers and payroll personnel to address recent miscommunications to retirees and pre-retirees.
 - d) Proposed Administrative Rules. Mr. Garner and Mr. Fukuhara provided comments on the proposed rules.
 - e) Staffing. Mr. Fukuhara will be meeting on Thursday, July 25th, with Mr. Aburano and a deputy attorney general from the AG's Employment Law Division to discuss Act 88's requirements for the transition of PEHF staff. On Friday,

July 26th, Mr. Fukuhara will visit the PEHF to introduce himself to the current employees and discuss their rights under the transition.

The trustees discussed that the Trust Fund should not become involved with the PEHF liabilities; PEHF liabilities should be addressed by the legislature. Mr. Fukuhara noted that all the plans are fully insured and the current HMSA contract includes a potential liability of 2% premiums should additional funds be required for claims incurred before June 30, 2003. Mr. Aburano commented that with the exception of HMSA, the other insurance contracts are one-way contracts and do not carry any liability. He also commented that it appeared that the PEHF contract with Hartford relative to long-term care benefits would be transferred to the Trust Fund. The trustees discussed that clarification is needed on the transfer of liability issue and that it should be clear that the Trust Fund does not assume certain liabilities. There was discussion on retroactive transactions and how they should be handled.

The trustees also discussed that the Trust Fund should be allowed to use the Health Fund's imaging system if the Trust Fund staff is helping with the project. Mr. Fukuhara will follow-up with commitment from the Health Fund that the Trust Fund will be able to use the system prior to July 1, 2003.

PUBLIC COMMENT

C. Khim commented that PEHF has a long-term care insurance contract that exceeds 2003 which should be reviewed by the Trust Fund.

B. DEPUTY ATTORNEY GENERAL

Mr. Aburano provided a copy of the letter sent to the Insurance Commissioner in the trustees' packets.

C. BENEFITS CONSULTANT

There was no further report.

V. UNFINISHED BUSINESS

None.

VI. NEW BUSINESS

A. Executive Session.

This item was deferred to the after agenda item VIII.

VII. COMMUNICATIONS FROM THE PUBLIC AND INPUT FROM ATTENDEES

There was no communication from the public.

VIII. FUTURE AGENDA ITEMS AND NEXT MEETING DATE

- The next Board meeting is scheduled for Tuesday, August 6, 2002, at 9 a.m., State Office Tower, Conference Room 405. The Benefits Committee meeting is scheduled at 1:30 p.m. following this Board meeting.
- The Chair announced that Trustee Williams would not be available from July 29, 2002 to August 16, 2002. MOTION was made to designate Trustee Miyake as Secretary-Treasurer *pro tem* during Trustee William's absence. (Matayoshi/Williams) The motion was passed unanimously. (Employer trustees-4/Employee-Beneficiary trustees-4)

VI.A. Executive Session.

MOTION was made to enter into Executive Session. (Williams/Machida) The motion was passed unanimously. (Employer trustees-4/Employee-Beneficiary trustees-4)

MOTION was made to end the Executive Session. (Matayoshi/Miyake) The motion was passed unanimously. (Employer trustees-4/Employee-Beneficiary trustees-4)

IX. ADJOURNMENT

MOTION was made to adjourn the regular meeting. (Miyake/Matayoshi) The motion was passed unanimously. (Employer trustees-4/Employee-Beneficiary trustees-4)

The meeting was adjourned at 12:42 p.m.

Respectfully submitted,

James Williams, Secretary-Treasurer

APPROVED on August 26, 2002.

Documents Distributed:

1. Minutes of June 25, 2002. (3 pages)
2. Gartner Group Recommendations. (4 pages)
3. Third-Party Administrator Request for Information (Draft 07-23-02). (3 pages)
4. Staff Update. (2 pages)
5. Expenditure for FY 02 and Operational Expenditure Plan for FY 03. (9 pages)