

HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND  
Minutes of the Board of Trustees  
Friday, June 14, 2002

TRUSTEES PRESENT

|   |  |
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| Mr. Sam Callejo, Chairperson            | Mr. Neal Miyahira (Arrived 9:14 a.m.)      |
| Ms. Audrey Hidano, Vice-Chairperson     | Mr. Willard Miyake (Arrived 9:08 a.m.)     |
| Mr. James Williams, Secretary-Treasurer | Ms. Kathryn Matayoshi (Arrived 12:30 p.m.) |
| Ms. Joan Lewis (Arrived 12:30 p.m.)     | Mr. Clifford T. Uwaine                     |
| Mr. Gerald Machida                      | Mr. Davis Yogi                             |

ATTORNEY: Mr. Brian Aburano, Deputy Attorney General

HEUHBTF STAFF

|                      |                   |
|----------------------|-------------------|
| Ms. Shirley Kawamoto | Mr. Gary Sanehira |
| Ms. Wanda Kimura     | Ms. Karen Tom     |

OTHERS PRESENT

|                                      |                                       |
|--------------------------------------|---------------------------------------|
| Ms. Jean Aoki, HSRTA                 | Mr. Norbert Mendes, HDS               |
| Ms. Lynette Arakawa, HDS             | Mr. Maurice Morita, HSTA              |
| Mr. George Butterfield, HSTA-Retired | Ms. Sarah Moriyama, ORTA              |
| Ms. Alana Deppe-Mariota, Kaiser      | Mr. Gordon Murakami, Royal State      |
| Ms. Monica Engle, VSP                | Ms. Karen Muronaka, ORTA/HSTA-Retired |
| Ms. Grace Ing, HSTA-Retired          | Mr. Rod Tam, HMSA                     |
| Mr. Charles Khim                     | Mr. George Yamamoto, HGEA-Retirees    |

I. CALL TO ORDER

The regular meeting of the Board of Trustees was called to order at 9:03 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 Friday, June 14, 2002.

ANNOUNCEMENTS

The Chair noted that Trustees Lewis and Matayoshi would attend the meeting's afternoon session and Trustee Miyahira would be arriving at about 9:30 a.m.

II. APPROVAL OF MINUTES

MOTION was made to approve the minutes of May 14, 2002 as submitted. (Yogi/Williams)  
The motion was unanimously passed. (Employer trustees 3; Trustees Matayoshi and Miyahira were not present/Employee-Beneficiary trustees 3; Trustees Lewis and Miyake were not present)

III. COMMITTEE REPORTS

A. ADMINISTRATIVE COMMITTEE

1. Benefits Plan Consultant

Trustee Williams reviewed the distributed timeline for the benefits consultant evaluation process. There will be presentations from the three top proposers in an

Executive Session on June 25, 2002 after which the trustees will make a final selection. A signed contract is needed by the end of June to encumber funds from FY 2002. The Administrative Committee will evaluate all proposals submitted at its next meeting scheduled for Monday, June 17, 2002.

2. Third-Party Administrator  
A recommendation is pending the results of the HFIMS evaluation.
3. Consultant Services To Evaluate The Health Fund Information Management System (HFIMS)  
The Gartner Group's evaluation of the HFIMS system is in progress. After on-site meetings with various stakeholders, the final draft report is due on June 19th, the final report is due on June 28th, and a presentation will be made to the Board on July 9th.
4. HIPAA Readiness Collaborative (HRC)  
A decision on whether or not to join the HRC was deferred until the Trust Fund's Administrator can review the matter and make a recommendation to the Board.
5. Transition Issues  
The Public Employees Health Fund (PEHF) Transition Committee and the Administrative Committee met on June 4, 2002 to begin discussions on transition issues. The new Trust Fund Administrator and staff will work directly with the PEHF Administrator and staff to handle transition issues. The Committees identified some of the transition issues:
  - The Trust Fund's liability for items that would carryover from the PEHF, i.e., life insurance beneficiary designations, carrier contract and claims beyond June 30, 2003, financial audit for FY 2003. The Deputy Attorney General will review this issue.
  - Updated inventory and information on PEHF's assets including reserves that may exist.
  - The PEHF staffing plan for the termination of PEHF business activities.
  - Communication plan.
  - HIPAA compliance issues.
  - The PEHF exit plan as to those items that would be transferred to the Trust Fund Administrator.
  - PEHF's imaging project requirements and goals.
  - Accounting system requirements.

PUBLIC COMMENT

M. Higa commented that the law does not permit the Trust Fund to take responsibility for the business closure of the PEHF and any expenses attributed to that closure should not be charged to the beneficiaries as administrative costs.

The trustees discussed the concern as to whether the PEHF's liabilities are transferred to the Trust Fund along with the PEHF's assets. The trustees discussed that should Act 88, SLH 2001, need to be amended to clarify this issue, the Board will address it at the next legislative session.

PUBLIC COMMENT

C. Khim commented that the statute reads that the PEHF assets are transferred and does not provide for the transfer of liabilities; the Board may need to ask the legislature to fund the liabilities owed by the PEHF.

Trustee Miyahira joined the meeting at 9:15 a.m.

B. RULES COMMITTEE

1. Retiree Session On Medicare Part B Reimbursement Rule

There was nothing further to report on this item.

2. Review Of The Proposed Administrative Rules

Trustee Yogi reviewed the written Committee's Report and Recommendation that was distributed to the trustees. The Committee recommended that the Board approve the proposed rules for consultation with public employers and employee organizations.

The trustees discussed the following:

- Trustee Yogi indicated that a rule that defines the due dates of premium contributions may be necessary and may be added to the proposed rules before the proposed rules are distributed for consultation.
- Rule 1.07(d)(5) relating to voting procedures for the board. The trustees discussed whether the rule should combine the statutory requirements of Chapter 87A which provides for one vote by each trustee group and the majority vote required by public meeting statutes.

Mr. Aburano commented that there were three approaches in considering this situation: 1) Chapter 87A prevails and a two-thirds vote requires only that the board's two votes be cast in favor of the matter in issue – even if this means that only six of the board's trustees need to vote in favor of that matter; 2) the public meeting statutes prevail and a two-thirds vote requires that two-thirds of the trustees vote in favor of the matter in issue – even if that means that only two of the trustees from one of the trustee groups may vote in favor of that matter; or

3) combine the voting requirements of both Chapter 87A and the public meeting statutes to require that both be satisfied.

- Rule 5.04(b) relating to Medicare reimbursement. The trustees discussed the feasibility of including a reimbursement amount in the rule because there would be a delay in any change of the reimbursement amount because a rule change would be required.
- Rule 6.01 relating to continued coverage during an authorized labor strike. The trustees discussed the ramifications to the Trust Fund should there be litigation as to whether a labor strike is legal or illegal.

#### PUBLIC COMMENTS

C. Khim commented that other governmental agencies should be surveyed on their coverage of “hanai” children so that the Trust Fund is consistent with other agencies.

M. Higa commented that the definition of “child” does not include an age by which a person is considered a child; the definition of “child” is normally based upon age. Trustee Yogi indicated that the age of a child has been covered in the rule on dependent-beneficiary eligibility.

C. Khim commented on Rule 1.07(d)(5) that a challenge on the board’s failure to comply with the two-thirds majority voting process could be costly. He suggested that it would be more prudent to combine the two voting requirements.

M. Higa commented that the Board should consider language for the Medicare reimbursement rule that indicates a 100% reimbursement of retirees’ Medicare Part B cost to confirm the employers’ promise of free medical to retirees.

G. Butterfield, HSTA-Retired, commented that with comparisons of the Health Fund’s practices and private industry practices, the Board should take into account that private industry practices may be a result of compliance with the Hawaii Prepaid Health Care Act from which state and county governments are exempt.

M. Higa asked if the Rules Committee considered rules regarding the superiority of Chapter 89, HRS, over the Trust Fund Rules and employee organization’s offering health benefit plans.

Trustee Yogi responded that the Committee had considered such issues, however, only the Hawaii Labor Relations Board determines what issues are negotiable; no such rules were proposed at this time.

MOTION to approve the proposed Administrative Rules for consultation with public employers and employee organizations was made by Trustee Yogi on behalf of the Rules Committee.

The Trustees discussed whether adoption of a rule-making process should be adopted before the final Administrative Rules. The Rules Committee commented that the rules procedure adopted in the Board of Trustees Operating Rules is being used for the adoption of the final Administrative Rules.

PUBLIC COMMENT

G. Butterfield commented that there should be an extended consultation period because of the extent of the rules.

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

MOTION was made that the consultation period for the proposed rules be 30 days.  
(Yogi/Miyake)

PUBLIC COMMENT

C. Khim commented that 45 or 60 days would be better since the rules would not be effective until July 1, 2003.

Trustee Yogi responded that the Committee anticipated that the Benefits Committee, the consultant, HFIMS, and others would need the Trust Fund's final rules before July 1, 2003 in order to complete their work on benefit plans, etc. Trustee Miyake indicated that the administrator and benefits consultant would also have an opportunity to review and comment on the proposed rules and the submitted comments.

MOTION was made to amend the main motion for a consultation period to July 31, 2002. (Williams/Uwaine)

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

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

3. Matters Relating To EUTF Administrative Rules  
There were no items to report on or discuss.
4. Board Authority to Establish When Employer Contributions Are to Be Received and Enforce Collection  
This item has been included in the proposed Administrative Rules.

5. Adoption of "Rule-Making Procedures."  
This item has been included in the proposed Administrative Rules.

- C. BENEFITS COMMITTEE: No report.
- D. ADMINISTRATOR/EXECUTIVE DIRECTOR SELECTION COMMITTEE  
This item will be taken up during Executive Session.

IV. OTHER REPORTS

- A. DEPUTY ATTORNEY GENERAL: No report.
- B. STAFF  
Ms. Kimura reviewed the Expenditure Report as of May 31, 2002. Trustee Uwaine requested a copy of House Bill No. 1800, C.D. 1, proviso covering the reimbursement of staff salaries.

V. UNFINISHED BUSINESS

- A. ELECTION OF OFFICERS  
Without objections, Item VI.A. was considered with this agenda item.  
The trustees discussed Trustee Miyake's proposal to amend the Board's Operating Rule on the election of officers.

MOTION was made to amend the Board of Trustees Operating Rules by amending Rule 4(c) to read as follows:

(c) Officer terms shall be for one year beginning July 1, 2002 and rotate between the trustee groups annually; the terms of the officers elected on January 31, 2002 shall end on ~~June 30, 2002~~ June 30, 2003.

Thereafter, the terms of all elected officers shall terminate on June 30 of each succeeding year and such officers shall vacate their offices at that time.

It was also included as part of the motion that the consultation period for this rule amendment end on June 21, 2002. (Miyake/Williams)

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

VI. NEW BUSINESS

- A. Proposed Amendment to Board of Trustees Operating Rules  
The proposed amendment to the Board of Trustees Operating Rule 4(c) will be distributed for consultation to the public employers and employee organizations with any comments

due to staff on June 21, 2002. Comments will be discussed at the June 25, 2002 board meeting at 8:30 a.m. before the Board enters into Executive Session.

VII. COMMUNICATIONS FROM THE PUBLIC AND INPUT FROM ATTENDEES

1. Letter from Office of the Legislative Auditor and H.C.R. No. 139, H.D. 1, 2002 Legislative Session, regarding study on VEBA.  
The Chair reviewed the letter received from the Legislative Auditor and the request for participants in the entrance conference meeting. Trustees Callejo and Williams will participate in the entrance conference meeting with the Legislative Auditor's office and staff member Wanda Kimura will be the designated contact person.
2. Public Employees Health Fund (PEHF) Quarterly Consultant Report  
The Administrative Committee requested and has received a copy of the PEHF's report which will be referred the Benefits Committee.
3. Gifts Disclosure Statement for the period of June 1, 2001 to June 1, 2002.  
The State Ethics Commission sent a reminder that gift disclosure statements must be filed by July 1, 2002.
4. State Ethics Commission newsletter for May 2002 was distributed to the trustees.

VIII. FUTURE AGENDA ITEMS AND NEXT MEETING DATE

The next Board meeting is scheduled for Tuesday, June 25, 2002, at 8:30 a.m., in the Executive Office on Aging Conference Room, 4th Floor, No. 1 Capitol District Building. The amendment to the Board of Trustees Operating Rules will be discussed and the Board will review the benefit consultant finalists during an Executive Session.

PUBLIC COMMENT

G. Butterfield commended the Rules Committee in the conducting of their meetings and the openness, consider comments, and the willingness to craft better rules.

M. Higa commented that effective July 1, 2002, there is a new law that requires entities and individual persons who negotiate, solicit, and sell insurance to have a producer license and asked if the board considered these requirements in its search of a consultant and administrator. Mr. Higa further indicated that trustees involved in insurance negotiations would also have to comply with this licensure. Deputy Attorney General Aburano will review the requirements of Chapter 431:9A, HRS.

RECESS: 10:50 a.m. to 12:42 p.m.

III.A.2. HIRING OF THE ADMINISTRATOR

The Board's Executive Session was held from 12:42 p.m. to 5:10 p.m. The Executive Session was recessed to Monday, June 24, 2002, 3 p.m., Room 306, No. 1 Capitol District Building.

IX. ADJOURNMENT

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

The meeting was adjourned at 5:13 p.m.

Respectfully submitted,

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James Williams, Secretary-Treasurer

APPROVED on June 25, 2002.

Documents Distributed:

1. Minutes of May 14, 2002. (7 pages)
2. Benefit Consultant Evaluation Process. (2 pages)
3. Rules Committee Recommended Rules. (61 pages)
4. Rules Committee Report. (6 pages)
5. Expenditure Report. (4 pages)
6. Proposed Amendment to Board of Trustees Operating Rules. (2 pages)
7. Letter from the Office of the Auditor dated June 7, 2002 regarding H.C.R. No. 139, H.D. 1. (3 pages)
8. Quarterly Consultants' Report from The Segal Company, July 1, 2001 to March 31, 2002. (16 pages)