

HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
Minutes of the Board of Trustees
Wednesday, October 1, 2003

TRUSTEES PRESENT

Mr. Will Miyake, Chairperson
Mr. Bob Awana, Secretary-Treasurer
Mr. Harold DeCosta
Ms. Audrey Hidano

Mr. Gerald Machida
Mr. Dayton Nakanelua
Mr. Mark Recktenwald
Ms. Kathleen Watanabe (Arrived 1:15 pm)

TRUSTEES ABSENT

Ms. Joan Lewis, Vice-Chairperson
Mr. John Radcliffe

ATTORNEY

Mr. Brian Aburano, Deputy Attorney General

GUEST

Mr. Ted Hong, Chief Negotiator

EUTF STAFF

Mr. H. Mark Fukuhara, Administrator
Mr. Lawrence Nishihara
Ms. Maria Quartero

Mr. John Garner, Consultant
Mr. Gary Sanehira
Ms. Donna Tonaki

OTHERS PRESENT

Ms. Lynette Arakawa, HDS
Ms. Jean Aoki, HSRTA
Ms. Nani Crowell, HSTA MBC
Ms. Alana Deppe-Mariota, Kaiser Permanente
Ms. Monica Engle, VSP
Ms Elaine Fujiwara, HDS
Mr. Melvin Higa, Royal State
Mr. Charles Khim, Public
Ms. Grace Ing, HSTA-R
Mr. Norbert Mendes
Mr. Maurice Morita, HSTA

Ms. Sarah Moriyama, ORTA
Mr. Michael Moss, HMSA
Ms. Jan Munemitsu, DOH
Ms. Karen Muronaka, HSRTA
Ms. Celeste Nip, HFFA
J. Serikawa, C&C HNL
Mr. Rod Tam, HMSA
Ms. Lori Taniguchi, Royal Insurance
Ms. Jennifer Tobin, C&C, Human Resources
Mr. George Yamamoto, HGEA-Retirees

I. CALL TO ORDER

The regular meeting of the Board of Trustees was called to order when there was a quorum at 1:07 p.m. by Trustee Will Miyake, Chairperson, in Conference Room 204, Leiopapa A Kamehameha Bldg., 234 S. Beretania Street, Honolulu, Hawaii, on Wednesday, October 1, 2003.

II. EXECUTIVE SESSION

Chairperson Miyake reported that the board is still in the process of evaluating the TPA proposals. The Chairperson also stated that further discussion on the TPA proposals will be held at the next board meeting to be held on Wednesday, October 22, 2003 at 9 a.m.

III. APPROVAL OF MINUTES

Review of minutes for Rules Committee April 23, 2003 and May 29, 2003.

MOTION was made to approve Rules Committee minutes for April 23, 2003 and May 29, 2003. (DeCosta/Nakanelua) Motion was passed unanimously. Employer Trustees-4/Employee-Beneficiary Trustees-3)

IV. COMMITTEE REPORTS

A. ADMINISTRATIVE COMMITTEE

Chair Recktenwald reported:

1. Letter from ERS

A letter was received from ERS regarding turning over of responsibilities for the briefing of retirees on Trust Fund matters. The Administrative Committee advised that the EUTF staff work cooperatively with the ERS to provide training, support, and materials as needed by the ERS staff to achieve the goal of providing the best services for the beneficiaries, particularly for ERS staff on the neighbor islands.

2. Legislative Proposals

Legislative issues were discussed by the Administrative Committee. The Administrative Committee recommended that the proposed draft bill (see handout) to address the issue of the closing of the PEHF be deferred to the Board for action with the deletion of Section 4 and amendments to Section 6. With respect to the deletion of Section 4, it was noted that Section 4 was unnecessary as the Board already felt that it had this power and authority and this had been confirmed by the court. Additional information from the Administrator will be provided regarding the financial issues on the proposed draft bill after discussion with Budget and Finance. Trustees Recktenwald and Watanabe withheld their judgment on the merits of the proposed draft bill.

Mr. Fukuhara reported that the accrued liability of vacation benefits for the PEHF staff as of June 30, 2003 is approximately \$129,000. Trustee Watanabe arrived at 1:15 p.m. He stated that the Director of Finance agreed that it should not be a liability of the Trust Fund to pay for this cost and Budget and Finance would be going to the legislature for an appropriation of \$129,000. Monies were encumbered for the final audit of the PEHF. The administrator stated that he is not aware of any other unfunded liabilities at this time. Discussion held by the Trustees and staff regarding the amounts of the liability. A question was raised by Mr. Melvin Higa on how it would impact the insurance policy. The Administrator will check into that concern.

MOTION was made upon the recommendation of the Administrative Committee for the Board to approve the proposed draft bill with the deletion of Section 4 and amendments to Section 6. After discussion by the Trustees, the motion was passed unanimously. Employer Trustees-5/Employee-Beneficiary Trustees-3)

The Administrator will report back to the Board if there are any comments upon Budget and Finance's review of the bill.

3. Administrative Rule Changes
Consensus by the Administrative Committee to defer administrative rule changes. The board members were asked to present any suggestions for changes to the Administrative Committee.
4. Closing of the PEHF
The Administrator asked that the Board clarify whether its prior directions precluded the EUTF staff from making any contacts or performing any work relating to the PEHF audit. By consensus of the Administrative Committee, recommendation was made that the Board approve for the EUTF staff to assist in any activities necessary to complete the on-going audit for the PEHF, and provide information, support, consultation and communication with other government agencies such as Budget & Finance to cover the wrap-up of the PEHF activities.

Mr. Fukuhara stated that the EUTF will work with the auditor to provide information necessary to complete the audit for the contract year ending June 30, 2003 with the understanding that there may be certain notes in the report on items that may be outstanding such as the settlements with Royal State, HGEA, UPW, and so forth and that these issues will impact the completion of the final audit next year.

MOTION was made upon the recommendation of the Administrative Committee that the Board approve for the EUTF staff to assist in any activities necessary to complete the on-going audit for the PEHF, provide information, support, consultation and communication with other government agencies such as B&F to cover the wrap-up of the PEHF audit. After discussion by the Trustees, the motion was passed unanimously. Employer Trustees-5/Employee-Beneficiary Trustees-3)

B. BENEFITS COMMITTEE: None

C. TPA COMMITTEE: None

V. OTHER REPORTS

A. ADMINISTRATOR

1. PEHF 2002 Audit

The issue of vacation accrual was already addressed by Mr. Fukuhara. Mr. Nishihara reported that the \$12.7 million that HMSA returned to the PEHF was returned to the State and various counties (refer to page 19 of the audit report).

2. EUTF Calls, Voicemail and Email Report (see handout)

Discussion held by Trustees and staff on the answering of calls to the EUTF. Mr. Fukuhara also gave an overview on the ACD phone system that was approved and will be implemented in mid-October.

3. Website Updates
FAQs and revised enrollment forms for retirees have been posted on the EUTF website.
4. Summary of Coverage with Aetna
The summary of coverage document is almost done and will be sent to the active employees and retirees in November.
5. Medicare Part B Reimbursements
The retirees' Medicare Part B reimbursement checks were mailed yesterday. The checks are sent each quarter on the last day of the month.
6. HIPAA Readiness Collaborative Contract
Ten departments will be participating in the HIPAA Readiness Collaborative contract and the cost for each participant will be \$4,000. The contracts should be executed by next week.
7. HIPAA Training
The HIPAA training for the Board will be held on November 19, 2003.
8. Update on rule changes effective September 4, 2003 for new hires, terminations, and retiree confirmation notices.
9. EUTF Lease
DAGS sent recommended changes to the lease to the landlord's realtor's attorney and is still working on finalizing the lease. The EUTF will probably be able to move in by the end of November. Discussion held by Trustees and staff on the lease that was sent to the landlord.
10. IFEBP Annual Conference
Trustee Miyake, Trustee Watanabe, and the Administrator will be attending the IFEBP Annual Conference in San Diego in mid-November.
11. Training on Imaging System
Kathleen Shiroma and Alex Kagawa will be attending training in Costa Mesa this week.
12. Training Session for Employers
The Administrator has been invited to attend a training session on the Big Island to address concerns and present information regarding the EUTF.

B. DEPUTY ATTORNEY GENERAL

Mr. Aburano reported:

1. Memorandum regarding payment of PEHF excess credits and reimbursements to PEHF employee-beneficiaries dated September 16, 2003.
Mr. Aburano summarized that the memorandum discusses when and how much may be distributed. He identified that there are three times when there could be distributions: (1) now or soon as reasonably possible; (2) after the carriers provide their accounting of the PEHF's last plan year sometime after October 15, 2003; and (3) when the reserves held by the PEHF's insurance carriers are finally settled which generally takes place a year after the plan year has ended, i.e., on or after July 1, 2004 (although it may be possible to bring that date forward). He stated that the amount determined in discussion with Mr. Bert Nishihara as being currently available is approximately \$3.6 million dollars which is broken down in two amounts: (1) approximately \$3.5 million - the balance of the employees share for PEHF's plan years 1992-1999 (that was or should be transferred to the Trust Fund); and (2) \$111,692.00 which represents HMSA's reimbursement of the employees share for plan years 1999-2002. Mr. Aburano stated that there are two other funds that are currently being held but that were not safely available for distribution until there has been an accounting provided by the PEHF carriers in mid-October. The sums are: (1) \$868,513.00 which is what the PEHF had set aside for appeals and administrative costs in making their distribution under Act 147; and (2) \$315,199.00 which HMSA paid as the estimated rate credits and reimbursements due employee-beneficiaries for the plan year 2002-2003 - the final PEHF plan year. He added that even though the \$315,199.00 was paid, it is not safely available for distribution until the final plan year accounting is performed to see if that is a firm number or not. If the Board were to wait until after the accounting was done by October 15, 2003, there could possibly be, at maximum, another million or so available for distribution. The final time when a distribution could be made is when the reserves are settled because even after the final accounting by the PEHF carriers, the carriers are allowed to carry reserves for up to a year after the end of the plan year in question because their health providers are authorized to submit claims as late as one year after the plan year has ended. Mr. Aburano stated that on an unaudited balance sheet for August 31, 2003, there is \$1.87 million being held in reserves by HMSA, HDS, and Royal State. Before Budget and Finance was told that it had no authority to do so, Budget and Finance was thinking of having the PEHF's benefit consultant, Segal and Company, work with the PEHF carriers and try to finalize the reserves as of the end of the third quarter, by the end of March 2004. He stated that if the Trust Fund were able to do something similar to that using Garner Consulting, it may be possible to finalize the reserves and make a distribution earlier than sometime after July 1, 2004. The last part of the memorandum explains what needs to be done in terms of planning and what types of work that needs to be done to make the distribution. Mr. Aburano stated that the Board needs to authorize and approve the distribution project and to direct the staff to come up with a recommendation as to the methodology to be followed in making the distribution.

Mr. Fukuhara recommended that they wait and do reimbursements at one time. He stated that one check should be issued because many of the same employees were in the plan for both periods. The methodology that was used in 1999 could be used and that for the most recent years research would need to be done to determine who is due back a refund and the amount. Mr. Garner agrees that it is more efficient to do it once rather than twice. He added that if some were done now, some adjustments would have to be made and that it is better to wait until the numbers are known. Discussion held by Trustees and staff on the amounts of the reserves for the different carriers and interest accrued.

Mr. Fukuhara also recommended approval to hire Garner Consulting to assist in the final settlement with the PEHF's insurance carriers for an amount not-to-exceed \$25,000, if the Board prefers to try to settle with those carriers earlier than July 1, 2004. The \$25,000 was encumbered by the PEHF earlier for Segal & Company. Mr. Garner suggested that they negotiate something fair and reasonable with the carrier so they would take on any liability for emerging claims after the final settlement.

MOTION was made to approve: (1) the Administrator to do a one time payment to the PEHF employee-beneficiaries; (2) the Administrator to work on and propose a distribution methodology using option 3 and to try to settle earlier rather than later with the PEHF's insurance carriers; and (3) to hire Garner Consulting to assist in the final settlement for an amount not-to-exceed \$25,000. (Watanabe/DeCosta) After further discussion by the Trustees, staff, and the benefit consultant, the motion was passed unanimously. Employer Trustees-5/Employee-Beneficiary Trustees-3)

2. Updated Confidential Attorney-Client Privileged Communication regarding Carrier Contracts dated September 29, 2003.

Mr. Aburano stated that the updated memorandum informs the Trustees on the status of the negotiation of the final terms of the insurance carrier contracts. There are signed contracts with Aetna, Mutual Benefit Association of Hawaii, Hawaii Dental Service, and Vision Services Plan. HMSA and Kaiser are not finalized and items that are still subject to negotiation are listed in the memorandum. If the Board has concerns or wants to discuss these items, it can be taken up in Executive Session at the close of the regular meeting today, or the Board can authorize the administrator, consultant, and the deputy attorney general to use their best judgment in finalizing these matters.

There being no objections by the Board, the Board authorized the administrator, consultant, and the deputy attorney general to use their best judgment to negotiate and finalize the pending contract matters.

C. BENEFITS CONSULTANT

Mr. Garner reported:

1. A report will be submitted to the Board later this month regarding the open enrollment, implementation of the new plans, financial implications of the new plans, etc.
2. Mr. Garner stated that because contracts with some of the carriers included maximum rates for next fiscal year rather than actual firm rates, they have started discussions with those carriers on what the rates would be for the year beginning July 1, 2004. Mr. Garner asked what the timetable was that the Board would like to finalize the rates and that December and January seemed logical.
3. Certificate of Insurance
Mr. Garner reported that certificates of insurance are being reviewed. Two carriers are being followed up with to get the certificates and three appear to be compliant, in terms of naming all the right people as additional insured and having the right amount, and one that does not have the right amount which the consultant will have them correct.

D. CARRIERS

VI. UNFINISHED BUSINESS: None

VII. NEW BUSINESS

A. Dual Coverage Medical Plan Effective Mid-year

There being no consensus by the Benefits Committee, Trustee Miyake gave background information on the history of the dual coverage plans and that it is the duty of the Board to offer the dual coverage medical plan even though the employees would be required to pay 40% because it was negotiated by the unions and the employers via collective bargaining agreements. Discussion held by the Trustees on various concerns raised with respect to offering dual medical coverage. Further discussion held by the Trustees and staff on the offering of the dual medical coverage, the approximate number of employees that would be eligible for dual medical coverage, and whether contributions for such dual medical coverage had been settled in the current collective bargaining agreements. Trustee DeCosta left at 2:51 p.m. to see if Chief Negotiator Ted Hong was available to discuss this last matter. Trustee DeCosta and Chief Negotiator Ted Hong arrived at 3:05p.m. Chair Miyake stated that the issue before the Board is whether to obtain bids to offer a dual coverage plan effective mid-year, and that the concern of the Board is whether this would require collective bargaining. Mr. Hong stated that the Board figures out the benefits and that he negotiates the cost and if the benefits are changed then he must change the costs. Mr. Hong stated that if you negotiate based on a certain set of circumstances and those circumstances are changed generally you would have to renegotiate, and the matter now raised by the Board would not appear to be any different so this general principle would apply. He stated that if you pick a benefit that is going to change the premiums then he would have to renegotiate the employer contributions. He added that he made it very clear to every union leader that with respect to dual coverage it was utilization that was a

problem for the governor and the potential liability for a number of unknown people to actually take or use that benefit. If the assumptions are changed, he is obligated at that point to renegotiate their position. Further discussion by the Trustees, staff, consultant, and chief negotiator on the dual coverage plan.

MOTION was made to approve the administrator to work with the existing two carriers that bid on the original RFP for dual coverage plans to submit a proposal based on the dollar amount that was settled in the collective bargaining agreements.

(Nakanelua/Machida) Employer Trustees-5/Employee-Beneficiary Trustees-3)

B. Unbundling Medical and Prescription Drug Plans

There bring no consensus by the Benefits Committee, Trustee Miyake gave background information on the history of the unbundling medical and prescription drug plans and stated that the unbundling of the plans for 2004 would give an opportunity for employees to choose a stand alone drug plan. Mr. Garner stated that the concerns are: (1) adverse selection - a small number would select one coverage rather than both but that small number could drive some significant costs - there is a 4% reduction in premiums from HMSA by having the medical and drug plans bundled; (2) administrative complications – if two were unbundled, everyone would need two ID cards; and (3) the philosophical reason – if you are asking a carrier to take a risk on the medical side and if they do not have control on the drug side, e.g., if someone is not taking a particular drug because they do not have drug coverage, they may be more likely to have an emergency visit or hospitalization, and it is not fair to the carrier that they might incur that expense because the person decided not to take the drug coverage. Mr. Garner stated that if the concern is for the small number of people (which is probably less than 5% of the total population) that have medical coverage elsewhere but do not have drug coverage then we might be able to offer either the current bundled medical drug package or an unbundled drug-only package. He said that it would not make sense to offer medical only without the drug side. Discussion held by Trustees and consultant on the 4% increase. Further discussion by the Trustees on the unbundling of the medical and drug plans that requires collective bargaining negotiations. There being no objections by the Trustees, this matter was deferred.

C. Items of Information for the Board from the Administrative Committee if the Board decides not to move forward with a TPA.

1. eWorld Contract Extension

Mr. Fukuhara gave an overview on the eWorld extension (see handout).

Trustee Watanabe left at 3:48 p.m. and returned at 3:50 p.m.; left at 3:53 p.m. and returned at 3:54 p.m. Discussion by Trustees and staff on the problems raised by the adding of Charter schools as separate employers.

2. PC Upgrades – Imaging Access to All Staff (see handout)

Mr. Fukuhara reported that the imaging system has licensing for 15 people that were under the PEHF. Eventually all employees will need access to the imaging system increasing the licensing for a total of 25 users. Upgrades for computer equipment

will also be needed to handle the imaging system. The cost for the 10 additional licenses and computer upgrades will be approximately \$20,000.

VIII. COMMUNICATIONS FROM THE PUBLIC AND INPUT FROM ATTENDEES

- A. Letter from DOE dated September 8, 2003
Discussion held by Trustees, staff, and public regarding the DOE's letter. There being no objections by the Trustees, a response will be sent to the DOE that the Board cannot do a reimbursement but would like to consult on the problems for future open enrollments. The Administrator will schedule a meeting with the DOE, EUTF Administrator, and the EUTF Chairperson.
- B. Mr. George Yamamoto, on behalf of the retirees, thanked the staff for sending the Medicare Part B checks.
- C. Letter from VSP dated September 26, 2003 for Assignment of Benefits (AOB) Policy Exemption.
Mr. Fukuhara reported that VSP has made an exception for the EUTF for the initial contract term of July 1, 2003 through June 30, 2005.

IX. FUTURE AGENDA ITEMS AND NEXT MEETING DATE

The next board meeting is scheduled for November 19, 2003, 9 a.m., City Financial Tower, room 1935.

X. ADJOURNMENT

MOTION was made to adjourn the regular meeting. (Awana/Recktenwald) The motion was passed unanimously. (Employer trustees-5/Employee-Beneficiary trustees-3)

The meeting was adjourned at 3:59 p.m.

Respectfully submitted,

/s/

Will Miyake, Chair

APPROVED on May 19, 2004.

Documents Distributed:

1. Minutes of the Rules Committee for 4/23/03. (2 pages)
2. Minutes of the Rules Committee for 5/29/03. (2 pages)
3. EUTF Calls, Voicemail and Email Report dated 9/26/03. (1 page)
4. Estimated Cost for eWorld Extension dated 9/15/03. (1 page)

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5. PC Upgrades – Imaging Access to All Staff dated 9/15/03. (1 page)
6. OIP Openline for September 2003. (2 pages)
7. Approved Minutes for 1/27/03. (6 pages)
8. Approved Minutes for 2/5/03. (6 pages)