

HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
Minutes of the Board of Trustees
Thursday, May 29, 2003

TRUSTEES PRESENT

Ms. Audrey Hidano, Vice-Chairperson
Ms. Joan Lewis, Secretary-Treasurer
Mr. Bob Awana
Mr. Gerald Machida

Mr. Neal Miyahira
Mr. Will Miyake
Mr. Dayton Nakanelua
Mr. Davis Yogi (Left 2:10 pm)

TRUSTEES ABSENT

Ms. Kathryn Matayoshi
Mr. John Radcliffe

ATTORNEY

Mr. Brian Aburano, Deputy Attorney General

EUTF STAFF

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

Mr. John Garner, Consultant
Ms. Gerti Reagan, Consultant
Ms. Donna Tonaki

OTHERS PRESENT

Ms. Lynette Arakawa, HDS
Ms. Nani Crowell, HSTA MBC
Ms. Alana Deppe-Mariota, Kaiser Permanente
Ms. Monica Engle, VSP
Ms. Elaine Fujiwara, HDS
Ms. Venus Gabuyo, MBAH
Mr. Rick Jackson, MDX Hawaii
Ms. June Kadomoto, ORTA
Mr. Tracy Matsumoto, ChiroPlan Hawaii
Ms. Sarah Moriyama, ORTA

Mr. Gordon Murakami, Royal State
Ms. Karen Muronaka, HSRTA
Mr. Joel Reed, Aetna
Mr. Peter Rodriguez, Hartford
Mr. Rod Tam, HMSA
Ms. Lori Taniguchi, Royal Insurance Agency
Ms. Jennifer Tobin, C&C, Human Resources
Ms. Fay Uyema, Royal State
Mr. George Yamamoto, HGEA-Retirees

I. CALL TO ORDER

The regular meeting of the Board of Trustees was called to order at 1:05 p.m. by Trustee Audrey Hidano, Vice-Chairperson, in Conference Room 405, Leiopapa A Kamehameha Building, 235 South Beretania Street, Honolulu, Hawaii, on Thursday, May 29, 2003.

II. APPROVAL OF MINUTES: None

There being no objections, agenda item IX. Executive Session was taken out of order.

IX. Executive Session

MOTION was made to move into Executive Session at 1:07 p.m. (Miyake/Matayoshi). The motion passed unanimously. Employer trustees 5/Employee-Beneficiary trustees 4)

HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND

Board of Trustees Meeting

May 29, 2003 Minutes

PAGE 2

MOTION was made to move out of Executive Session at 1:45 p.m. (Lewis/Miyahira). The motion passed unanimously. Employer trustees 4/Employee-Beneficiary trustees 4)

There being no objections, agenda item III.B. Rules Committee was taken out of order.

III.B. Rules Committee

Trustee Yogi reported that the Administrative Rules have been adopted and the Rules Committee is now reviewing concerns raised in letters by Mr. Higa and Mr. Khim. The Rules Committee reviewed the letters and is preparing a response. Most of the concerns have already been addressed in the Administrative Rules or by the Rules Committee.

Going forward, Trustee Yogi stated that the staff needs to go through the existing rules, determine where any changes need to occur, and propose amendments to the rules to be presented to the Administrative Committee for review and possible presentation to the full Board for its consideration.

III. COMMITTEE REPORTS

A. ADMINISTRATIVE COMMITTEE:

Mr. Fukuhara reported:

1. EUTF/PEHF Transition

Discussion held by Trustees and staff regarding the EUTF/PEHF transition and the fact that the PEHF will not be able to close everything by June 30, 2003.

A presentation regarding the EUTF/PEHF transition was made to the Administrative Committee by Mr. Nishihara, Administrator of the PEHF and Ms. Kimura of Budget & Finance (see handout).

The first topic was an overview of projected fund balances in the PEHF. They disclosed that a request was made by the public employers and a motion was approved by the PEHF board to return the “employers share” of insurance carrier rate credits and reimbursements to the public employers before July 1, 2003. The rate credits and reimbursements are for the 4-year contract period from July 1, 1999 through June 30, 2003. Those monies have already been received and the amount to be returned is \$3.5 million. Discussion by the Administrative Committee regarding the fact that requests were being made to return the “employers share” of the rate credits and reimbursements before July 1, 2003, and yet no similar action was being taken on the “employees share” of those monies. It was pointed out that this seems inconsistent and that either all the monies should move over to the Trust Fund or all of the monies should be returned to the employers and employees. The Administrative Committee requested that Mr. Aburano look into the various statutes

HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND

Board of Trustees Meeting

May 29, 2003 Minutes

PAGE 3

to see if the PEHF board had authority to return the “employers share” of the rate credits and reimbursements rather than transfer those monies to the Trust Fund and, if so, to see whether they had the authority to return the “employers share” and not the “employees share” of the monies. Mr. Nishihara and Ms. Kimura also presented in detail the break down of the PEHF financials. Money for the PEHF audit has been encumbered for FY ending June 30, 2003. Discussion held by Trustees and staff regarding the final accounting that was not included. The Director of Finance and Ms. Kimura stated that they would work with DAGS to make sure the final accounting is completed.

The second topic was an overview on the impacts of the workload and resource requirements to complete the closeout of the PEHF. The concern of the Administrative Committee was to make sure that the accounting was kept separate and that it was clear that the responsibilities of the closing of the PEHF are not with the Trust Fund. Mr. Nishihara and Ms. Kimura presented information showing the number of hours that would be needed in July 2003 to finish various PEHF transactions. The information included an estimate of the fiscal impact if Budget & Finance (B&F) were to pay for the cost of the staffing required to get the work done. The cost would range between \$15,000 and \$20,000 and that could be paid by B&F using PEHF money. They proposed that an MOU be executed among the PEHF/EUTF/B&F. B&F would provide the direction and approval for various requests using some of the Trust Fund staff (who are currently PEHF staff). In order to proceed with this, they said that they would need the approval of the PEHF board to pay the estimated cost of \$20,000. Mr. Nishihara and Ms. Kimura have been requested to return to the Administrative Committee on June 16, 2003 with more information regarding the workload.

MOTION was made to approve an MOU between the PEHF/EUTF/B&F, effective July 1, 2003 to June 30, 2003, under which B&F could utilize Trust Fund staff to perform certain work to close-out the PEHF, B&F would utilize approximately \$20,000 of PEHF monies to fund the close-out work, and the Trust Fund would not be responsible for the close-out. (Miyake/Nakanelua) The motion passed unanimously. Employer trustees 4/Employee-Beneficiary trustees 4)

Trustee Yogi left at 2:10 p.m.

Mr. Fukuhara reported that in Executive Session an RFP for TPA services was approved and that the Administrative Committee has recommended that Garner Consulting be contracted to assist the EUTF in evaluating the proposals that are received, with Garner Consulting’s fees not to exceed \$50,000. Mr. Fukuhara said that there are monies available in the EUTF’s budget for Garner Consulting’s fees.

MOTION was made to approve an amendment to Garner Consulting’s contract that provides for them to assist the EUTF in the assessment of and evaluation of the proposals received in response to the RFP for TPA services, the amount of the fees

HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND

Board of Trustees Meeting

May 29, 2003 Minutes

PAGE 4

under the amendment not to exceed \$50,000. (Nakanelua/Machida) The motion passed unanimously. Employer trustees 3/Employee-Beneficiary trustees 4)

Mr. Garner gave an overview of the RFP for TPA timetable.

B. RULES COMMITTEE (taken out of order)

1. Letters from Mel Higa and Charles Khim

C. BENEFITS COMMITTEE: None

IV. OTHER REPORTS

A. ADMINISTRATOR

Mr. Fukuhara reported:

1. EUTF/PEHF Transition

- a) Overview on the lease and renovations. Approximately \$40,000 will be encumbered for the EUTF share of the renovation expenses.
- b) Staffing – Carriers have provided an agency temp assisting the EUTF with the phones. Governor approved the request for three customer service representatives. Our first hire, Ms. Gloria Ramirez, started 10 days ago and Mr. Richard Alhambra started yesterday.
- c) Reorganization effort is still being worked on and will be not be completed by the end of June 2003.
- d) Imaging system with Steel Point has been delayed until the end of July 2003. It was taking a lot of our resources, especially our IT resource, and it turned out that the system couldn't be implemented in time to help with open enrollment.
- e) Clarified that he may have implied that he was not getting help from the PEHF staff and that was not true. He is getting some assistance.
- f) Changes are being made and a significant change is for retiree applications that ERS would hold for five days after they retire. An agreement with the PEHF/ERS/EUTF to process applications as soon as possible. Discussion by Trustees and staff on processing of retiree applications.
- g) PEHF contract with eWorld that has been extended to August 2003 will be assigned to EUTF. Monies have been put aside to finalize their work for approximately \$32,000.
- h) PEHF has a professional service contract with Oracle and the amount left is approximately \$17,000. It has to do with the customization of the AIX database that will not be finished by June 30, 2003.
- i) PEHF contract with Just Now consultant that does work with IBM for AIX support for \$10,600 that will be finalized after June 30, 2003.

HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND

Board of Trustees Meeting

May 29, 2003 Minutes

PAGE 5

Mr. Fukuhara stated that Mr. Nishihara would bring up the contract issues at the next PEHF board meeting. The Trustees requested that all PEHF issues be included in the MOU. Discussion by Trustees in regards to staff coming over from PEHF to the EUTF and concerns about the PEHF audits.

2. Open Enrollment Update

- a) Letter on Leave without pay (see handout)
Letters were sent to employee organizations to assist in regards to leave without pay. Discussion held by Trustees, staff, and public regarding who has information on employees on leave without pay and who should be responsible for gathering the information.
- b) Forms (see handout)
Overview on forms for open enrollment.
- c) Complaint from HSTA member Debra Kaplan that she is a single person with one dependent, that under the Trust Fund she will be paying a higher rate than before and she says that is unfair, and that she may not be able to afford to cover her child. She would like the Board to give attention to this matter. Discussion by Trustees, staff, and consultants regarding the impact tiering options have on a person with one dependent. Mr. Garner stated that they looked at 2-tier and 4-tier structures based on the number of parties and a 4-tier structure based on the number of dependents and their status; i.e. single, spouse only, child or children only, or full family. He said because they were consolidating programs that had different contribution structures there was no way to avoid not having winners and losers. He noted that they were asked to study which approach would have the least negative impact. When looking at a number of different approaches and the 2-tier approach that was adopted, the 2-tier approach clearly hurt some people and mainly the ones that have one dependent (particularly if a child), but the 2-tier approach hurt fewer people than any other approach would have. He said that there would probably have been more complaints if another approach was taken. Mr. Garner noted that the Board previously had an extensive discussion about equity after Garner Consulting presented their report on who would be hurt and helped under various tiering approaches and a trustee raised the question of what is the right and fair thing to do. After that discussion, the Trustees adopted the 2-tier approach. Some Trustees indicated that they did not realize how bad the impact of using a 2-tier approach would be on people like Debra Kaplan and maybe it would be better for more people to pay a little more than to have a few people paying a lot more. Mr. Garner stated the impact of adopting the 2-tier approach could not be answered back when the Board designed their plans because there were too many unknowns at that point. Back at that time, Garner Consulting did not know what the premiums were going to be, what the collective bargaining structure was going to be, and they did not have data from all the unions as to what the current contributions were and it was difficult just finding out how many tiers the union plans had. Trustee Lewis asked if the public employers and the unions had been able to complete their negotiation on health

HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND

Board of Trustees Meeting

May 29, 2003 Minutes

PAGE 6

benefit contributions and with the information that the Administrator has now been given, would the Trust Fund be able to get a better picture of the impacts that adopting different tiering approaches would raise. Mr. Garner said sure.

Trustee Lewis stated that the way the legislature set up this law brought the Trust Fund to this problem, i.e., designing health benefit plans before it was known what the contributions from the public employers would be. She is not sure what decision she would have made if she had this information back then. Discussion by the Trustees on what action to take. The Trustees directed the Administrator to determine how many people were impacted by the current 2-tier approach, to re-look at the numbers for next year, and to also respond to Ms. Kaplan. Mr. Fukuhara stated that he told Ms. Kaplan that he assumed that the Board would take a look at this again but that it was too late for this year. He said that she was very pleased and just wants the Trustees to be aware of this problem.

- d) Letter from Mr. Randy Perreira

Discussion by Trustees and staff regarding Mr. Perreira's letter and the draft response. Consensus by the Trustees to revise the draft and to e-mail and fax the revised draft to the Trustees for review by Tuesday, May 27, 2003.

Discussion held by Trustees, staff, carriers, and public on offering grace period for open enrollment.

MOTION was made to extend open enrollment to June 30, 2003 for only those that did not turn in an enrollment application. (Nakanelua/Miyahira) After discussion by the Trustees, the motion was passed unanimously. Employer trustees 3/Employee-Beneficiary trustees 4)

The Board acknowledged and thanked retirees Karen Muronaka and Sarah Moriyama for volunteering to answer phones regarding open enrollment for retirees.

Recess – 4:12 p.m. and Reconvene – 4:28 p.m.

Ms. Reagan stated that a question came up clarifying if the extension applies to COBRA enrollees.

MOTION was made to exclude the COBRA enrollees from the extension of open enrollment to June 30, 2003. (Miyahira/Awana) After discussion by the Trustees, the motion was withdrawn.

B. DEPUTY ATTORNEY GENERAL

In a letter from Mr. George Yamamoto to Attorney Paul Schraff, Mr. Aburano stated that Mr. Yamamoto confirmed his request to be removed as plaintiff in the lawsuit against Trustee Miyahira. An inquiry was made to Mr. Schraff about whether the lawsuit would continue and the response was that they were looking for a substitute plaintiff. Mr. Aburano said that he understood that Mr. Schraff got a substitute plaintiff, but to date

HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND

Board of Trustees Meeting

May 29, 2003 Minutes

PAGE 7

there has been no amendment of the lawsuit to bring in a new plaintiff. The attorney handling this lawsuit for the insurance company is continuing to discuss with Mr. Schraff whether or not the lawsuit will be withdrawn.

C. BENEFITS CONSULTANT

1. Clarification on Medical Plan Benefits

Mr. Garner gave an overview on the correction to the reference guide for actives and a clarification and plan improvements for retirees (see handout). He is recommending that these updates be sent to the active and retirees and put in the reference guides.

MOTION was made to approve the correction to the reference guides for actives and the clarification and plan improvements for the retirees, send a copy to the actives through the DPOs and mail the retirees copy, and to put it in the reference guides (as amended) that the deductible for participating providers only applies where it is specified in the booklet. (Miyake/Nakanelua) After discussion by Trustees and consultant, the motion was passed unanimously. Employer trustees 3/Employee-Beneficiary trustees 4)

2. Garner Bulletin for March 2003 (see handout)
3. Garner Bulletin for April 2003 (see handout)

V. UNFINISHED BUSINESS: None

VI. NEW BUSINESS

A. Election of New Chair or Interim Chair; election or appointment of other offices or committee positions resulting from resignation of Trustee Callejo or appointment of new Trustees (Deferred)

B. HCR No. 151 HD1 SD1

Mr. Fukuhara gave an overview and said that a working group will be looking into the Universal Health Care and will be asking for input from various organizations including the EUTF.

VII. COMMUNICATIONS FROM THE PUBLIC AND INPUT FROM ATTENDEES: None

VIII. FUTURE AGENDA ITEMS AND NEXT MEETING DATE

1. Administrative Committee meeting is scheduled for June 16, 2003, 9 a.m.
2. Board meeting is scheduled for June 16, 2003, 3:30 p.m. and to include discussion on an RFP for dual coverage.

HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND

Board of Trustees Meeting

May 29, 2003 Minutes

PAGE 8

IX. Executive Session (taken out of order)

X. ADJOURNMENT

MOTION was made to adjourn the regular meeting. (Lewis/Miyahira) The motion passed unanimously. (Employer trustees 3/Employee-Beneficiary trustees 4)

The meeting was adjourned at 4:57 p.m.

Respectfully submitted,

/s/

Bob Awana, Secretary-Treasurer

APPROVED on January 23, 2004.

Documents Distributed:

1. EUTF Admin Committee Transition dated 5/29/03. (8 Pages)
2. EUTF Disability Certification for Dependent Children Form dated 5/2003. (1 Page)
3. EUTF Waiver for Aetna Life Insurance Form. (1 Page)
4. EUTF Declaration of Domestic Partnership Form dated 4/24/03. (2 Pages)
5. EUTF Affidavit of "Dependency" for Tax Purposes dated 5/2003. (3 Pages)
6. DHRD PCP Domestic Partnership Reference Chart. (3 Pages)
7. E-mail from Debra Kaplan dated 5/22/03. (1 Page)
8. Letter from Randy Perreira, HGEA dated 5/23/03. (2 Pages)
9. Letter from George Yamamoto dated 4/7/03. (1 Page)
10. EUTF Active Employees Correction to Reference Guide dated 5/29/03. (1 Page)
11. EUTF Retirees Reference Guide Clarifications and Plan Improvements. (1 Page)
12. EUTF PPO Plan for Active Employees dated 3/18/03. (1 Page)
13. EUTF PPO Plan for Retirees dated 5/29/03. (1 Page)
14. Garner Consulting Bulletin for March 2003. (2 Pages)
15. Garner Consulting Bulletin for April 2003. (2 Pages)
16. HCR No. 151, HD1, SD1 with cover letter. (6 Pages)
17. APPROVED MINUTES for October 8, 2002. (11 Pages)
18. APPROVED MINUTES for October 17, 2002. (15 Pages)