

HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
Minutes of the Board of Trustees
Wednesday, September 15, 2004

TRUSTEES PRESENT

Ms. Katherine Thomason, Chairperson	Mr. Will Miyake
Mr. Gerald Machida, Secretary-Treasurer	Mr. John Radcliffe
Mr. Nelson Befitel	Mr. Stanley Shiraki
Ms. Joan Lewis (Arrived at 4:18 pm)	

TRUSTEES ABSENT

Ms. Kathleen Watanabe, Vice-Chairperson
Mr. Dayton Nakanelua
Mr. Mark Recktenwald

ATTORNEY

Mr. Brian Aburano, Deputy Attorney General

EUTF STAFF

Mr. Lawrence Nishihara, Acting Administrator	Mr. John Garner, Consultant
Ms. Maria Quartero	Mr. Andy Keowen, Consultant
Ms. Kathleen Shiroma	Ms. Donna Tonaki

OTHERS PRESENT

Ms. Lynette Arakawa, HDS	Ms. Tawnya Lloyd, Aetna
Ms. Sandra Benevides, Kaiser Permanente	Mr. Brian Malanaphy, Malanaphy Consulting
Mr. Jack Borja, Summerlin	Mr. Michael Moss, HMSA
Ms. Monica Engle, VSP	Ms. Gertrude Nitta, HGEA-R
Ms. Venus Gabuyo, MBAH	Mr. Rod Tam, HMSA
Mr. Rick Jackson, MDX Hawaii	Mr. Miles Taniguchi, TRIA
Ms. Joelle Kane, IMX	Mr. Charles Toguchi
Ms. Ruth Kim, HSTA-R/HSRTA	Mr. George Yamamoto, HGEA-Retirees
Mr. Rob Kiser, Malanaphy Consulting	Ms. Lilia Yu Lum, Royal State
Mr. Alice Kotake, HSTA-R	

I. CALL TO ORDER

The regular meeting of the Board of Trustees was called to order when there was a quorum at 4:01 p.m. by Trustee Katherine Thomason, Chairperson, in Conference Room 405, Leiopapa A Kamehameha Building, 235 South Beretania Street, Honolulu, Hawaii, on Wednesday, September 15, 2004.

II. APPROVAL OF MINUTES: None

There being no objections by the Trustees, item IV. Report B. Deputy Attorney General is taken out of order.

The Attorney General's office presented a proposed Memorandum of Agreement to the Board that requests payment of \$55,000 for legal services - which is half-time equivalent for FY2004-05. The assigned AG services beyond half-time would be charged at \$97 per hour but not to

exceed \$20,000 in any quarter. If another deputy attorney general's services are needed, the charge would also be \$97 per hour but not to exceed \$10,000 in any quarter. Attorney General Mark Bennett gave an overview on why the Attorney General's office is taking this approach and answered questions. Trustee Lewis arrived at 4:18 p.m. Mr. Aburano commented that normally he spends about half of his time in support of the EUTF. Due to the demands of the two ongoing lawsuits, he is spending nearly all of his time on EUTF business. After further discussing the proposed Memorandum of Agreement, the Board deferred this item to be considered as new business at the next Board meeting.

III. COMMITTEE REPORTS

A. SELECTION COMMITTEE

On behalf of Chair Watanabe, Trustee Shiraki reported that the committee met and will report on the status in Executive session.

B. ADMINISTRATIVE COMMITTEE

On behalf of Chair Recktenwald, Trustee Shiraki reported:

1. HSTA - Overcharge

Employees covered by BU 05 for HSTA have been overcharged for medical premiums for self-only plans by .02 per month since July 1, 2004. The Administrative Committee directed the Acting Administrator to contact OCB and have them work with HSTA on an adjustment that might be worked out under future contracts.

2. HIPAA Gap Analysis - Security

Garner Consulting reported that the HIPAA Gap Analysis on security and found that the EUTF is in good standing. Garner Consulting will proceed with the next phase which includes developing of policies and procedures between EUTF and ICSD staff. Garner requested approval to write an article using the EUTF as a case study. The Administrative Committee agreed, provided that a draft is made available prior to the submission of publication.

3. Chicken/Egg Problem – Plan Design or Collective Bargaining

Garner will further study and present pros and cons on EUTF providing full flexible benefits through collective bargaining negotiation and contribution amounts. Garner will also address health savings accounts.

4. Claims Audit for Carriers

Garner Consulting provided estimated costs for conducting claims audits. For FY06-07 budget, two or three audits (drug and vision or medical and vision plan) could be conducted for \$100,000 per year. Garner submitted a proposal that should be covered in the budget phase of this meeting.

5. Health Fund Refund Project Methodology & Expenses

The Acting Administrator provided information on the value of credits to be used in determining the refund amounts. Checks will be issued beginning October 2004 with the last issuance on November 4 or 5, 2004. The administrative cost totals \$164,875, which includes the cost of 4 temporary hire. The Administrative Committee recommends that the Board approve: 1) the check issuance timeline starting October 2004 and ending November 2004; 2) expenditure of FY 2005 funds for administrative costs of \$164,875; and 3) and non-issuance of refunds for less than \$1.00. Action on this recommendation was deferred until after the Executive session. Discussion held by Trustees and staff regarding expenses and appeals.

6. Staffing Requirements for Next Biennium

8 additional positions to support enrollment and customer services. The total costs of these additional positions are \$291,000, which includes fringe benefits of 40%. The Administrative Committee recommends inclusion of additional positions in the biennium budget. Action deferred until the budget is discussed.

7. Legislative Proposals

No legislative proposals were submitted by Trustees. Mr. Aburano will draft a proposal that would enable "hanai" children to receive benefits as dependent-beneficiaries. This proposal will be presented at the next Board meeting. Deadline for Trustees to submit any additional proposals with justifications is October 12, 2004. Discussion held by Trustees regarding the list of legislative proposals previously prepared by Mr. Fukuhara.

8. PeopleSoft Upgrade Project (Costs & Method of Procurement)

Malanaphy Consulting presented findings of the PeopleSoft project. The RFP to implement the PeopleSoft upgrade is ready for distribution. The EUTF staff will also explore the possibility of collaborating with other systems, such as ERS. Based on the consultant's recommendation, the Administrative Committee recommends that the Board approve that the RFP be issued provided that the EUTF reserves the option to withdraw the RFP or delay or proceed as scheduled. In support of the PeopleSoft upgrade, the Administrative Committee recommends that 3 IT positions be included in the biennium budget subject to additional information from ICSD on staffing issues. Chair Thomason stated that Les Nakamura submitted information regarding the 3 IT positions. The final RFP will be provided to the Trustees prior to the next Board meeting. Deferred to the next Board meeting.

9. Server Equipment – Regatta

The two current servers supporting HFIMS is obsolete. The Administrative Committee recommends the approval of the cost of \$255,000 for hardware in FY 2005, \$24,000 for current maintenance cost in FY 2006, and for professional services to assist, as necessary, upgrade of Oracle data software NTE \$5,000 in FY 2005. Ms. Tonaki stated that funds are available in this year's budget.

MOTION was made upon the recommendation of the Administrative Committee for the Board to approve FY 2005 expenditures of \$255,000 for the Regatta and professional services NTE \$5,000 to assist, as necessary, upgrade of Oracle data software. After discussion, the motion passed unanimously. (Employer Trustees-3/Employee-Beneficiary Trustees-4)

10. FY06-07 Draft Biennium Budget

Trustee Shiraki gave an overview on the FY06-07 draft biennium budget. Ms. Tonaki gave an overview on the updated FY06-07 draft biennium budget and its associated ceiling. The Trustees and staff discussed the FY06-07 draft biennium budget, including the additional IT positions and lease costs and the potential use of the reserves of 6 to 7 million dollars in the PEHF account.

MOTION was made to request that Budget & Finance move the reserves from the PEHF account to the EUTF account pursuant to Section 5 of Act 88 SLH 2001, within 30 days. (Radcliffe/Miyake) The motion failed. (Employer Trustees-1 No-Befitel, 2 Yes-Shiraki, Thomason/Employee-Beneficiary Trustees-4 Yes-Lewis, Machida, Miyake, Radcliffe)

MOTION was made to request that Budget & Finance move the reserves from the PEHF account to the EUTF account pursuant to Section 5, Act 88 SLH 2001, within 30 days and request a formal opinion from the Attorney General's office. (Befitel/Radcliffe) The motion passed unanimously. (Employer Trustees-3/Employee-Beneficiary Trustees-4)

Further discussion by the Trustees and staff regarding the biennium budget.

MOTION was made to approve the FY06-07 biennium budget to include all additional items totaling \$4,855,213 for 1st year and \$4,520,238 for 2nd year. (Radcliffe/Befitel) The motion passed unanimously. (Employer Trustees-3/Employee-Beneficiary Trustees-4)

IV. OTHER REPORTS

A. ADMINISTRATOR

Mr. Lawrence Nishihara reported on the status of the EUTF lease. The lease is being reviewed by the realtor and should be completed by next week. The projected date for moving is in October 2004.

B. DEPUTY ATTORNEY GENERAL

Taken out of order and discussed earlier.

C. BENEFITS CONSULTANT

Garner Consulting August 2004 Bulletin

Mr. Keowen gave an overview on the August 2004 bulletin (see handout) that is focused on the Health Savings Accounts. Discussion held by Trustees and consultants regarding the

impact on Health Savings Accounts in terms of adverse selection. Garner Consulting will submit a report next month (depending on responses) regarding what other States are doing with regard to Health Savings Accounts. Further discussion held by Trustees and consultants on savings.

D. CARRIER'S REPORTS

1. HDS
2. Kaiser Permanente
3. Royal State
4. VSP

Ms. Engle reported on two new enhancements "Contact Lens Care Program" and "Polycarbonate Lenses for Children" effective January 1, 2005 with no increase to premium rates.

5. HMSA

V. UNFINISHED BUSINESS

- A. Benefits RFP No. 05-001
Deferred until after Executive session.

VI. NEW BUSINESS

- A. Financial Report as of July 31, 2004
Overview by Ms. Tonaki regarding the financial report as of July 31, 2004 that has no significant changes and minimum expenses (see handouts).

VII. COMMUNICATIONS FROM THE PUBLIC AND INPUT FROM ATTENDEES

- A. A member of the public (Mr. George Yamamoto) asked Mr. Aburano why it is necessary to include new legal services in the EUTF budget. Mr. Aburano responded that it is not a new legal service and that the position has been in the Attorney General's budget. The Attorney General tried to go to the legislature to get a budget appropriation approved to increase salary levels for the Attorney General's office to attract more people but that it was not approved, so he is looking for additional sources of funding.

VIII. FUTURE AGENDA ITEMS AND NEXT MEETING DATE

*Administrative Committee meeting is scheduled for Tuesday, 10/19/04 at 1:00 p.m.

*Regular Board meeting is scheduled for Wednesday, 10/20/04 at 3:30 p.m.

IX. EXECUTIVE SESSION

Motion was made to go into Executive Session for the purposes stated in the agenda at 5:36 p.m. (Lewis/Machida) The motion passed unanimously. Employer Trustees-3/Employee-Beneficiary Trustees-4)

By consensus of the Trustees, Executive Session adjourned at 7:14 p.m.

Overview by Chair Thomason regarding the HMSA contract to allow for the EUTF to recompetete the contract or exercise an option for an additional two years with HMSA. At the last meeting the Board authorized the Deputy Attorney General and the Benefits Plan Consultant to solicit HMSA's best offer for more favorable terms during the option period. During the Executive Session the Deputy Attorney General and the Benefits Plan Consultant explained what terms HMSA offered and the Board has voted to exercise the option to extend its contract with HMSA under the terms HMSA has offered. Based on the advice of the Deputy Attorney General this vote was taken in Executive Session. Mr. Garner gave a presentation on the significant features of the contract extension. A fact sheet and press release was given to members of the public (see handouts).

After public comments and questions regarding the HMSA contract, the meeting was recessed at 7:24 p.m.

Board meeting to Reconvene on Thursday, 9/23/04, 1:00 p.m., SOT Conference Room 405.

Documents Distributed:

1. EUTF Statement of Net Assets 7/31/04(Unaudited) dated 9/15/04. (1 page)
2. EUTF Combined Statement of Revenues & Expenses-Budget & Actual Comparison Month Ended 7/31/03 (Unaudited) dated 9/15/04. (1 page)
3. EUTF Statement of Cash Flows Month Ended 7/31/04 (Unaudited) dated 9/15/04. (1 page)
4. Garner Consulting August 2004 Bulletin. (2 pages)
5. The High Road August 2004. (2 pages)
6. Approved Board Minutes for 6/24/04. (10 pages)
7. Fact Sheet (HMSA Terms for the Exercise of the EUTF Two-Year Contract Option. (1 page)
8. Press Release "EUTF Extends HMSA Health Insurance Contract" dated 9/15/04. (2 pages)

HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
Minutes of the Board of Trustees
RECONVENED ON THURSDAY, SEPTEMBER 23, 2004

TRUSTEES PRESENT

Ms. Katherine Thomason, Chairperson	Mr. Will Miyake
Ms. Kathleen Watanabe, Vice-Chairperson	Mr. John Radcliffe
Mr. Nelson Befitel	Mr. Mark Recktenwald
Ms. Joan Lewis	Mr. Stanley Shiraki

TRUSTEES ABSENT

Mr. Gerald Machida, Secretary-Treasurer
Mr. Dayton Nakanelua

ATTORNEY

Mr. Brian Aburano, Deputy Attorney General

EUTF STAFF

Mr. Lawrence Nishihara, Acting Administrator

OTHERS PRESENT: None

I. CALL TO ORDER

The regular meeting of the Board of Trustees was reconvened at 1:15 p.m. by Trustee Katherine Thomason, Chairperson, in Conference Room 405, Leiopapa A Kamehameha Building, 235 South Beretania Street, Honolulu, Hawaii, on Thursday, September 23, 2004.

MOTION was made to move into Executive Session for the purposes stated in the agenda at 1:15 p.m. (Recktenwald/Befitel) The motion passed unanimously. (Employer trustees-5/Employee-Beneficiary trustees-3)

MOTION was made to move out of Executive Session at 5:35 p.m. (Recktenwald/Befitel). The motion passed unanimously. (Employer trustees-5/Employee-Beneficiary trustees-3)

Recessed at 5:35 p.m.

Board meeting to Reconvene on Tuesday, 9/28/04, 3:00 p.m., SOT Conference Room 405.

HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
Minutes of the Board of Trustees
RECONVENED ON TUESDAY, SEPTEMBER 28, 2004

X. ADJOURNMENT

There being no quorum, the meeting adjourned at 3:00 p.m.

Respectfully submitted,

/s/

Gerald Machida, Secretary-Treasurer

APPROVED as amended on October 20, 2004.