

HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
Minutes of the Board of Trustees
Wednesday, October 20, 2004

TRUSTEES PRESENT

Ms. Katherine Thomason, Chairperson	Ms. Joan Lewis (Arrived at 4:10 p.m.)
Ms. Kathleen Watanabe, Vice-Chairperson	Mr. Willard Miyake
Mr. Gerald Machida, Secretary-Treasurer	Mr. John Radcliffe (Left at 5:37 p.m.)
Mr. Nelson Befitel	Mr. Mark Recktenwald

TRUSTEES ABSENT

Mr. Dayton Nakanelua
Mr. Stanley Shiraki

ATTORNEY

Mr. Brian Aburano, Deputy Attorney General

EUTF STAFF

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

OTHERS PRESENT

Mr. Gary Allen, Quality Healthcare Alliance	Mr. Lance Kurata, Quality Healthcare Alliance
Ms. Lynette Arakawa, HDS	Ms. Doreen Kuroda, DHRD
Ms. Sandra Benevides, Kaiser Permanente	Mr. Brian Malanaphy, Malanaphy Consulting
Mr. Thomas Bittner, Aetna	Mr. Maurice Morita, HSTA
Ms. Monica Engle, VSP	Mr. Michael Moss, HMSA
Ms. Venus Gabuyo, MBAH	Ms. Gertrude Nitta, HGEA-R
Mr. Rick Jackson, MDX Hawaii	Mr. Gary Sanehira, ICSD
Ms. June Kadomoto, ORTA	Mr. Rod Tam, HMSA
Ms. Alice Kotake, HSTA-R	Mr. George Yamamoto, HGEA-Retirees

I. CALL TO ORDER

The regular meeting of the Board of Trustees was called to order at 3:43 p.m. by Trustee Katherine Thomason, Chairperson, in Conference Room 405, Leiopapa A Kamehameha Building, 235 South Beretania Street, Honolulu, Hawaii, on Wednesday, October 20, 2004.

II. APPROVAL OF MINUTES

Review of minutes for August 9, 2004, August 25, 2004, and September 15, 2004.

September 15, 2004 minutes: Amendment to page 4, move line 21 "Yes-Lewis, Machida, Miyake, Radcliffe" to end of line 15. Page 7, line 31 and 34 change number of Employer trustees to "5" and Beneficiary trustees to "3".

MOTION was made to approve the minutes for August 9, 2004 and August 25, 2004 as submitted and to also approve the minutes for September 15, 2004 as amended. After discussion by the Trustees, the motion passed unanimously. (Radcliffe/Watanabe) Employer Trustees-4 Employee-Beneficiary Trustees-3)

III. COMMITTEE REPORTS

A. SELECTION COMMITTEE

There being no objections by the Trustees, this item was deferred to Executive Session.

B. ADMINISTRATIVE COMMITTEE

Trustee Recktenwald reported:

1. HSTA Rates – Overage of .02

The parties have reached agreement to adopt the published rates and a letter of agreement will be executed. No further action needed by the EUTF.

2. UPW Contract – Dual Coverage

The collective bargaining parties inadvertently negotiated a contribution structure that results in a substantially lower employer contribution and higher employee contribution than currently exists. The Office of Collective Bargaining, UPW, and Acting Administrator will meet on Monday to begin to discuss how to address this issue.

3. EUTF Lease

The new move date is scheduled for November 2004.

4. Review of Administrative Rules

The staff recommended that the Administrative Rules be reviewed. The Administrative Committee is willing to take the task of reviewing the Administrative Rules. Proposed rule changes will be generated by the staff for the Board's consideration and Trustees may submit any suggested changes to the Administrator.

There being no objections by the Trustees, the Administrative Committee will review any proposed changes to the Administrative Rules.

5. Open Enrollment 2005

The staff has begun the planning process for Open Enrollment 2005.

6. RFP for PeopleSoft

Staff is reviewing comments received from DAGS/ICSD on Monday, 10/18/04, and will report back to the Board.

7. HIPAA Security Review

Garner Consulting is in the process of drafting policies and procedures for the EUTF based on their review and will submit to the Board later this year. Training is scheduled for staff on November 9 and 10, 2004. If policies adopted by Board are different than those staff receives training on, there will be additional training done with no additional cost to the EUTF.

8. Flexible Benefits and Health Savings Account Report

Garner Consulting submitted a report on "Flexible Benefits and Health Savings Account" (see handout). A briefing by Garner Consulting and other interested parties will be scheduled for the full Board. Discussion held by Trustees regarding scheduling a training/roundtable session for Trustees and other interested parties.

9. Legislative Proposals

A number of legislative proposals were discussed. The Administrative Committee did not reach a consensus on any of the legislative proposals except for two. By consensus of the Administrative Committee, with reservations by Chairperson Recktenwald and subject to further consideration and discussion of concerns raised during yesterday's Administrative Committee meeting, a recommendation was made for the Board to approve the proposed legislative proposal to amend the definition of "dependent-beneficiary" in Section 87A-1, HRS. Some of the concerns raised were: (1) uncertainty as to the number of people who would be affected by this proposal - there may be a fairly large number of people who would seek to have their grandchildren or other relatives covered; and (2) the EUTF's ability to insure that this benefit would not be used where it was not appropriate. The legislative proposal would permit employee-beneficiaries to cover certain children who qualified as their "dependents" for federal tax purposes. Further discussion of this matter was deferred until Trustee Lewis arrives. After Trustee Lewis arrived, Mr. Aburano gave an overview of the proposed amendment (see handout) and the reasoning behind the drafting of the amendment. Discussion held by Trustees, staff, and carriers regarding the coverage of "hanai" children and foster children, and the requirements of the applicable federal tax laws.

MOTION was made for the Board to approve the proposed amendment to Section 87A-1, HRS. (Miyake/Lewis) After discussion by the Trustees, the motion passed unanimously. Employer Trustees-4/Employee-Beneficiary Trustees-4)

The Administrative Committee agreed that the Board should take into further consideration the issue of whether legislation should be proposed relating to self-insurance. One suggested proposal is to seek a guarantee by the legislature that would cover the EUTF if it were self-insured and had losses beyond its reserves. The Administrative Committee discussed the following issues: (1) whether the EUTF would be able to cover the risk of excess losses with reinsurance which would potentially have a higher cost if paid by the EUTF as opposed to having the legislature available to back the EUTF; and (2) how would the legislature provide the financial backing for claims that go beyond the EUTF's reserves, including the possibility of using bonds. The Committee asked Budget and Finance for input and for Mr. Aburano to review these issues.

Mr. Aburano gave an overview of two possible approaches. One approach is to get an outright appropriation from the legislature that would be available to cover any shortfall. The problem with this approach is that the appropriation would lapse at the end of the fiscal biennium. The EUTF would have to be certain that it could identify and pay any

shortfall before the end of the fiscal biennium. The other approach is to get an appropriation under which the Department of Budget and Finance could make an interest free loan to the EUTF to cover shortfalls. This approach potentially does away with the fiscal biennium problem. Discussion held by the Trustees and Deputy Attorney General regarding self-insurance and legislative proposals related to self-insurance.

Trustee Miyake stated that the Board should take a vote and make a decision on the 14 legislative proposals that he submitted. Further discussion held by the trustees and staff regarding the 14 legislative proposals.

MOTION was made to defer action on all 14 legislative proposals.

(Watanabe/Recktenwald) After discussion by the Trustees, the motion failed.

(Employer Trustees-4 Yes-Befitel, Recktenwald, Thomason, Watanabe/Employee-Beneficiary Trustees-4 No- Lewis, Machida, Miyake, Radcliffe)

MOTION was made to approve legislative proposal #1 in concept only to research feasibility and/or viability. (Lewis/Miyake) The motion failed. (Employer Trustees-4 No-Befitel, Recktenwald, Thomason, Watanabe/Employee-Beneficiary Trustees-4 Yes-Lewis, Machida, Miyake, Radcliffe)

MOTION was made to adopt all 14 legislative proposals. (Miyake/Lewis) The motion failed. (Employer Trustees-4 No-Befitel, Recktenwald, Thomason, Watanabe/Employee-Beneficiary Trustees-4 Yes-Lewis, Machida, Miyake, Radcliffe)

10. Expenditure for Information Technology (IT)
Staff has requested expenditure not-to-exceed \$25,000 for professional services for IT to assist the EUTF.

MOTION was made upon the recommendation of the Administrative Committee for the Board to authorize expenditure not-to-exceed \$25,000 with the understanding that the money would be spent only for services that were not available on a timely basis in-house with other government agencies. After discussion by the Trustees, the motion passed unanimously. (Employer Trustees-4/Employee-Beneficiary Trustees-4)

IV. OTHER REPORTS

A. ADMINISTRATOR

Mr. Lawrence Nishihara reported:

1. Health Fund Refund Project

Four additional staff is requested to assist in the Health Fund refund project. Initial hire would start November 16, 2004, and the next group will start on December 1, 2004 - employment period for all additional staff not-to-exceed June 30, 2005. Due to the Plaintiffs filing a motion for attorneys' fees in the O'Gorek lawsuit, the project is delayed pending a hearing on the Plaintiffs' motion in November 2004, but staff is still needed

now for training. Discussion held by Trustees regarding the hiring of additional staff and the timeframe to hire and terminate.

MOTION was made to authorize the EUTF to hire four temporary staff to assist in the Health Fund refund project and for first hire to start on November 16, 2004, and other four to start on December 1, 2004 - employment period for all additional staff not-to-exceed June 30, 2005. (Recktenwald/Radcliffe) The motion passed unanimously. (Employer Trustees-4/Employee-Beneficiary Trustees-4)

2. FY2006-07 Biennium Budget

Ms. Tonaki gave an overview on the updated FY2006-07 biennium budget (see handout). EUTF requested for 8 additional clerk three positions and 3 additional IT positions and Budget and Finance recommended only 7 additional clerk three positions and 1 additional IT position. Budget and Finance did not recommend the upgrade of the imaging system. Discussion held by the Trustees and staff regarding the denial of the EUTF requests. Ms. Kimura from Budget and Finance stated reasons why they did not recommend the upgrade of the imaging system and that this is just preliminary and that the EUTF can submit additional information to Budget and Finance to reconsider. Further discussion held by Trustees and staff on what authorization the EUTF Trustees have regarding budget decisions. Trustee Radcliffe left at 5:37 p.m. There being no objections, the Trustees agreed that the EUTF submit additional information to Budget and Finance to reconsider their recommendations.

There being no objections, the Trustees deferred the remainder of the agenda items.

B. DEPUTY ATTORNEY GENERAL

C. BENEFITS CONSULTANT

D. CARRIERS REPORTS

1. Hawaii Dental Service
2. HMSA
3. Kaiser Permanente
4. Royal State Insurance Co., Ltd.
5. VSP

V. UNFINISHED BUSINESS

- A. HIPAA Gap Analysis – Security
- B. Plan Design or Collective Bargaining/Health Savings Accounts
- C. PeopleSoft Upgrade Project (Costs & Method of Procurement)

VI. NEW BUSINESS

- A. Financial Report as of August 31, 2004

- B. Quarterly Report – Garner Consulting
- C. Memorandum of Agreement with Attorney General’s Office

VII. COMMUNICATIONS FROM THE PUBLIC AND INPUT FROM ATTENDEES

- A. OIP OpenLine for August-September 2004 (see handout)

VIII. FUTURE AGENDA ITEMS AND NEXT MEETING DATE

IX. EXECUTIVE SESSION

Motion was made to go into Executive Session at 5:40 p.m. (Lewis/Watanabe) The motion passed unanimously. Employer Trustees-3/Employee-Beneficiary Trustees-3)

Motion was made to move out of Executive Session. (Watanabe/Befitel) The motion passed unanimously. Employer Trustees-3/Employee-Beneficiary Trustees-3)

Executive Session adjourned at 6:00 p.m.

Recessed at 6:00 p.m.

Board meeting to reconvene on Tuesday, October 26, 2004, 9:00 a.m., Leiopapa A Kamehameha Bldg., 14th floor conference room.

Documents Distributed:

1. Draft Minutes for 8/09/04. (5 pages)
2. Draft Minutes for 8/25/04. (7 pages)
3. Draft Minutes for 9/15/04. (8 pages)
4. EUTF FY2006-07 Biennium Budget dated 10/20/04. (3 pages)
5. EUTF Special Report Evaluating the Implementation, Administration & Financial Impact of Benefits Plans which Began Since 7/01/03 by Garner Consulting dated 10/20/04. (17 pages)
6. EUTF Preliminary Estimates of Reserves Needed for Self-Funding dated 10/20/04. (1 page)
7. EUTF Preliminary Estimates of Reserves on 7/01/07 dated 10/20/04. (1 page)
8. Garner Consulting Bulletin – September 2004. (2 pages)
9. EUTF Statement of Net Assets 8/31/04 (Unaudited). (1 page)
10. EUTF Combined Statement of Revenues and Expenses-Budget & Actual Comparison 2 Months Ended 8/31/04 (Unaudited). (1 page)
11. EUTF Statement of Cash Flows 2 Months Ended 8/31/04 (Unaudited) dated 10/20/04. (1 page)
12. OIP OpenLine – August-September 2004. (2 pages)

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RECONVENED ON TUESDAY, OCTOBER 26, 2004

X. ADJOURNMENT

There being no quorum, the meeting adjourned at 9:00 a.m.

Respectfully submitted,

/s/

Gerald Machida, Secretary-Treasurer

APPROVED on November 17, 2004.