

HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
Minutes of the Board of Trustees
Wednesday, November 17, 2004

TRUSTEES PRESENT

Ms. Katherine Thomason, Chairperson	Mr. Willard Miyake
Ms. Kathleen Watanabe, Vice-Chairperson	Mr. John Radcliffe
Mr. Gerald Machida, Secretary-Treasurer	Mr. Mark Recktenwald
Ms. Joan Lewis	Mr. Stanley Shiraki (Arrived at 3:55 p.m.)

TRUSTEES ABSENT

Mr. Nelson Befitel
Mr. Dayton Nakanelua

ATTORNEY

Mr. Brian Aburano, Deputy Attorney General

EUTF STAFF

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

OTHERS PRESENT

Ms. Lynette Arakawa, HDS	Ms. Doreen Kuroda, DHRD
Mr. Gary Allen, HI Business Health Council	Mr. Brian Malanaphy, Malanaphy Consulting
Ms. Sandra Benevides, Kaiser Permanente	Mr. Michael Moss, HMSA
Ms. Monica Engle, VSP	Ms. Gertrude Nitta, HGEA-R
Ms. Venus Gabuyo, MBAH	Ms. Susan Pestana, HSTA-MBC
Mr. Rick Jackson, MDX Hawaii	Mr. Rod Tam, HMSA
Ms. Ruth Kim, HSTA-R	Mr. Myles Taniguchi, TRIA
Ms. Alice Kotake, HSTA-R	

I. CALL TO ORDER

The regular meeting of the Board of Trustees was called to order at 3:42 p.m. by Trustee Katherine Thomason, Chairperson, in Conference Room 405, Leiopapa A Kamehameha Building, 235 South Beretania Street, Honolulu, Hawaii, on Wednesday, November 17, 2004.

MOTION was made to go into Executive Session at 3:42 p.m. (Radcliffe/Lewis) The motion passed unanimously. (Employer Trustees-3/Employee-Beneficiary Trustees-4)

MOTION was made to move out of Executive Session. (Lewis/Radcliffe) The motion passed unanimously. (Employer Trustees-4/Employee-Beneficiary Trustees-4)

Executive Session adjourned at 4:14 p.m.

Chair Thomason announced and welcomed Jim Williams as the Administrator of the EUTF effective November 22, 2004.

II. APPROVAL OF MINUTES

Review of minutes for October 20, 2004.

MOTION was made to approve the minutes for October 20, 2004 as submitted. (Radcliffe/Recktenwald) The motion passed unanimously. (Employer Trustees-4/Employee-Beneficiary Trustees-4)

III. COMMITTEE REPORTS

A. SELECTION COMMITTEE

Discussed in Executive session and announcement made by Chair Thomason.

B. ADMINISTRATIVE COMMITTEE

Trustee Recktenwald reported:

1. Self Funding

Trustee Recktenwald stated that the Committee had requested that Garner Consulting check to see what other state governments provided a guarantee to their self funded health plans to back-up the liabilities of the health plans if claims exceeded reserves and report back to the Committee. Trustee Recktenwald gave an overview on the report that was submitted by Garner Consulting (see handout).

2. HIPAA Security

Training was done for the EUTF and ICSD staff. The training identified additional issues that need to be considered by the Trustees: 1) PeopleSoft – potential concerns if the system is not supported properly or at all by the vendor, it could create a security risk for the Trust Fund; 2) ICSD – Disaster recovery plan process statewide in the event of a catastrophic crash on the computer system; 3) Reuse of hardware – if hard drives should be destroyed or reused; and 4) E-mail – HIPAA protected material should not be transmitted by unsecured e-mail. John Garner will send a letter to the Board indicating his findings and recommendations and the Board will forward the letter to the Comptroller, Russ Saito. Chair Thomason gave an update that a committee has been formed and that DAGS budgeted \$175,000 for FY 06 and allocated 1.97 million for FY 07 for a disaster response plan. Trustee Recktenwald stated that ICSD is addressing the problem statewide and requirements will probably not be in place by April 2005. Mr. Garner recommended that the EUTF staff not use e-mail to transmit unprotected data until the system is secured. Discussion held by Trustees and staff regarding the use of e-mail. By consensus of the Trustees, the EUTF staff will continue to use the e-mail in a prudent matter and the Administrator will do an evaluation and report back to the board next month.

3. Refund Project

Awaiting guidance from the courts regarding the issue of attorney fees. Due to the delay and a heavy year-end workload DAGS will be unable to implement the distribution of funds until March 2005. If the money needs to be distributed earlier, DAGS will cut the

checks and is recommending that the EUTF use an outside contractor for the mailing portion of the checks. The EUTF does have the money in the existing budget. The Administrative Committee advised the EUTF staff to follow the recommendation of DAGS.

4. Legislative Proposal – Dependent Children

Mr. Aburano notified the Trustees that the definition of dependent for federal tax purposes was changed in September 2004. The effect of the change in federal law will make it easier for some children to qualify as dependent-beneficiaries under the proposed legislation. The consensus of the Administrative Committee was for the EUTF staff to move forward in submitting the legislative proposal that was previously approved by the Board to Budget and Finance for inclusion in the administration's legislative package.

5. Domestic Partners

Mr. Aburano generated draft information sheets and proposed revisions to forms for domestic partners.

MOTION was made upon the recommendation of the Administrative Committee for the Board to approve the draft information sheets and proposed revisions to forms for domestic partners. The motion passed unanimously. (Employer Trustees-4/Employee-Beneficiary Trustees-4)

6. HIPAA-Memorandum of Agreement

Mr. Aburano is working on a draft of a memorandum of agreement between the Board and the Trust Fund regarding HIPAA matters.

7. Proposed Administrative Rule Changes

The Acting Administrator submitted three administrative rule changes. The Administrative Committee agreed with the administrative rule changes pending review by Mr. Aburano regarding the wording and possible impact and report back to the Board. Mr. Aburano reported that he would need further time to review the proposed rule changes, that he thought the rule changes should be reviewed in more comprehensive way, and that the new Administrator should be part of that review. Mr. Aburano recommended that the Board defer action on the proposed administrative rule changes. By consensus of the Trustees, this action is deferred until further study is taken.

C. BENEFITS COMMITTEE

Trustee Radcliffe reported:

1. Rates for 2006

Rates were approved in Executive Session.

2. Medicare Prescription Drugs for Retirees

The new Medicare Part D for prescription drugs will become effective January 2006. Three options were considered and the Benefits Committee agreed that the best option

for the retirees would be to go with the least amount of difference from the status quo which would be the subsidy option. The EUTF would continue the current plan and file for the Medicare subsidy. There is a question as to who would get the subsidy - the EUTF or the public employers. Discussion held by Trustees regarding who should get the subsidy, who is the plan sponsor, if there was a consensus of the Benefits Committee, and if a motion is now required. Mr. Garner gave the Board an overview on the three options (see handout). Mr. Garner's recommendation is the subsidy approach if the goal is to leave retirees where they are now. The subsidy approach is the simplest in terms of communicating with retirees and requires no legislative authorization. Further discussion held by Trustees, consultant, and staff regarding the subsidy approach, who gets the subsidy, the kind of legislative authorization that would be required to reimburse retirees for their Medicare Part D premiums, and the impact of the various options on the EUTF's administrative processes.

MOTION was made to approve the subsidy approach for Medicare Part D. (Radcliffe/Miyake) After discussion by the Trustees, the motion was withdrawn. Trustee Lewis left at 5:09 p.m.

MOTION was made to approve the subsidy approach for Medicare Part D and to apply for the subsidy and to later make a decision on who applies. (Radcliffe/Miyake) The motion passed unanimously. (Employer Trustees-4/Employee-Beneficiary Trustees-3)

3. Appeal by Member

By consensus of the Benefits Committee, it is recommended that the Board support the EUTF staff recommendation and deny the appeal to add an adopted dependent 3 years after the employee has passed away. If the appeal is not denied, the EUTF may broaden the number of people who may later claim some benefit after the employee has passed away. Discussion held by Trustees and staff regarding the appeal by the member and if the adopted dependent was a foster child before the employee died. Deferred until next Board meeting pending the EUTF staff obtaining additional information.

4. Special Open Enrollment – Kauai

Kaiser Permanente will have fewer Kauai practitioners and providers. The EUTF staff has recommended that a special open enrollment be held for the island of Kauai. By consensus of the Benefits Committee, it is recommended that the Board approve that a special open enrollment be held for the island of Kauai.

MOTION was made upon the recommendation of the Benefits Committee for the Board to approve that a special open enrollment be held for the island of Kauai. The motion passed unanimously. (Employer Trustees-4/Employee-Beneficiary Trustees-3)

IV. OTHER REPORTS

A. ADMINISTRATOR

Mr. Nishihara reported:

1. Office Lease

The EUTF received a copy of the office lease that still needs signatures of Budget and Finance and the Realtor.

B. DEPUTY ATTORNEY GENERAL: None

C. BENEFITS CONSULTANT

Mr. Garner reported:

1. Self-Funding

Mr. Garner gave an overview on the estimate of reserves required for self-funding and a preliminary estimate of reserves that will be available on July 1, 2007 (see handouts). Mr. Garner has recommended that the Trust Fund think in terms of the equivalent of two months worth of claims to have sufficient reserves. Approximately 66 million dollars is needed to self-fund everything. Mr. Garner reasonably anticipates that the Trust Fund will have enough money to self-fund by July 1, 2007. Discussion held by Trustees and consultant regarding the high amount for rebates, why it is not included in a rate reduction. Further discussion by Trustees and consultant regarding the estimates.

2. EUTF Special Report Evaluating the Implementation, Administration & Financial Impact of Benefit Plans Which Began Since July 1, 2003

Mr. Garner gave an overview regarding the EUTF special report (see handout). Discussion held by Trustees, staff, consultant, and public regarding a change to have open enrollment held later. Further discussion by Trustees and consultant regarding the financial impact of dual coverage. Trustee Miyake does not agree with the report regarding the information on dual coverage and has recommended that it be amended. By consensus of the Trustees, draft reports will be submitted to the Trustees for review and approval before being released to public. Referred to the Administrative Committee for further review and requirements of a report.

3. Annual Reports

Annual reports from carriers were due on October 28, 2004. To date Aetna, MBAH, and Royal State have not submitted their annual report. Garner Consulting's annual report summarizing the carriers' reports will therefore be late. By consensus of the Trustees, a draft of the annual report will be submitted to the Trustees for review.

D. Carrier's Reports

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

V. UNFINISHED BUSINESS

A. HIPAA Gap Analysis – Security

Discussed under Administrative Committee report.

B. Plan Design or Collective Bargaining/Health Saving Accounts

Deferred for training at a later date.

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

Discussion held by Trustees, staff, and Malanaphy Consulting regarding the extension of Malanaphy Consulting's contract, the timeline, and additional funds.

Chairperson Thomason appointed Trustees Miyake, Radcliffe, Shiraki, and Watanabe to a task force to investigate, negotiate, and make recommendations to the Board at its next meeting regarding an extension of Malanaphy Consulting, LLC's contract.

MOTION was made to approve the task force appointed by the Chairperson and approval for the task force to investigate, negotiate, and make recommendations regarding an extension of Malanaphy Consulting, LLC's contract. (Radcliffe/Recktenwald) The motion passed unanimously. (Employer Trustees-4/Employee-Beneficiary Trustees-3)

D. PeopleSoft - RFP

Chair Thomason stated that the RFP needs to be reviewed by the procurement attorney for the State. Deferred until the next Board meeting.

VI. NEW BUSINESS

A. Financial Reports as of August 31, 2004 and September 30, 2004

Ms. Tonaki gave an overview on the financial reports for August 31, 2004 and September 30, 2004 (see handout). She noted that on the September 30, 2004 financial report, all money from the Health Fund has been transferred to the EUTF.

B. Quarterly Report – Garner Consulting

Mr. Garner reported that on the summary of the performance standards reports (see handout) there was only one carrier that did not meet a standard and it does not have a penalty.

C. Memorandum of Agreement with Attorney General's Office

Discussion held by Trustees and staff regarding the memorandum of agreement (MOA) and if the Trust Fund should pay. Deferred until the next Board meeting pending additional information.

D. Quality Healthcare Alliance

Mr. Gary Allen from the Hawaii Business Health Council gave an overview on what the Quality Healthcare Alliance (QHA) is doing and how the EUTF can benefit from it. Mr. Allen is asking if the EUTF would join them as an active participant to help build a model IT infrastructure and give input on how it is created. When it is created, then the EUTF can say if they want to be part of it. Mr. Garner recommends that the EUTF be a participant at no cost.

MOTION was made to authorize the Administrator as designee to participate on a non-binding basis on the efforts of the Quality Healthcare Alliance at no cost to the EUTF. (Recktenwald/Radcliffe) The motion passed unanimously. (Employer Trustees-4/Employee-Beneficiary Trustees-3)

VII. COMMUNICATIONS FROM THE PUBLIC AND INPUT FROM ATTENDEES

- A. Kaiser Permanente Annual Notice of Change. (see handout)
- B. OIP Openline Bulletin for October 2004 (see handout)

VIII. FUTURE AGENDA ITEMS AND NEXT MEETING DATE

Regular Board meeting scheduled for Wednesday, December 15, 2004, SOT room 405.

IX. EXECUTIVE SESSION

Held after First Order of Business.

X. ADJOURNMENT

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

The meeting was adjourned at 6:57 p.m.

Respectfully submitted,

/s/

Gerald Machida, Secretary-Treasurer

APPROVED on January 19, 2004.

Documents Distributed:

1. Draft Minutes for 10/20/04. (7 pages)

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Board of Trustees Meeting

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2. Garner Bulletin October 2004. (2 pages)
3. EUTF Statement of Net Assets 8/31/04 (Unaudited) dated 10/20/04. (1 page)
4. EUTF Combined Statement of Revenues & Expenses-Budget & Actual Comparison 2 Months Ended 8/31/04 (Unaudited) dated 10/20/04. (1 page)
5. EUTF Statement of Cash Flows 2 Months Ended 8/31/04 (Unaudited) dated 10/20/04. (1 page)
6. EUTF Statement of Net Assets 9/30/04 (Unaudited) dated revised 11/17/04. (1 page)
7. EUTF Combined Statement of Revenues & Expenses-Budget & Actual Comparison 3 Months Ended 9/30/04 (Unaudited) dated revised 11/17/04. (1 page)
8. EUTF Statement of Cash Flows 3 Months Ended 9/30/04 (Unaudited) dated revised 11/17/04. (1 page)
9. Summary of the Performance Standard Reports, Carriers Who Did Not Meet the Standards, HMSA dated 11/17/04. (1 page)
10. EUTF Preliminary Estimates of Reserves Needed for Self-Funding dated 11/17/04. (1 page)
11. EUTF Preliminary Estimates of Reserves on 7/01/07 dated 11/17/04. (1 page)
12. Kaiser Permanente Annual Notice of Change received 11/03/04. (5 pages)
13. OIP OpenLine for October 2004. (2 pages)
14. Approved Minutes for 8/09/04. (5 pages)
15. Approved Minutes for 8/25/04. (8 pages)
16. Approved Minutes for 9/15/04. (8 pages)