

HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND

Minutes of the Board of Trustees

Wednesday, May 19, 2004

TRUSTEES PRESENT

Mr. Will Miyake, Chairperson

Ms. Joan Lewis, Vice-Chairperson (Arrived 10:14 am)

Mr. Harold DeCosta

Mr. Gerald Machida

Mr. John Radcliffe

Mr. Mark Recktenwald

Mr. Stanley Shiraki

Ms. Katherine Thomason

Ms. Kathleen Watanabe

TRUSTEES ABSENT

Mr. Dayton Nakanelua

ATTORNEY

Mr. Brian Aburano, Deputy Attorney General

EUTF STAFF

Mr. H. Mark Fukuhara, Administrator

Mr. Lawrence Nishihara

Ms. Maria Quartero

Mr. Gary Sanehira

Mr. John Garner, Consultant

Mr. Andy Keowen, Consultant

Ms. Kathleen Shiroma

Ms. Donna Tonaki

OTHERS PRESENT

Ms. Lynette Arakawa, HDS

Mr. Gary Asato, Kaiser Permanente

Mr. Tracy Ban, B&F

Mr. Sandra Benevides, Kaiser Permanente

Mr. Thomas Bittner, Aetna

Ms. Monica Engle, VSP

Mr. Aaron Fujioka, SPO

Ms. Venus Gabuyo, MBAH

Mr. Rick Jackson, MDX Hawaii

Ms. Joelle Kane, IMX

Ms. Alice Kotake, HSTA-R

Ms. Tawnya Lloyd, Aetna

Mr. Norbert Mendes, HDS

Mr. Maurice Morita, HSTA

Ms. Gertrude Nitta, HGEA, R

Mr. Peter Rodriguez, Hartford

Mr. Rod Shinno, HSTA-MBC

Mr. Rod Tam, HMSA

Mr. George Yamamoto, HGEA-Retirees

Ms. Lilia Yu Lum, Royal State

I. CALL TO ORDER

The regular meeting of the Board of Trustees was called to order at 9:01 a.m. by Trustee Will Miyake, Chairperson, in Conference Room 405, Leiopapa A Kamehameha Building, 235 South Beretania Street, Honolulu, Hawaii, on Wednesday, May 19, 2004.

Chair Miyake introduced and welcomed Trustee Stanley Shiraki who replaced Trustee Bob Awana.

II. APPROVAL OF MINUTES

Review of minutes for February 26, 2003, October 1, 2003, October 22, 2003, November 19, 2003, and January 23, 2004.

There being no objections by the Trustees, Chair Miyake will sign the minutes due to the resignation of Secretary-Treasurer Bob Awana.

MOTION was made to approve minutes for February 26, 2003, October 1, 2003, October 22, 2003, November 19, 2003, and January 23, 2004 as submitted. (DeCosta/Radcliffe)
The motion passed unanimously. (Employer Trustees-5/Employee-Beneficiary Trustees-3)

III. COMMITTEE REPORTS

A. ADMINISTRATIVE COMMITTEE

Trustee Recktenwald reported:

1. Open Enrollment Update

The open enrollment went well this year. Almost all changes have been inputted into the computer. Confirmation notices will be sent to retirees who made changes and all actives with the exception of UPW and UHPA that still have current negotiation of benefits.

2. RFP Consultant

Proposals for a consultant to develop an RFP for the PeopleSoft upgrade were solicited and because of an aggressive timetable only one proposal was received and it was deemed to be non-responsive. The EUTF staff requests the Board's approval to go through the process of procuring an RFP consultant again and to approve a new proposed timeline. By consensus of the Administrative Committee, the recommendation is for the Board to approve the staff's request with an amendment to the timeline, that if possible, for the consultant to be procured and the funds to be encumbered by the end of this fiscal year.

MOTION was made upon the recommendation of the Administrative Committee for the Board to approve the process of procuring an RFP consultant to develop an RFP for the PeopleSoft upgrade again and to approve the new proposed timeline with an amendment, that if possible, for the consultant to be procured and the funds to be encumbered by the end of this fiscal year. The motion passed unanimously. (Employer Trustees-5/Employee-Beneficiary Trustees-3)

3. Legislative Update

SB 2278 is a housekeeping bill to clean-up language issues. SB 2355 clarified the issue of how retirees who had ten years of service would be treated if they leave then came back to public employment which requires no action by the Board. HB 2378 was signed into law; it clarifies the immunity of board members under State law. HB 2136 is pending before the Governor; it would eliminate exemptions from the procurement law that have been granted to several State agencies, including the EUTF. The bill would centralize or have one procurement law govern all State entities and subject them to a uniform set of potential exemptions. No recommendation was made by the Administrative Committee. Trustee Thomason gave Trustees a copy of an opinion written by Professor Danielle Conway Jones, "Procurement Institute White Paper". Overview by Mr. Aaron Fujioka, Administrator of the State Procurement Office (SPO), regarding the procurement law and HB 2136. Discussion held by the Trustees,

Mr. Fujioka, and staff regarding HB 2136, exemptions, timeliness, and small purchase exemptions. Trustee Watanabe noted for the record, since she is unable to withdraw her second to the motion, after hearing from Mr. Fujioka that she will not support this motion and agrees with the SPO that the EUTF should not be exempted. Mr. Fukuhara clarified that the Board did not take a position earlier and stated that he does not have a problem with this bill.

MOTION was made for the Board to approve that a letter be sent to the Governor recommending the veto of HB 2136, HD1, SD1, CD1, as it would hinder the Board's flexibility and adversely affect its autonomy. (Radcliffe/Watanabe) After discussion by the Trustees, the motion failed. (Employer Trustees-5, no-DeCosta, Recktenwald, Shiraki, Thomason, Watanabe/Employee-Beneficiary Trustees-2, yes-Miyake, Radcliffe, abstained-Machida)

4. HIPAA Compliance

Mr. Garner and Mr. Aburano are reviewing an issue under consideration as to whether a plan document is needed in addition to policies and procedures. No action is needed at this time.

5. HIPAA Security Project

The EUTF is required to have measures in place by April 2005. Garner Consulting is currently working on this project.

6. Claim Audit for Aetna

Garner Consulting conducted a claim audit on Aetna Life Insurance at no cost to the EUTF due to concerns raised about the possible integrity of the data that Aetna has been receiving. Garner reviewed 30 claims files and found all claims were correct with the exception of one for an overpayment of \$1,300. Garner concluded that the data being used was reliable. Earlier an issue had been raised by the Board regarding Aetna's request for a hold harmless agreement. Aetna has submitted a letter to the Board apologizing and withdrawing its request. Mr. Bittner of Aetna expressed his regret of the situation to the Administrative Committee and made it clear that Aetna values the business of the EUTF.

7. Proposed Administrative Rule Regarding the Reinstatement of Employees

A number of comments were received, reviewed by Mr. Aburano, and discussed with the Administrative Committee. The Administrative Committee recommends that the Board adopt the proposed Administrative Rule 4.14 and for Mr. Aburano to respond to those who submitted comments.

MOTION was made upon the recommendation of the Administrative Committee for the Board to adopt the proposed Administrative Rule 4.14 and for Mr. Aburano to respond to those who submitted comments. The motion passed unanimously. (Employer Trustee-5/Employee-Beneficiary Trustees-3)

8. Adoption Rule

By consensus of the Administrative Committee, this matter has been deferred for one month. The EUTF staff is directed to research and investigate to determine data that exist about potential number of people involved, potential cost impacts, and to consult with carriers regarding their views. Mr. Aburano will draft proposed language that would address the hanai issue to utilize the definition of foster children that is used by the Federal Government and present to Board at the next Board meeting.

9. Financial Report

No major issues were identified in the financial report. There will be \$600,000 more at the end of this fiscal year because the EUTF is unable to encumber funds for the upgrade.

10. Carrier Performance Reports

Only one carrier (Kaiser) did not meet the criteria regarding the response time in handling incoming calls that may result in possible financial implications in the future. Kaiser advised the EUTF that steps are now in place that they believe will address this issue.

B. BENEFITS COMMITTEE

Trustee Radcliffe reported:

1. Long-Term Care

Overview by Trustee Radcliffe regarding the long-term care contract that was transferred to the EUTF from the PEHF. Long-term care insurance is entirely paid by the employee and will expire December 31, 2005. The Benefits Committee recommends that the Board approve that the EUTF no longer offer long-term care insurance and to terminate the contract with Hartford Insurance when it expires on December 31, 2005. Discussion held by Trustees, staff, and consultant regarding the contract, members affected, cost impact, and different options that may be offered by vendors.

MOTION was made upon the recommendation of the Benefits Committee for the Board to approve that the EUTF no longer offer long-term care insurance and to terminate the contract with Hartford Insurance when it expires on December 31, 2005. After discussion by the Trustees, the motion passed unanimously. (Employer Trustees-5/Employee-Beneficiary Trustees-4)

2. Kaiser Not Offered on Kauai Effective July 1, 2004

Kaiser will cease business on Kauai effective July 1, 2004. The reasons for Kaiser closing are due to: (a) the costs, and (b) difficulty in getting reports from the clinic on Kauai is putting its NCQA accreditation into question. The Benefits Committee recommends that the Board approve an RFP for HMO on Kauai. [Trustee Lewis arrived at 10:14 a.m.] Discussion held by Trustees, staff, consultant, and Kaiser regarding the contractual obligations of Kaiser and Kaiser's reasons for withdrawing from the contract.

Mr. Garner stated that they have contacted the only other NCQA accredited HMO on Kauai about offering services on Kauai and they declined. Mr. Garner added that the only way to send out an RFP is to remove the NCQA accreditation requirement and to also make the RFP broader than just HMO and allow an Exclusive Provider Organization (EPO). Further discussion by Trustees and consultant regarding offering HMOs on the other islands without zip codes and the timeframe to complete an RFP. Mr. Fukuhara recommended that Kaiser continue to offer services on Kauai until July 31, 2004. Mr. Asato will confirm if Kaiser is willing to continue to offer services on Kauai until July 31, 2004. Further discussion by the Trustees and consultant regarding the motion to include other islands. Mr. Garner recommended that the Board structure the RFP to allow for flexible responses and indicate that the purpose of the RFP is to find an HMO or HMO like coverage on Kauai and it would invite proposals that would include service in the other areas not served. The Administrator and consultant will submit an RFP in two weeks to the Board and the Trustees will provide comments to be presented to the Board at the next meeting.

MOTION was made upon the recommendation of the Benefits Committee for the Board to approve an RFP that is structured to allow for flexible responses, that indicates that the purpose of the RFP is to find an HMO or HMO like coverage on Kauai, and that invites proposals that include service in other areas of the State that are not served by the EUTF's HMO plan, and for the EUTF staff to submit the RFP in two weeks to the Board. After discussion by the Trustees, the motion passed unanimously. Employer Trustees-5/Employee-Beneficiary Trustees-4)

3. State Benefits Survey

2003 State Employees Benefits survey was conducted and Hawaii active employees paid more for medical insurance than employees of most other States. However, it was pointed out by a member of the public that most of our retirees are provided 100% fully paid benefits.

4. Savings from HMSA and Kaiser Plans

Due to current negotiations with HMSA and Kaiser, the consultant was able to reduce future costs to the EUTF by approximately \$33.7 million from the original proposals made by HMSA and Kaiser.

5. Claims Experience Summary

The EUTF is ahead in the net surplus by \$11 million for the first nine months of operation which is very good.

6. Medicare Prescription Drug Plan Update

Discount cards are now available for purchase for retirees but are not needed for the EUTF members because they are adequately covered. By consensus of the Trustees, the EUTF will notify Medicare eligible retirees that they do not need to purchase discount cards.

Recessed at 10:58 a.m. and Reconvened at 11:05 p.m.

IV. OTHER REPORTS

A. ADMINISTRATOR

Mr. Fukuhara submitted Administrator's Update/Report (see written report)

1. Performance Evaluation

The Administrator requested a performance evaluation before he leaves and recommended that it should be done in the future.

2. Tasks and/or Decisions for FY 2005

For planning purposes for the next 12 months, the Administrator gave the Trustees a list of tasks and/or decisions for the various Committees/Board to address. Chair Miyake requested that the Administrator label which Committee should address these issues and submit it to the appropriate Chair of the Committee.

3. IFEBP Seminars and Annual Conference

Overview by Mr. Fukuhara regarding the IFEBP Annual Conference in September 2004 and seminars in November 2004. The Administrator is recommending that all (10) Trustees attend a conference because there are funds in the budget. There being no objections by the Trustees, Trustees who are able to attend the Annual Conference should contact the Administrator immediately.

4. Audit Services

The Comptroller approved the request to contract for audit services to conduct financial audits of the EUTF and is going through the process of choosing a finalist.

5. Election of Officers

The Board should be considering the election of new officers for the next fiscal year effective July 1, 2004 – June 30, 2005 to be addressed at the next Board meeting. The Chair and Vice-Chair will be from the Employer Trustees and the Secretary-Treasurer will be from the Employee-Beneficiary Trustees.

B. DEPUTY ATTORNEY GENERAL: None

C. BENEFITS CONSULTANT

Mr. Garner reported:

1. RFP for HMO

Mr. Garner stated that he just spoke to representatives of HMSA and they indicated a willingness to offer an HMO look alike product in the areas that Kaiser does not serve.

2. Garner Consulting Bulletin for April 2004 (see handout)

D. Carrier's Reports

1. Aetna
2. Hawaii Dental Service
3. Kaiser Permanente
4. Mutual Benefits
5. HMSA Kaiser Permanente
6. Royal State

Discussion held by Trustees and Administrator regarding the Administrator's status of the recruitment and possible extension. This item will be discussed in Executive Session.

V. UNFINISHED BUSINESS

A. Royal State Dual Coverage Plan Update

Overview by Mr. Fukuhara regarding Royal State Dual Coverage plan. The Ad Hoc Committee consisting of Trustees, the Administrator, and Budget & Finance met with Ted Hong regarding the issue of getting payments to Royal State and came up with some sort of agreement. To date, no payment has been made to the carriers and there still is no executed contract. The EUTF owes Royal State for the months of February, March, and April. In good faith, the carrier has been processing and paying the claims. The EUTF has requested to make a partial payment to Royal State with the money received from the Counties as well as the portion the Board previously approved to pay on behalf of the employees, but we are still at the same place as two months ago with no agreements or payments made.

Discussion held by Trustees and staff regarding the agreements that are needed to make payments for the dual coverage plans and who has the authority to release or not release the EUTF funds that the Board approves.

Recessed at 11:55 a.m. and Reconvened at 2:33 p.m.

TRUSTEES PRESENT

Mr. Will Miyake, Chairperson
Ms. Joan Lewis, Vice-Chairperson
Mr. Harold DeCosta
Mr. John Radcliffe

Mr. Mark Recktenwald
Ms. Katherine Thomason
Ms. Kathleen Watanabe

TRUSTEES ABSENT

Mr. Gerald Machida
Mr. Dayton Nakanelua
Mr. Stanley Shiraki

ATTORNEY

Mr. Brian Aburano, Deputy Attorney General

EUTF STAFF

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

Mr. John Garner, Consultant
Mr. Andy Keowen, Consultant
Ms. Kathleen Shiroma

Mr. Gary Sanehira

Ms. Donna Tonaki

OTHERS PRESENT

Mr. Tracy Ban, B&F

Ms. Venus Gabuyo, MBAH

Mr. Ted Hong, OCB

Ms. Doreen Kuroda, DHRD

Mr. Maurice Morita, HSTA

Ms. Susan Pestana, HSTA-MBC

Mr. Rod Shinno, HSTA-MBC

Mr. Rod Tam, HMSA

Ms. Lilia Yu Lum, Royal State

Mr. Hong was invited to the Board meeting to explain why the collective bargaining agreements are still not executed. Mr. Hong informed the Board that there are multiple employers and that one County expressed that it was unhappy that it was not consulted about the dual coverage plan, another County wanted information in Ramseyer format, and that there were issues about the accuracy of the numbers. Mr. Hong stated to take care of the immediate problem of Royal State not being paid, a letter of agreement could be executed with what the rates for Royal State would be from February 1, 2004 – June 30, 2004. Mr. Aburano reported on the status of the stand-alone prescription drug plan. Mr. Hong got approval to negotiate this plan and sent draft agreements to HGEA, HFFA, and HSTA and is waiting to hear from them. One of the Counties has not appropriated monies and was not consulted prior to the plan being adopted. Discussion held by Trustees, staff, and Mr. Hong regarding Kaiser withdrawing from Kauai and what affect it would have if the total cost for the plan were higher than currently. Mr. Hong said that he would need to review the language on that issue. Discussion held by Trustees, Mr. Hong, and staff regarding the need for clear communication to inform everyone involved of new or contemplated changes in contribution/plan designs, and what are the respective roles of the Office of Collective Bargaining and the EUTF. Further discussion held by Trustees, Mr. Hong, and staff regarding the stand-alone prescription drug plan, and getting the total number of employees who are giving up the higher price plan. The Administrator will confirm the number of employees and report back to the respective committees. By consensus of the Trustees, the issues regarding the Kauai HMO and the legal issues regarding the roles and authority of Trustees are deferred to the respective committees.

VI. NEW BUSINESS

A. Tax Attorney for Domestic Partners' Issues

Overview by Mr. Aburano on the procedures that the Selection Committee, which included himself, made to select outside legal counsel with expertise in tax. The proposed tax counsel will review the EUTF forms and procedures for handling the coverage of domestic partners, what the tax laws provide or require, and to make recommendations at a cost not to exceed \$15,000. Mr. Aburano reported that the top person on the list was the only tax counsel that has actually advised health fund plans on tax issues related to domestic partner coverage. His hourly rate was also the lowest. His name is John Schembari and he is a partner in the law firm of Kutak Rock. Though he is located in Nebraska, the Selection Committee did not feel it was a problem because he would just be reviewing forms and procedures and the applicable tax laws. The other two attorneys were Ron Heller from the Torkildsen Katz firm and Lan Johnson from the Goodsill Anderson firm. Both of these

attorneys have tax experience but neither has looked at tax issues involving health plans and domestic partners.

MOTION was made for the Board to approve the selection of John Schembari as the outside tax counsel to review the EUTF forms and procedures for handling the coverage of domestic partners, what the tax laws provide or require, and to make recommendations at a cost not to exceed \$15,000. (Thomason/Lewis) After discussion by the Trustees, the motion passed unanimously. (Employer Trustees-4/Employee-Beneficiary Trustees-3)

B. Recruitment of Administrator
To be discussed in Executive Session.

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

VIII. FUTURE AGENDA ITEMS AND NEXT MEETING DATE

*Administrative Committee meeting scheduled for Tuesday, June 15, 2004, 1:00 p.m., SOT room 405.

*Benefits Committee meeting scheduled for Tuesday, June 15, 2004, 3:00 p.m., SOT room 405.

*Regular Board meeting scheduled for Wednesday, June 16, 2004, SOT room 405.

IX. EXECUTIVE SESSION

MOTION was made to go into Executive Session at 3:25 p.m. (Thomason/DeCosta) The motion passed unanimously. (Employer Trustees-4/Employee-Beneficiary Trustees-3)

MOTION was made to move out of Executive Session. (Thomason/DeCosta) The motion passed unanimously. (Employer Trustees-4/Employee-Beneficiary Trustees-3)

Executive Session adjourned at 3:27 p.m.

X. ADJOURNMENT

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

The meeting was adjourned at 3:27 p.m.

Respectfully submitted,

/s/

Gerald Machida, Secretary-Treasurer

APPROVED on August 24, 2005.

Documents Distributed:

1. Draft Board Minutes for 2/26/03. (6 pages)
2. Draft Board Minutes for 10/1/03. (10 pages)
3. Draft Board Minutes for 10/22/03. (5 pages)
4. Draft Board Minutes for 11/19/03. (8 pages)
5. Draft Board Minutes for 1/23/04. (12 pages)
6. Administrator's Update/Report dated 5/19/04. (1 page)
7. Letter from Mark Fukuhara Regarding Request for a Performance Evaluation dated 3/13/04. (1 page)
8. Garner Bulletin for March 2004. (2 pages)
9. Memorandum from Russ Saito (DAGS) Regarding Approval to Contract for Audit Services dated 4/1/04. (1 page)
10. Resignation Letter from Trustee Bob Awana dated 4/5/04. (1 page)
11. Letter from Governor Lingle Regarding Appointment of Stanley Shiraki dated 4/5/04. (1 page)