

HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
Minutes of the Board of Trustees
Wednesday, June 22, 2005

TRUSTEES PRESENT

Ms. Katherine Thomason, Chairperson	Mr. Willard Miyake (arrived at 8:51 am)
Ms. Kathleen Watanabe, Vice-Chairperson (arrived at 8:45 am)	Mr. John Radcliffe
Mr. Gerald Machida, Secretary-Treasurer	Mr. Mark Recktenwald (left at 10:59 am)
Mr. George Kahoohanohano	Mr. Stanley Shiraki

TRUSTEES ABSENT

Mr. Nelson Befitel
Ms. Joan Lewis

ATTORNEY

Mr. Brian Aburano, Deputy Attorney General (arrived at 8:52 am)

EUTF STAFF

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

OTHERS PRESENT

Ms. Lynette Arakawa, HDS	Ms. Doreen Kuroda, DHRD
Mr. P. K. Ariki, Physical Therapist	Mr. Paul Matsuo, HGEA-R
Mr. Tracy Ban, B&F	Mr. Kendall Matsuyoshi, Legislative Analyst for Rep. Takai
Ms. Sandra Benevides, Kaiser Permanente	Ms. Sarah Moriyama, ORTA
Ms. Jennifer Diesman, HMSA	Mr. Michael Moss, HMSA
Ms. Monica Engle, VSP	Mr. Glenn Nakamoto, DOE
Ms. Venus Gabuyo, MBAH	Ms. Gertrude Nitta, HGEA-R
Dr. Larry Hsu, HMSA	Ms. Susan Pestana, HSTA-MBC
Mr. Rick Jackson, MDX Hawaii	Mr. Rod Tam, HMSA
Mr. Eleu Kane, Summerlin	Mr. Myles Taniguchi, TRIA
Ms. Ruth Kim, HSTA-R	Mr. George Yamamoto, HGEA-R
Ms. Alice Kotake, HSTA-R	

I. CALL TO ORDER

The regular meeting of the Board of Trustees was called to order at 8:31 a.m. by Trustee Katherine Thomason, Chairperson, in Conference Room 1935, City Financial Tower, 201 Merchant Street, Honolulu, Hawaii, on Wednesday, June 22, 2005.

By consensus of the Trustees, item V.D. Funding of Deputy Attorney General Position and Negotiation of Memorandum of Understanding will be taken out of order when Russell Suzuki arrives.

II. APPROVAL OF MINUTES

The Board reviewed the draft minutes for July 21, 2004 and May 17, 2005.

MOTION was made to approve the draft minutes for July 21, 2004 as submitted. (Radcliffe/Shiraki) The motion passed unanimously. (Employer Trustees-3/Employee-Beneficiary Trustees-3)

MOTION was made to approve the draft minutes for May 17, 2005 as submitted. (Radcliffe/Shiraki) The motion passed unanimously. (Employer Trustees-3/Employee-Beneficiary Trustees-3)

III. OTHER REPORTS

A. Administrator

Mr. Williams reported:

1. June Update (see written report)
 - a. EUTF FY 2005 Open Enrollment Update
Overview by Mr. Lawrence Nishihara regarding the 2005 Open Enrollment.
 - b. PEHF Refund Project
Overview by Mr. Lawrence Nishihara regarding the PEHF refund project.
 - c. PeopleSoft Support
EUTF staff is drafting a request for professional services to obtain a qualified PeopleSoft contractor to support the current PeopleSoft system.
 - d. Alternatives to the PeopleSoft System
Overview by Ms. Shiroma regarding alternatives to the PeopleSoft system (see written report). Discussion held by Trustees and staff regarding concerns about the IT systems for the state moving slow, the cost for the PeopleSoft system, having discussions regarding the PeopleSoft system with ICSD and ERS. Ms. Shiroma reported that the estimated cost for the PeopleSoft system is \$3.5 million.

MOTION was made for the Board to authorize the Administrator to draft and issue a request for professional services to secure a contractor to draft a request for proposal (RFP) and assist EUTF to procure a new benefits administration system to replace the current PeopleSoft system. (Radcliffe/Kahoohanohano) The motion passed unanimously. (Employer Trustees-3/Employee-Beneficiary Trustees-3)
 - e. Proposed Legislation Affecting EUTF
Comments for HB1548 and HB 1608 were submitted to the Governor's office. The Governor has not acted on either bill to date.
 - f. FY 06-FY 07 Budget Approved by Legislature
Overview by Ms. Tonaki (see written report). She explained that both years are presented to look at the two year cycle with two different processes: (1) FY '06 are internal adjustments that the EUTF would like to make due to the actions of the Legislature. [Trustee Watanabe arrived at 8:45 a.m.] Discussion held by Trustees and staff regarding if the VEBA bill passes would the EUTF provide information to

current retirees and if funds are available. Mr. Williams stated that the EUTF would notify current retirees and that specific adjustments were not made but it will be confirmed that funds are set aside. (2) FY '07 are adjustments for items to be considered in the planning stage. Discussion held by Trustees and staff regarding the internal adjustments for FY '06. [Trustee Miyake arrived at 8:51 a.m.]

- g. Direct Deposit of Medicare Part B Premium Refunds in Cooperation with ERS
Ms. Shiroma reported that the EUTF continues to work with ICSD staff and that the target date of September 2005 will be met. A meeting was held with the EUTF, ICSD, and the ERS project team and that the ERS provided a testing trail which the EUTF is reviewing.
- h. EUTF Facilities – Option to Lease Additional Space
Overview by Mr. Lawrence Nishihara regarding the additional space for the EUTF. The EUTF has requested to encumber approximately \$50,000 for the current space renovation. He reported that DAGS leasing gave a verbal approval for the additional space and this is being reviewed with Budget and Finance.
- i. GASB 43&45
Overview by Mr. Williams regarding letters received from Grant Thornton and the Comptroller (see letters). The conclusion is that the EUTF is a defined benefit plan and the staff will proceed based on the consultant's and DAGS determination unless otherwise instructed by the Board. Discussion held by Trustees, consultant, and staff regarding the determination and Grant Thornton's response. Trustees expressed concern that at their presentation Grant Thornton should have said that the EUTF was a defined benefit plan.
- j. Response to Auditor's Client Advisory Comments
Overview by Ms. Tonaki regarding the response to the Auditor's Client Advisory Comments (see written report).
- k. Benefits Conference for Public Employees
Mr. Williams reported that Trustee Kahooohanohano, Mr. Brian Aburano, and Ms. Donna Tonaki will be attending the IFEBP Benefits Conference for Public Employees from July 11-13, 2005 in Portland, Oregon.

B. DEPUTY ATTORNEY GENERAL

Mr. Aburano reported:

- 1. Medicare Part D – Opinion Letter
The Attorney General's Opinion letter is not finished and questions may be directed to Russell Suzuki.
- 2. Act 84
 - a. Clarifies what two state board members may discuss. Previously, two board members were restricted outside of public meetings to only discuss factual

information pertaining to board business. It is now clarified that two board members outside of a public meeting can discuss any issue pertaining to any board business. However, they still cannot commit or ask each other to commit to vote in a particular way on a pending issue. Mr. Aburano also explained how the bill changed the standards for voiding a board action when there has been a violation of the open meeting statute.

C. BENEFITS CONSULTANT

Mr. Garner reported:

1. May Report (see written report)

a. High Deductible Health Plan (HDHP)

Overview by Mr. Keowen on the HDHP. Garner Consulting is recommending that the Board authorize Garner Consulting to draft an RFP to implement a high deductible health plan beginning July 1, 2006. Discussion held by Trustees and consultant regarding the vendor's role. Mr. Garner clarified that in the RFP they would be asking for the HDHP portion (on a fully insured basis or on a self-funded basis) rather than having the EUTF get involved as the trustee or custodian of health savings accounts. Further discussion held by Trustees, consultant, and staff regarding the impact on existing contracts and the effective date. Mr. Garner explained that one of the possible downsides of a HDHP is the issue of adverse selection and that is something that would have to be taken into account. Mr. Garner does not believe under the circumstances with the surpluses that the EUTF has that it would result in a rate increase. Mr. Aburano said he thought that under the existing contracts with carriers, the carriers' right to ask for a change in rates was restricted to circumstances in which as a result of some statutory or collective bargaining change, one or more collective bargaining units moved out of the carrier's EUTF plan and that reduced the population in the plan by 10% or more. His recollection is that the existing contracts do not provide a right to ask for a change in rates simply upon a reduction in the plan population, but he would need to check and confirm. Overview by Mr. Garner regarding amounts for the deductible. Further discussion held by Trustees, consultant, and staff regarding adverse selection, health savings accounts, and deadline dates for RFP. Garner Consulting will check issues regarding total risk pool, federal plan, and the timing and impact of current contracts. Mr. Garner stated that the RFP target is September 2005.

MOTION was made to approve the consultant's recommendation that Garner Consulting be authorized to draft a request for proposal to implement a high deductible health plan beginning July 1, 2006. (Radcliffe/Recktenwald) After discussion by the Trustees, the motion passed unanimously. (Employer Trustees-4/Employee-Beneficiary Trustees-4)

b. HIPAA Security Policies and Procedures

Discussion and action to be held in Executive session.

c. COBRA Procedure Manual

Overview by Mr. Garner regarding an amended redline version of the COBRA Procedure Manual. The compliance date for the EUTF is July 1, 2005. Discussion held by Trustees and staff regarding additional staffing that would be needed. Mr. Garner stated that the ERISA regulations do not directly apply to the EUTF, but they provide the best guidance and he recommends following them. The consultant is recommending that the Board approve the COBRA Procedure Manual as revised.

MOTION was made for the Board to approve the COBRA Procedural Manual as revised. (Kahoohanohano/Radcliffe) After discussion held by Trustees, the motion passed unanimously. (Employer Trustees-4/Employee-Beneficiary Trustees-4)

d. Interest

Overview by Mr. Garner regarding the difference in interest between what HMSA will credit on a rate stabilization reserve and what the EUTF would earn.

Mr. Garner stated that under the terms of the current contract with HMSA there is no option, they will hold the rate stabilization reserve. However, if the Board wants the additional interest it might be possible to go to HMSA and request that they not hold the rate stabilization reserve and return the reserves to the EUTF. Discussion held by Trustees, staff and consultant regarding the interest income, concerns about holding or not holding the reserves and HMSA's 90 day T-bills, and to consider submitting proposed legislation to protect the EUTF monies in the interest of the participants. By consensus of the Trustees, the Administrator and consultant will pursue and submit a recommendation to the Board at the next Board meeting.

e. HMSA Physical Therapy Benefits

Overview by Mr. Garner regarding HMSA's response on the physical therapy benefits (see written report). The question to be addressed is if the change in physical therapy policy resulted in a cutback of benefits. Overview by Mr. Garner regarding the standard of review and how much involvement the Trustees would want in policy interpretation. Discussion held by Trustees, consultant, HMSA, and public regarding the change in how HMSA interprets the policy provision, changes that should be brought to the Board, overall member appeal process, physical therapy appeals, and treating physicians. Dr. Larry Hsu from HMSA explained the treatment process and that HMSA is working on having a physical therapy benefits appeal process for providers that should be completed in three months. Further discussion held by Trustees and consultant that Representative Takai's concerns should be adequately addressed and the Board's obligation to respond to serious complaints by members.

MOTION was made for the Board to authorize the Administrator to draft a response to Representative Takai addressing his issues and describing the appeal process for members that is already in place, and for the Board to approve the response before it is sent. (Miyake/Recktenwald) After discussion by the Trustees, the motion passed. (Employer Trustees-4 Yes/Employee-Beneficiary Trustees-3 Yes-Machida, Miyake, Radcliffe, 1 No-Kahoohanohano)

Item V.D. Funding of Deputy Attorney General Position and Negotiation of Memorandum of Understanding (taken out of order)

Overview by Mr. Suzuki from the Attorney General's office regarding the Memorandum of Understanding (MOU) for the EUTF to fund one Deputy Attorney General's position. Mr. Williams recommends that the Board approve the MOU. Discussion held by Trustees and staff regarding the amounts and contract terms.

MOTION was made for the Board to approve the MOU as amended to change the amount to \$85,500 and contract terms to June 30, 2005 through June 30, 2007. (Watanabe/Shiraki) After discussion by the Trustees, the motion passed unanimously. (Employer Trustees-4/Employee-Beneficiary Trustees-4)

D. Financial Report as of April 30, 2005

Overview by Ms. Tonaki regarding the financial report (see written reports).

Trustee Recktenwald left at 10:59 a.m.

E. Carrier's Reports

1. HDS

Written report submitted. Ms. Arakawa reported that Gabriel Lee would serve another year as chair.

2. HMSA

Written report submitted. Mr. Tam clarified his report regarding HMSA's handling of legal actions against prescription drug manufacturers as such relate to the EUTF's prescription drug plans. There are currently 12 cases and 3 have been settled (which monies have not been received). Due to continuing deficits in the Health Fund's prescription drug plans, the monies related to these plans will be credited against the deficits. After July 1, 2003, any monies received will be credited to the EUTF.

3. Kaiser Permanente

Written report submitted. Ms. Benevides reported that notices will be sent to members that are in the Kihei area in Maui due to the recent closing of the pharmacy but arrangements have been made for prescription drugs at Longs in the Kihei area.

4. Royal State Insurance

Written report submitted.

5. VSP

Written report submitted.

IV. UNFINISHED BUSINESS

A. Medicare Part D, Subpart R, Application for Subsidy

Mr. Williams reported that the staff recommendation is for the Board to authorize the Administrator to prepare and submit an application for Medicare Part D subsidy by the EUTF in full cooperation with the State and Counties. Mr. Garner reported that there is ambiguity in the regulations from CMS as to who the plan sponsor is and added that

regardless of the Attorney General's opinion that the decision is not binding on CMS. Mr. Garner recommends that the EUTF and State submit an application and explain to CMS that their regulations are not clear.

MOTION was made for the Board to authorize the Administrator and consultant to prepare the data for the application for Medicare Part D subsidy on behalf of EUTF and to cooperate fully with the State and Counties on a joint application. (Radcliffe/Shiraki) After discussion by the Trustees, the motion passed unanimously. (Employer Trustees-3/Employee-Beneficiary Trustees-4)

- B. COBRA Procedure Manual
Discussed and action taken under the Benefits Consultant report.
- C. HMSA Physical Therapy Benefits
Discussed and action taken under the Benefits Consultant report.
- D. Carrier Contract and Rates
This item will be discussed in Executive Session.

V. NEW BUSINESS

- A. HIPAA Policies and Procedures – Approval of Revisions
This item will be discussed in Executive Session.
- B. Authorize Administrator to Issue a Request for Professional Services to Draft a Request for Proposal for a New Benefit Administrative System
Discussed and action taken under the Administrator's report.
- C. High Deductible Health Plan (HDHP) – Authorize Consultant to Develop a Request for Proposal for a HDHP effective July 1, 2006
Discussed and action taken under the Benefits Consultant report.
- D. Funding of Deputy Attorney General Position and Negotiation of Memorandum of Understanding
Discussed and action taken out of order earlier on the agenda.
- E. Election of Officers

MOTION was made for the Board to elect Trustee John Radcliffe as chairperson for the year of July 1, 2005 through June 30, 2006. (Shiraki/Watanabe) The motion passed unanimously. (Employer Trustees-3/Employee-Beneficiary Trustees-4)

MOTION was made for the Board to elect Trustee Gerald Machida as vice-chairperson for the year of July 1, 2005 through June 30, 2006. (Shiraki/Watanabe) The motion passed unanimously. (Employer Trustees-3/Employee-Beneficiary Trustees-4)

MOTION was made for the Board to elect Trustee Katherine Thomason as secretary-treasurer for the year of July 1, 2005 through June 30, 2006. (Radcliffe/Watanabe) The motion passed unanimously. (Employer Trustees-3/Employee-Beneficiary Trustees-4)

MOTION was made for the Board to keep the Administrative, Benefits, and Selection Committees membership the same for the year of July 1, 2005 through June 30, 2006. (Shiraki/Kahoohanohano) The motion passed unanimously. (Employer Trustees-3/Employee-Beneficiary Trustees-4)

VI. COMMUNICATIONS FROM THE PUBLIC AND INPUT FROM ATTENDEES

Ms. Ruth Kim inquired if the VEBA bill passes would the composition of the Board change. Discussion held by Trustees and staff regarding the composition of the Board if the VEBA bill passes. Mr. Aburano explained that if the VEBA bill passes, Trustee Lewis would be off the Board and would have to be replaced. Mr. Williams stated that if HB1548 is signed and the VEBA bill is not approved, then there would be no change at this time.

VII. FUTURE AGENDA ITEMS AND NEXT MEETING DATE

Tentative date for next regular Board meeting is scheduled for Wednesday, July 27, 2005 subject to discussion with chairperson.

VIII. EXECUTIVE SESSION

MOTION was made to go into Executive Session at 11:18 a.m. to deliberate or make a decision on matters that require the consideration of information that must remain confidential pursuant to federal or state law, and to consult with the board's attorney on questions and issues pertaining to the board's powers, duties, privileges, immunities, and liabilities regarding: (1) O'Gorek and Awakuni lawsuits; (2) HIPAA Policies and Procedures; (3); Alternatives to the PeopleSoft System; (4) Carrier Contracts and Rates; (5) Funding of Deputy Attorney General Position and Negotiation of Memorandum of Understanding; and 6) any other item of business on the board's agenda. (Radcliffe/Kahoohanohano) The motion passed unanimously. (Employer Trustees-3/Employee-Beneficiary Trustees-4)

Recess at 11:18 a.m. and Reconvened at 11:25 a.m.

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

Executive Session adjourned at 11:46 a.m.

Executive Session Report:

1. Approved HMSA Supplemental Agreement #5 effective July 1, 2005.

Press Release

Overview by Mr. Williams regarding the press release. Discussion held by Trustees and staff regarding the press release. Amendments: (1) Shorten title and include "EUTF Board Saves

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Board of Trustees Meeting

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Public Employees and Employers Millions”; (2) First paragraph: after First add “the EUTF Board negotiated”; (3) Second paragraph: after Second add “the EUTF Board negotiated”; and (4) Third paragraph: 1st sentence: after trustees add “opened negotiations with HMSA regarding the...”, delete 2nd sentence, 3rd sentence: after relief delete “rather than permitting the surplus to continue growing”.

By consensus of the Trustees, the Board approved the press release as revised.

IX. ADJOURNMENT

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

The meeting was adjourned at 12:00 p.m.

Respectfully submitted,

/s/

Gerald Machida, Secretary-Treasurer

APPROVED on August 24, 2005.

Documents Distributed:

1. Draft Minutes for July 21, 2004.
2. Draft Minutes for May 17, 2005.
3. Memorandum to BOT from Administrator regarding May Administrator Report dated 6/9/05. (2 pages)
4. Memorandum to BOT from Administrator regarding Research and Findings Regarding SPO Exemption of a New System (2 pages).
5. Memorandum to BOT from Administrator regarding Adjustments to FY 2006 and FY 2007 EUTF Budgets. (3 pages)
6. Memorandum to BOT from Administrator regarding Client Advisory Comments for Year Ended June 30, 2004. (2 pages)
7. Garner Consulting June Benefit Consultant Report to Board dated 6/14/05. (5 pages)
8. Garner Consulting Bulletin for May 2005. (2 pages)
9. EUTF Statement of Net Assets (Unaudited) dated 6/6/05. (1 page)
10. EUTF Combined Statement of Revenues and Expenses-Budget & Actual Comparison 10 Months Ended 4/30/05 (Unaudited) dated 6/6/05. (1 page)
11. EUTF Statement of Cash Flows 10 Months ended 4/30/05 dated 6/6/05. (1 page)
12. OIP OpenLine - April-May 2005. (2 pages)
13. Approved Minutes for March 22, 2005. (8 pages)
14. Approved Minutes for April 19, 2005. (2 pages)