

HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
Minutes of the Board of Trustees
Thursday, July 27, 2006

TRUSTEES PRESENT

Mr. Mark Recktenwald, Chairperson
Mr. Guy Tajiri, Secretary-Treasurer
Ms. Elizabeth Ho
Mr. George Kahooahanohano
Ms. Marie Laderta

Mr. Gerald Machida
Mr. John Radcliffe
Mr. Stanley Shiraki
Ms. Katherine Thomason (arrived 9:43 am)

TRUSTEES ABSENT

Mr. Nelson Befitel

ATTORNEY

Mr. Brian Aburano, Deputy Attorney General

EUTF STAFF

Mr. James Williams, Administrator
Mr. Lawrence Nishihara
Ms. Maria Quartero
Ms. Kathleen Shiroma

Mr. John Garner, Consultant
Ms. Rebecca Reagan, Consultant
Ms. Donna Tonaki

OTHERS PRESENT

Mr. Gary Allen, HI Business Health Council
Ms. Lynette Arakawa, HDS
Mr. Tracy Ban, B&F
Ms. Sandra Benevides, Kaiser Permanente
Ms. Monica Engle, VSP
Ms. Elaine Fujiwara, HDS
Mr. Cliff Hayashi, Times
Mr. Melvin Higa, MBAH
Mr. John Jacobs, HMSA
Mr. Eleu Kane, Summerlin
Ms. Ruth Kim, HSRTA
Ms. Alice Kotake, HSTA-R

Mr. Paul Matsuo, HGEA-R
Mr. Michael Moss, HMSA
Ms. Judy Mullen, Kaiser Permanente
Ms. Lori Naylor, Summerlin
Ms. Gertrude Nitta, HGEA-R
Ms. Sue Oguro, ORTA
Ms. Rebecca Ozaki, UH
Mr. Rod Tam, HMSA
Ms. Stephanie Tom, Finance Factors
Mr. George Yamamoto, HGEA-Retirees
Ms. Amy Yasuda, UH
Ms. Lilia Yu-Lum, Royal State

I. CALL TO ORDER

The regular meeting of the Board of Trustees was called to order at 9:30 a.m. by Trustee John Radcliffe, Chairperson, in Conference Room 1935, City Financial Tower, 201 Merchant Street, Honolulu, Hawaii, on Thursday, July 27, 2006.

II. APPROVAL OF MINUTES

The Board reviewed the draft minutes for June 15, 2006.

There being no objections by the Trustees, the minutes for June 15, 2006 were approved as circulated.

III. COMMITTEE REPORTS

A. Administrative Committee

Trustee Laderta reported that she was elected as Chairperson of the Administrative Committee.

B. Benefits Committee

Trustee Ho reported that she was re-elected as Chairperson for the Benefits Committee.

IV. OTHER REPORTS

A. Administrator

1. July Update (see written report)

a. PeopleSoft Support and Regatta Migration

Overview by Ms. Shiroma regarding PeopleSoft support (see Administrator's report).

b. Advisor Seat from Gartner, Inc.

Overview by Ms. Shiroma regarding the Advisor Seat from Gartner, Inc. (see Administrator's report).

c. IT Support by Gartner – SPO Approved Vendor

Overview by Mr. Williams regarding Gartner's proposal for consulting services (see Administrator's report). This item will be addressed in Executive Session.

d. Claims Audit Contract

Mr. Williams stated that the contract with Segal for the audit of claims has been completed and signed (see Administrator's report).

e. Insurance Broker Procurement

Mr. Williams stated that he erroneously reported that the initial solicitation notice and questionnaire will be issued on August 18, 2006 but was actually issued on July 25, 2006. The draft RFP will be addressed in Executive Session.

f. EUTF Facilities – Renovation

Overview by Mr. Lawrence Nishihara regarding the request to approve the proposed renovation (see Administrator's report and written request).

MOTION was made for the Board to approve the Administrator's request for the proposed renovation of the EUTF, at a total cost of \$240,000 with EUTF funding not to exceed \$90,000. (Radcliffe/Kahoohanohano) The motion

passed unanimously. (Employer Trustees-3/Employee-Beneficiary Trustees-5)

- g. Administrative Rules – Proposed Amendments
Mr. Lawrence Nishihara reported that the revised Administrative Rules were approved and filed with the Lieutenant Governor’s office with an effective date of June 13, 2006. (see Administrator’s report).
- h. Open Enrollment – Final Report
Overview by Mr. Lawrence Nishihara regarding the final report for Open Enrollment (see written report).
- i. Employee Diabetes Management
Overview by Mr. Williams regarding the Employee Diabetes Management program and request for approval of the HBHC proposal and authorization to expend funds to pay for the prescription drug co-payments (see Administrator’s report).

Presentations by Mr. Rod Tam, HMSA and Judy Mullen, Kaiser Permanente regarding their current diabetes management programs. [Trustee Thomason arrived at 9:43 a.m.] Discussion held by Trustees and Kaiser regarding Kaiser members using their pharmacy, co-payments, and how their program would interact with the EUTF pilot program. Discussion held by Trustees and HMSA regarding co-payments and data of HMSA’s program since inception. Further discussion by the Trustees, staff, and Mr. Allen regarding the proposed pilot programs and costs involved, and the benefits of having a pilot program.

Mr. Gary Allen, HBHC introduced participants of the diabetes management program: Clyde Hayashi, Times Supermarket, Stephanie Tom, Finance Factors, and Becky Ozaki, UH.

Overview by Mr. Allen, HBHC regarding the proposal to implement the diabetes management program. Overview by Mr. Williams regarding the costs and stated that there is no administrative cost (for 11 months). The estimated costs for co-payment are \$8,400.00. The administrator recommends approval of the proposal, EUTF paying co-payment waivers and the EUTF to join HBHC at a cost of \$500.00.

MOTION was made for the Board to approve the Administrator’s recommendation to approve the HBHC proposal to implement the diabetes management program on a trial basis with the Department of Commerce and Consumer Affairs, including EUTF joining HBHC at a cost of \$500 and to authorize the EUTF paying co-payment waivers from reserves as presented in

the proposal. (Thomason/Kahooohanohano) After discussion by the Trustees, the motion passed unanimously. (Employer Trustees-4/Employee-Beneficiary Trustees-5)

j. Meetings

Overview by Mr. Williams regarding his meeting with Kaiser regional director Jan Head and other Kaiser representatives. He also met with Monica Engle from VSP (see Administrator's report).

Mr. Williams stated that he attended services for Mr. Alvin Shim who was an extraordinary person that had a vision, foresight, and was instrumental in establishing employee benefits in the whole State.

k. Marsh Settlement – Payments received

Mr. Williams reported that to date, the EUTF has received two checks totaling approximately \$1,400 from Marsh Settlement Fund (see Administrator's report).

B. DEPUTY ATTORNEY GENERAL

Trustee Thomason disclosed that her husband is an attorney in a law firm that is representing HDS and the plaintiffs in the Everson lawsuit. Trustee Thomason stated that she has not discussed these matters with her husband or his law firm and will recuse herself and not participate in any deliberations or decision-making regarding these matters.

Letter from Hawaii Dental Service Attorney regarding Rate Adjustment

Based on discussions that he has had with Hawaii Dental Services, Mr. Aburano said that there was no need for the Trustees to consider or act upon this letter at this time. If the Trustees have any questions regarding the letter, Mr. Aburano said he would address them in Executive Session.

Everson Lawsuit

Overview by Mr. Aburano regarding the Everson lawsuit. The lawsuit alleges that the EUTF's medical and dental plans violate HRS Chapter 87A because the plans do not provide substantially equivalent benefits for retirees compared with active employees. An Answer to the Complaint is due on August 10, 2006. Details will be discussed in Executive Session.

C. BENEFITS CONSULTANT

July Report

1. Request for Proposals

This item will be addressed in Executive Session.

2. Garner Consulting Bulletin – June 2006
Overview by Mr. Garner regarding the June bulletin (see Consultant’s report).
- D. Financial Report as of May 31, 2006
Overview by Ms. Tonaki regarding the financial report as of May 31, 2006. There were no significant changes. Actual amounts received for administrative fees were approximately \$3.6 million. The shortage for administrative fees of \$26,000 through May is due to the HSTA VEBA that was implemented on March 1, 2006 (see written reports).
- E. Carrier’s Reports
1. VSP
Written report submitted. Overview by Ms. Engle regarding VSP’s patience satisfaction survey.
 2. Royal State Insurance
No written report submitted.
 3. MBAH
No written report submitted.
 4. Kaiser Permanente
Written report submitted.
 5. HMSA
Written report submitted.
 6. HDS
Written report submitted.
- V. UNFINISHED BUSINESS
- A. EUTF Plan Design/RFP
This item will be addressed in Executive Session.
- VI. NEW BUSINESS
- A. Gartner Proposal regarding Benefits Administration System Project
This item will be addressed in Executive Session.
 - B. Insurance Broker Procurement RFP
This item will be addressed in Executive Session.
 - C. Facilities Renovation Cost Estimate
This item was addressed during the Administrator’s report.
 - D. Insurance Broker Procurement
This item will be addressed in Executive Session.
 - E. Employee Diabetes Management Program Proposal
This item was addressed during the Administrator’s report.

- F. Letter to Employers and Employee Organizations regarding Tiering of Rates
Overview by Mr. Williams regarding approval of a letter to employers and employee organizations for a briefing on tiering of rates.

MOTION was made for the Board to approve the draft letter and authorize the Administrator to send the letter to employers and employee organizations and to make non-substantive editorial revisions. (Tajiri/Kahoohanohano) After discussion by the Trustees, the motion passed unanimously. (Employer Trustees-4/Employee-Beneficiary Trustees-5)

- G. Research Options to Increase Investment Return
Overview by Mr. Williams regarding options to increase investment returns. EUTF staff will draft RFP for Investment Consultant to be presented at the September Board meeting.

MOTION was made for the Board to authorize the administrator to research options to increase investment return and present information regarding such options to the Investigative Committee on Investments and request that the Investigative Committee present its findings and/or recommendations at the September meeting of the Board. (Thomason/Ho) The motion passed unanimously. (Employer Trustees-4/Employee-Beneficiary Trustees-5)

VII. COMMUNICATIONS FROM THE PUBLIC AND INPUT FROM ATTENDEES

Mr. George Yamamoto stated that HGEA retirees do not support the Everson lawsuit. Ms. Ruth Kim expressed concerns about the Everson lawsuit being filed as a class action on behalf of all retirees and inquired how this lawsuit impacts the VEBA retirees. Mr. Aburano stated that the lawsuit has been filed by six retirees and they styled it as a class action but it is not a class action lawsuit until the court says it is. At some point there will be a motion filed to determine if the lawsuit can be maintained as a class action. The State will probably oppose that motion. At this point, the lawsuit does not involve any VEBA's.

VIII. FUTURE AGENDA ITEMS AND NEXT MEETING DATE

Board meeting is scheduled for Wednesday, September 27, 2006, 9:00 a.m., CFT-room 1935.

IX. EXECUTIVE SESSION

MOTION was made to go into Executive Session at 10:35 a.m. for the reasons stated on the agenda. (Thomason/Tajiri) The motion passed unanimously. (Employer Trustees-4/Employee-Beneficiary Trustees-5)

MOTION was made to move out of Executive Session at 12:05 p.m.
(Kahooahanohano/Tajiri) The motion passed unanimously. (Employer Trustees-
4/Employee-Beneficiary Trustees-5)

The chair reported that the Board has taken the following actions in Executive Session:

1. Approval of June 15, 2006 Executive Session minutes.
2. Approval of Gartner Feasibility Study Report.
3. Approval of Insurance Broker Procurement RFP.
4. Approval of EUTF Plan Design/RFP as amended.

X. ADJOURNMENT

There being no objections by the Trustees, the meeting adjourned at 12:07 p.m.

Respectfully submitted,

/s/

Guy T. Tajiri, Secretary-Treasurer

APPROVED on September 27, 2006.

Documents Distributed:

1. Draft Minutes for June 15, 2006. (9 pages)
2. Memorandum to BOT from Administrator regarding July Administrator Report dated 7/18/06. (4 pages)
3. Memorandum to BOT Regarding Approval - Renovation Cost Estimate dated 7/14/06. (2 pages)
4. Memorandum to BOT Regarding Final 2006 Open Enrollment Report dated 7/14/06. (2 pages)
5. Memorandum to BOT Regarding Employee Diabetes Management Program dated 7/18/06. (1 page)
6. Notice of and Request for Exemption from Chapter 103D, HRS. (5 pages)
7. HBHC – The Diabetes Ten City Challenge (5 pages)
8. Letter to BOT from Garner Consulting regarding July Benefit Consultant Report dated 7/17/06. (1 page)
9. Garner Consulting Bulletin for June 2006. (3 pages)
10. EUTF Statement of Net Assets (Unaudited) dated 6/26/06. (1 page)
11. EUTF Combined Statement of Revenues and Expenses-Budget & Actual Comparison 11 Months Ended 5/31/06 (Unaudited) dated 6/26/06. (1 page)
12. EUTF Statement of Cash Flows 11 Months Ended 5/31/06 (Unaudited) dated 6/26/06. (1 page)
13. The High Road - March 2006. (2 pages)

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14. Approved Minutes for March 10, 2003. (9 pages)
15. Approved Minutes for March 18, 2003. (6 pages)
16. Approved Minutes for May 10, 2006. (7 pages)