

HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
Minutes of the Board of Trustees
Wednesday, February 28, 2007

TRUSTEES PRESENT

Mr. Mark Recktenwald, Chairperson	Mr. Gerald Machida
Ms. Elizabeth Ho	Mr. John Radcliffe
Mr. George Kahooohanohano	Mr. Stanley Shiraki
Ms. Marie Laderta	

TRUSTEES ABSENT

Mr. Nelson Befitel, Vice Chairperson
Ms. Katherine Thomason

ATTORNEY

Mr. Brian Aburano, Deputy Attorney General

EUTF STAFF

Mr. James Williams, Administrator	Mr. John Garner, Consultant
Mr. Lawrence Nishihara	Ms. Gerti Reagan-Garner, Consultant
Ms. Maria Quartero	Ms. Donna Tonaki
Ms. Kathleen Shiroma	

OTHERS PRESENT

Ms. Lynette Arakawa, HDS	Mr. Eleu Kane, HMA
Ms. Sandra Benevides, Kaiser Permanente	Ms. Margaret Lawrence, HMAA
Ms. Brandy Ching, Kaiser Permanente	Ms. Mary Mitchell, NMHC
Ms. Alana Deppe-Mariota, Kaiser Permanente	Mr. Maurice Morita, HSTA
Ms. Monica Engle, VSP	Mr. Michael Moss, HMSA
Mr. Jonathan Freidman, NMHC	Ms. Gertrude Nitta, HGEA-R
Ms. Venus Gabuyo, MBAH	Ms. Sue Oguro, ORTA
Ms. Donna Higashi, HSTA-Retired	Mr. Rod Tam, HMSA
Mr. Rick Jackson, MDX Hawaii	Ms. Sharon Urada, HSTA-MBC
Mr. Jun Jao, HMA	Mr. George Yamamoto, HGEA-Retirees

I. CALL TO ORDER

The regular meeting of the Board of Trustees was called to order at 9:10 a.m. by Trustee Mark Recktenwald, Chairperson, in Conference Room 1935, City Financial Tower, 201 Merchant Street, Honolulu, Hawaii, on Wednesday, February 28, 2007.

II. APPROVAL OF MINUTES

The Board reviewed the draft minutes for January 24, 2007 and February 5, 2007.

There being no objections by the Trustees, the minutes for January 24, 2007 and February 5, 2007 were approved as circulated.

III. OTHER REPORTS

A. Administrator

1. February Update (see written report)

a. PeopleSoft Support

Overview by Ms. Shiroma regarding PeopleSoft support (see Administrator's report). Ms. Shiroma reported about the concerns that ICSD has not been able to meet deadlines to support the Open Enrollment project and overall on-going/routine support of the PeopleSoft HFIMS. Mr. Williams stated that Les Nakamura from ICSD offered to reimburse the EUTF for BST's cost to provide assistance.

b. Request for Exemption to Extend BST Contract

Ms. Shiroma reported that the EUTF received the approval of exemption from SPO and Governor's approval to extend BST's contract (see Administrator's report). This item will be addressed in Executive Session.

c. IT Support by Gartner, Inc.

Ms. Shiroma reported that DAGS and the Governor approved EUTF's request to engage Gartner, Inc. for service offerings. The contract amendment will be completed and work on the RFP will commence (see Administrator's report).

d. Claims Audit

Mr. Williams reported that the claims audit is almost complete. Segal will present the report at the March Board meeting.

e. EUTF Facilities – Renovation

Mr. Nishihara reported that Hawaiian Telcom will install telephone lines next week (see Administrator's report).

f. 2007 Legislative Session

Overview by Mr. Williams regarding EUTF testimonies submitted to the legislature, list of EUTF related bills with a summary that includes recommendations for support or opposition to bills under consideration; and the Judiciary and Labor Committee informational briefing (see Administrator's report). Mr. Williams stated that Chair Recktenwald presented an overview at the briefing and Mr. Garner and he provided details. Senator Hee was the only Senator present during most of the briefing. The briefing covered the full range of background of the EUTF, VEBA, decision on separate ratings for SHOPO, concerns about Longs and NMHC, the RFP process, and a number of other items. The EUTF was able to provide solid answers to the Senator's questions. An article resulting from the hearing is in the Advertiser today and a copy was provided to the Trustees.

There being no objections from the Trustees, the Administrator's recommendations on the following bills were approved:

HB12, HD1 – no position, monitor. HB29 – no position (bill dead) will address VEBA under H1746 and SB1142. HB393, HD1 – oppose. HB437 – no position. HB1077 – oppose. HB1290 – support, EUTF proposal. HB1294 – support, EUTF proposal. HB1587 – oppose, see motion. HB1688 – no position, monitor. HB1746 and SB1142 – oppose, see motion. SB101 – oppose. SB652 – oppose. SB0943 – oppose. SB1096 – oppose. SB1376 – support, EUTF proposal. SB1380 – support, EUTF proposal.

MOTION was made for the Board to take a position opposing HB1587 in line with the testimony that was prepared by the Administrator and submitted to the Board for its review. (Radcliffe/Kahoochanohano) After discussion held by the Trustees, the motion passed unanimously. (Employer Trustees-3, Employee-beneficiary Trustees-4)

Discussion held by Trustees, staff, and consultant regarding provisions of HB1587 that would extend coverage to relatives and if the Board's position carries over from one year to the next. Chair Recktenwald presumes that the Board's decision stays the same for the two-year legislative session unless the Board modifies or rescinds its decision.

There being no objections by the Trustees, the Board's decision stays the same for the two-year legislative session unless the Board modifies or rescinds its decision.

Overview by Mr. Williams regarding HB1746 and SB1142 (see memorandum to BOT). The administrator recommends if the Board takes a position that it would cover HB1746 and SB1142 even though SB1142 is dead.

MOTION was made for the Board to take a position opposing HB1746 and SB1142 and that the Board directs and authorizes the Administrator to request that the legislature approve a concurrent resolution authorizing the legislative auditor to perform a comprehensive study of the impact of Act 245 (VEBAs) and report back prior to the next legislative session. (Shiraki/Laderta) After discussion held by the trustees, the motion passed unanimously. (Employer Trustees – 3 yes; Recktenwald, Laderta, Shiraki/Employee-beneficiary Trustees – 4 yes; Ho, Kahoochanohano, Machida, Radcliffe)

Discussion held by the Trustees, staff, and consultant regarding if the EUTF has any evidence that the VEBA program has caused loss of money to the EUTF and whether the VEBA program will eventually lead to adverse selection. Mr. Garner stated that the budget for the self-funded plans was

done for FY08, as discussed, using the assumptions that were reviewed with the Board; and Garner was later asked to recalculate that budget as if HSTA were part of the EUTF group. Based on the claims experience including bargaining unit 5, Garner calculated that the FY08 budget for the self funded plans of the EUTF would be even lower than the budget approved by the Board. The difference is approximately over \$8.6 million or 4.3% for the year.

Discussion held by Trustees and public regarding putting the retirees back into the EUTF. Chair Recktenwald clarified the motion and that a separate motion or an amendment needs to be made in order to include putting the retirees back into the EUTF. Ms. Donna Higashi commented that she did not agree exactly with the administrator's statement that if the VEBA bill is passed, it would become permanent. She stated that what the legislature gives, they can take away if it is not good. As a retiree making a choice to move to VEBA they were only in it from January 2007 and there is not enough information from retirees to make an evaluation. Mr. George Yamamoto stated that just looking at the rates you can see the difference in benefits. It would be cost savings only if we had equal benefits across the board, and whatever the savings for VEBA it should come back to the EUTF but it does not. All it did was extend the benefits, it became a defacto two-party system. Trustee Radcliffe asked HSTA if at this point they could deny that the VEBA has led to an increased cost for EUTF, has increased the percentage of what the beneficiaries have to pay, and can HSTA deny that this will and in fact has inevitably led to adverse selection. Mr. Maurice Morita stated that not knowing what the EUTF cost that it did not because the EUTF consultant said that the EUTF saved money so something must be going right for the VEBA and the EUTF at the same time. Personally, Mr. Morita does not feel that the EUTF would save money if the VEBA or Summerlin was not around. Mr. Morita was asked if he can or will not see it. Mr. Morita replied that he has not seen it yet and asked if the Board could show him the data. Further discussion held by Trustees regarding a separate motion regarding retirees.

Discussion held by Trustees, staff, and public regarding another vehicle for addressing VEBA. Mr. Williams stated that the Board does not need to find a vehicle, the Board can take a position and ask the Administrator to do his best to get it done.

MOTION was made for the Board to approve to amend the VEBA law to forthwith bring all retirees back into the EUTF. (Machida/Ho)

Discussion held by Trustees and staff regarding the total number of teachers that chose to go with the VEBA and number of phone calls received asking to return to the EUTF. Mr. Nishihara stated that approximately 1,040 moved to

the VEBA out of 6,500. Mr. Williams added that approximately 300 retired after 3/1/07, so the total number of retirees in the VEBA is approximately 1,300-1,400. Mr. Nishihara stated there have been a number of calls. Mr. Williams stated that calls were received at the end of year asking to change back to the EUTF, and some called who did not have a choice to stay with the EUTF. Mr. Nishihara stated some did not move over to the VEBA because they were out of the country or out of the State; he personally received about two such calls. Discussion held by Trustees, staff, and public regarding the concerns about older retirees in EUTF and younger retirees in the VEBA. Mr. Williams stated that if the numbers get bigger due to more VEBAs that there will be a big skewing over 5 to 10 years where the people that remain with EUTF will be older and tend to have more health problems. Premiums will be higher. The EUTF will reach the point of seriously being in jeopardy of going over the caps. We don't see it now and it might not happen if HSTA is the only VEBA, because there might be enough other retirees to neutralize the impact. Discussion held by Trustees and consultant regarding how it would affect the cap. Mr. Garner stated that the 95 year old retiree on average consumes more health care than the 65 year old retiree and with the newer retirees all going into the VEBA it means the HSTA retirees in EUTF are just getting one year older every year. We don't have an influx of new retirees. Mr. Garner stated that retirees are divided into two groups, with Medicare and without Medicare. The group with Medicare for a number of years will continue to be relatively stable because we will have the retirees that are under 65 reaching 65 and we will have an influx of newer, younger retirees. For the without Medicare group there will be an impact immediately. As long as there are new younger people coming in it keeps the average age down, average utilization down, and average costs down. Once you cut off younger people coming in, costs will go up more rapidly than health care costs already. Mr. Morita commented that it was the Legislature that told HSTA to take the retirees and that there must be some savings of costs for the older group and would like to know the amount. Mr. Yamamoto commented that when Act 245 was debated at the legislature, Governor Cayetano at that time said you take the retirees at the total costs and that is the concept that the legislature had that they would take costs of all the retirees. Chair Recktenwald asked if it would be unfair for the 1,400 retirees that elected to go to VEBA to be forced to return to EUTF. Trustee Machida stated that his concern is that all retirees should stay together instead of splitting them into separate groups.

Discussion held by Trustees regarding an amendment to the motion for retirees who elected to stay with the VEBA and that the objective of the motion is to maintain the EUTF because removing people will ultimately lead to adverse selection which would cause a demise for the EUTF. In the short

term, if you take retirees out of the VEBA, it will save the VEBA money. The focus of the Trustees is that the VEBA does not continue.

AMENDED MOTION was made for the Board to approve that all new retirees will remain with the EUTF. (Machida/Radcliffe)

Discussion held by Trustees that this motion will dilute the focus that everyone not only retirees should remain with the EUTF and that there is still time to reconsider this motion if needed.

Chair Recktenwald stated that we do not want to send a conflicting message that would dilute the message we just supported by adopting the motion opposing the extension of the VEBA.

After discussion held by the Trustees and there being no objections, Trustee Machida withdrew his motion.

Recessed at 10:00 a.m. and reconvened at 10:30 a.m.

g. Implementation of FY08 Benefit Plans

Mr. Williams reported that the focus on the update that he provided is regarding questions about NMHC, particularly the contract with Longs, Representative Nishimoto's letter and response is in the Trustees packet (see Administrator's report). The second e-mail from Longs clarified the parties respective interpretation of the existing contractual arrangements (the first e-mail from Longs indicated that there was no contractual relationship). Mr. Williams stated that in preparing the response, he discovered that the Trustees had actually asked the EUTF consultant because NMHC was not well known in Hawaii to make sure that Longs was participating with NMHC. A letter dated November 22, 2006 from Mary Mitchell at NMHC indicating that Longs was on the NMHC network was received before the award.

Jonathan Friedman, Chief Legal Officer, NMHC and Mary Mitchell, Vice President, Strategic Relationships, NMHC summarized the issues regarding the contract with Longs and the article stating that NMHC was delisted for the stock exchange.

Mr. Friedman reported that NMHC has had contracts with Longs since before 2000. Longs has been in NMHC's network and claims have been adjudicated. In the last year alone NMHC processed over \$5 million dollars in Longs claims, including \$100,000 in the State of Hawaii. Longs came to NMHC after learning that NMHC was awarded the bid and wanted a specific addendum to the NMHC master agreement with Longs to include the EUTF. NMHC has entered into a letter of intent to conclude an agreement with Longs

specific to the EUTF. Discussion held by Trustees and Mr. Friedman regarding the master contract. Mr. Friedman explained that NMHC acquired the company Pharmaceutical Care Network (PCN) three years ago. When NMHC acquired PCN their contracts were assigned to NMHC and NMHC operates under those contracts with Longs and other pharmacy providers. Discussion held by Trustees and Mr. Friedman regarding Longs not being aware of the assignment to NMHC. Mr. Friedman stated that Longs may have not been aware that the contract was assigned to NMHC. After bringing it to Longs attention in respect to PCN, there was no issue and the relationship with Longs is fine. Mr. Friedman stated that there is no issue with the contract being assigned. It was a stock purchase, so technically no assignment is necessary. NMHC stepped into the shoes of PCN.

Mr. Williams stated that there have been some questions about Times. Mr. Friedman stated that there is a contract between NMHC and Times. Mr. Williams asked if there is any dispute between NMHC and Times. Mr. Friedman stated there is no dispute regarding the contract with Times and has adjudicated claims with Times for clients in Hawaii.

Discussion held by Trustees and Mr. Friedman regarding concerns from the public, a legislator, a deputy attorney general and a full briefing by the Senate about NMHC's contract with Longs and why did this happen. Mr. Friedman stated it may have been an initial misunderstanding in respect to the acquisition and he can not fathom it. When a member walks into a Longs pharmacy, whether it be the State of Hawaii or anywhere else, Longs pharmacy is not going to adjudicate that claim just accepting the co-pay without having a contract with the payer who is NMHC. Looking back one year from February 1st, \$5 million dollars of claims were submitted and paid by NMHC to Longs. That led Mr. Friedman to believe there was no issue with Longs. Mr. Friedman stated that they have never had an issue like this before and have adjudicated billions of dollars a year in prescription plans. Discussion held by Trustees and NMHC regarding if the \$100,000 in claims in Hawaii were with members carrying PCN or NMHC cards. Mr. Friedman stated that NMHC was operating in its own name in Hawaii. Ms. Mitchell stated that pharmacies on their network like Longs have to submit a claim to their system electronically in order to adjudicate the claims with the co-pay and to see what the benefit levels are. If Longs were not on NMHC's network, they would not be able to pass claims electronically. Concerns expressed by Trustees why a purported high level official at Longs is questioning the relationship between NMHC and Longs. Mr. Friedman stated that he thinks the VP of Professional Services, operating above the pharmacy level and is new to the organization; the lower level negotiators are aware and have been in the loop with the NMHC provider relationship since the PCN acquisition. Mr. Friedman stated that an addendum is being executed between NMHC and

Longs exclusively for EUTF. Mr. Williams requested a copy of the addendum and asked Mr. Friedman to explain to the Board why the contracts are proprietary and confidential. Mr. Friedman explained that all network contracts are deemed proprietary and confidential because of the relationship, pricing, terms, and obligations that exist. The heart and soul of their business is their contracts with the networks. Mr. Williams asked if it is fair to say that NMHC may have different deals and do not want them to play NMHC in the middle. Mr. Friedman responded that is correct. Mr. Friedman will provide the addendum to Mr. Williams and Mr. Garner with the understanding that it will not be released. Mr. Williams asked about the status of the addendum. Mr. Friedman stated that terms of the addendum have been agreed upon by both parties, and they are waiting for some claims data from HMSA. Chair Recktenwald asked to clarify the pre-existing contract besides PCN. Mr. Friedman stated that there are two pre-existing contracts; one is with Centrus (PSCNY) that was acquired in 2000, prior to their PCN acquisition NMHC was adjudicating claims with Longs as far back as 2000.

Chair Recktenwald asked for an update regarding the status with the stock exchange. Mr. Friedman stated that NMHC is a publicly trading company. As a public trading company, the Securities and Exchange Commission (SEC) requires NMHC to file quarterly and annual reports. They are in the July-June 30th fiscal year, their first quarterly report for the period ending September 30th to be filed by November 14, 2006. Mr. Friedman explained back in 2003 NMHC had overpaid a client a rebate payment. In June-July, NMHC had a new finance team that did a general review, a due diligence on all the finances of the company, and they picked up the overpayment but never picked up the reimbursement. When they were about to file their 1st quarter 10Q in November 2006, NMHC made the reversal in the last quarter of FY06 which was for the period ending June 30th. NMHC later realized it was an error to credit themselves because it was already credited. When the accountants saw the mistake of \$361,000 dollars they decided to do a review for 2003, 2004, and 2005. It was a tremendous process that took two months and caused NMHC to late file that 1st quarter report which was filed on February 23, 2007. From the filing, at the end of the day after looking at three years worth of rebates, the delta was about \$81,000 dollars. There was no requirement that they had to restate any of their financial reports. The company is still profitable, cash flow is excellent, and they have a \$65 million dollar line of credit with JP Morgan Chase Bank which they never have needed to use. As a result of spending all that extra time on Q1, it delayed their Q2 filing which was due on February 14, 2007 and will be filed next week. After filing the Q2, NMHC will be in compliance. Typically when you have a late filing, you get a letter from NASDAQ, the exchange that they trade upon, the exchange indicates you are in danger of being delisted from their exchange because you late filed; please schedule a hearing with them to make

your case. A hearing was held in December 2006 to the satisfaction of NASDAQ and another hearing was scheduled for March 16th (if NMHC had not filed by then NASDAQ would re-look at the delisting issue). The report has been filed. Since the Q2 report has been delayed, NASDAQ sent the same letter saying we are scheduling a meeting with you in mid to late March to make your case. However, the 2nd quarter report will be filed prior to that meeting and NMHC will be in compliance. Discussion held by Trustees and Mr. Friedman regarding a response to the Advertiser regarding the article on NMHC being delisted. Mr. Friedman stated that he will be speaking to Mr. Williams and Mr. Garner regarding the protocol to respond to the Advertiser. Mr. Williams stated that the article also said the errors cost the company \$1 million dollars and helped reduce the quarterly net by more than half to \$1.4 million. Mr. Friedman explained that it was a "true up" of three years which they had to take in one quarter and the \$1 million also deals with S,G&A expenses (selling, general and administrative). Mr. Friedman stated that the financial results were affected by a rebate of approximately \$80,000 dollars, a capitalized lease that was categorized as an operational lease which affects how the leases are depreciated which was not material. Chair Recktenwald stated that \$1 million may seem significant to someone reading the article and asked if there is any concern for the company. Mr. Friedman stated that the company is still profitable and there are many combinations that may lead to a down quarter. If you read the analyst reports, they are positive. You can also see the support for the company is already strong in the investor community because there are several mutual funds that own NMHC stock. No questions were asked from the members of the public.

- h. Press Release Regarding FY 08 Benefit Plans and Rates
For information only (see Administrator's report).
- i. 2007 Open Enrollment
Mr. Nishihara reported that the open enrollment schedules were finalized (see Administrator's report). The bid to print was awarded to Pioneer Ventures for an amount of \$172,000. Discussion held by Trustees, staff, and public regarding when the information will be published. Mr. Nishihara stated that the information will be published and sent to departments and retirees in mid March.
- j. GASB 43/45
Mr. Williams reported that a draft GASB evaluation report was presented and that he participated in a meeting with the Comptroller's task force on GASB last week. The information is embargoed by the Comptroller and the task force participation is conditioned on not disclosing the results to anyone. The Comptroller declined a briefing on the draft for the Board. The report will be finalized and presented in March. Discussion held by Trustees, staff, and

deputy attorney general regarding concerns about why they are sitting as Board of Trustees with a fiduciary duty if the Board is not entitled to pertinent information. Mr. Williams stated that the Comptroller is very concerned about numbers getting released to the public domain prior to the final release. Mr. Aburano stated that the numbers are not final as they are still working on including numbers from the VEBA. The report was commissioned by the State Comptroller and not done by the EUTF. There will be time for the Board to review and take action if any regarding what the numbers and impact are. As Mr. Aburano understands it, they want to make sure information does not prematurely leak out and get reported inaccurately to others; they want to send out the report so everyone has information at the same time. Discussion held by Trustees and staff regarding the date the report will be final and a briefing to the Board when report is final before being released to the public. By consensus of the Trustees, the Board would like to be briefed by DAGS when the final report is done before being released to the public

k. Benefits Consultant RFP

This item will be addressed in Executive Session.

B. DEPUTY ATTORNEY GENERAL

1. Everson Lawsuit

Mr. Aburano reported that on the State's Motion to Dismiss the Everson lawsuit, the court issued a minute order granting the motion. The State prepared an order of dismissal. The plaintiffs disputed the State's form of order arguing that based on the way the court decided the case, the lawsuit should be stayed rather than dismissed. Plaintiffs submitted their own form of order. The court is still deciding what to do with the various orders that have been submitted to it.

2. Status of Contracts for FY 08 Benefit Plans

Mr. Aburano reported that his office has sent out the initial drafts of all the contracts. The AG's office received some responses and probably will receive others and hopefully any issues will be worked out in short order.

C. BENEFITS CONSULTANT

January Report

1. Financial Reports

Overview by Ms. Gerti Reagan-Garner regarding the financial reports (see Consultant's report). Ms. Reagan-Garner stated that for all the plans except for Kaiser through December 2006, the EUTF is running at .11% difference from our rates. It is remarkable that their rate setting was that close. Ms. Reagan-Garner noted the numbers for the HMSA report will not tie with Garner's summary financial because HMSA's report is based on paid premiums where Garner takes into account the maximum retro that could be paid out. Ms. Garner stated that the EUTF has adequate reserves for self funding.

2. Enrollment Report

No action required (see Consultant's report).

3. Performance Standards

Ms. Reagan-Garner reported that all carriers that submitted reports reported that they met their performance standards with the exception of Aetna. Aetna failed to answer calls within the time frame. There is a financial penalty if the standard is not met for the full year. Garner followed up with HMSA and Kaiser about submitting their reports (see Consultant's report).

4. Self-Funding

No action required (see Consultant's report).

5. Stand-alone Medical Benefits for Retirees

Overview by Ms. Garner regarding the stand-alone medical benefits for retirees. The consultant is recommending if an employee-beneficiary retiree chooses some other Medicare Part D plan, the EUTF would allow them to have medical only. The rates are calculated for the remainder of the current fiscal year and for the coming fiscal year for the two plan administrators. If a dependent chooses to go with another Medicare Part D plan, the EUTF will not be offering them separate medical only coverage. Discussion held by Trustees and consultant regarding the recommendation as stated in the Consultant's report. Ms. Garner stated that Garner had initially suggested and had discussions with the EUTF staff about also recommending that a spouse could have medical only coverage. Because the EUTF has always had a strong philosophy in bundling medical and prescription drug and some administrative complications if spouses were allowed to be separate, Garner is withdrawing the last portion of the recommendation. If the spouse were to opt out then the spouse's only option would be to be completely out of the EUTF plan. Mr. John Garner clarified that this is only for HMSA. Mr. Rod Tam, HMSA, stated that if there is a retiree and spouse and the retiree decides to opt out of the Medicare Part D plan, then the retiree and spouse will have medical only. On the other hand, if the spouse opts out of the Medicare Part D, the spouse will be terminated from both medical and Medicare Part D but the retiree would maintain medical only. Mr. Garner confirmed that it is correct.

MOTION was made for the Board to approve the consultant's recommendation to permit stand alone medical benefits for retirees who exercise opt-out privilege from Medicare Part D. (Machida/Radcliffe) After discussion held by the trustees, the motion passed unanimously. (Employer Trustees-3/Employee-beneficiary Trustees-4)

6. Prescription Drug Formulary

Mr. Garner reported that more information is needed. NMHC has asked for additional information from HMSA. Garner will be reporting at the next meeting (see Consultant's report).

7. Vision Plan Frequency Limits

Mr. Garner is recommending that the Board approve a change in the vision plan frequency limits (see Consultant's report). Discussion held by Trustees, staff, and consultant regarding the service dates and how it would be helpful to the EUTF beneficiaries.

MOTION was made for the Board to approve the consultant's recommendation to change the vision plan limits to a plan year basis. (Kahoochanohano/Ho) After discussion held by the trustees, the motion passed unanimously. (Employer Trustees-3/Employee-beneficiary Trustees-4)

8. Open Enrollment

Overview by Mr. Garner regarding plans for open enrollment (see Consultant's report).

9. Registered Dieticians

Mr. Garner reported that the Board has approved covering registered dieticians. HMSA submitted a number of questions and Mr. Garner is recommending that the Board approve the proposed responses before sending to HMSA.

MOTION was made for the Board to approve the consultant's recommendation to send proposed responses to HMSA. (Radcliffe/Ho) After discussion held by the trustees, the motion passed unanimously. (Employer Trustees-3/Employee-beneficiary Trustees-4)

10. Appeals

Overview by Mr. Garner regarding Administrative Rules change regarding appeals (see Consultant's report). Mr. Garner will be working with the EUTF staff and the attorney general's office in redrafting the rules but would like some guidance from the Board on what type of grievance and appeals rules and procedures. Mr. Garner explained the different levels of appeals (see Consultant's report). Chair Recktenwald clarified that the first step would be with the plan administrator, then the hearing officer, and then to the Board. Mr. Garner is recommending that the EUTF explore using some outside entity that has a lot of experience conducting hearings and doing these kinds of reviews. Mr. Garner is recommending that EUTF look into the hearings officer approach and what is available including the Department of Commerce and Consumer Affairs (DCCA) and to report back to the Board at the next meeting. Chair Recktenwald disclosed that he is the director of DCCA and will recuse himself of any decision making by

the Board. Discussion held by Trustees, staff, and consultant regarding emergency hearings or having all appeals go directly to the Board.

By consensus of the Trustees, the Board concurs with the consultant's recommendation to look into the hearing officer approach and whether it could be a function that the Board could obtain from the outside.

Discussion held by Trustees, staff, and consultant regarding if Administrative Rules changes would be done by July 1, 2007. Mr. Garner stated that it may not be possible to have the Administrative Rules in place but EUTF may need to implement with interim or emergency rules. Mr. Aburano stated that there are rules which the EUTF could take advantage of under Chapter 91. Chapter 91 is for contested case hearings which also allow for any Board or agency to have a hearing officer involved in the first instance. Mr. Williams stated that it will be done to the point where the EUTF can operate.

11. Eligible Expenses

Overview by Mr. Garner regarding eligible expenses for self-funded plans (see Consultant's report). Mr. Garner recommends that eligible expenses be limited to the amount that would have been eligible if treatment had been rendered by a participating provider.

MOTION was made for the Board to approve the consultant's recommendation regarding eligible charges for non-participating providers. (Radcliffe/Kahooohanohano) The motion passed unanimously. (Employer Trustees-3/Employee-beneficiary Trustees-4)

12. Utilization

No action required (see Consultant's report).

13. Garner Annual Report

The final version of Garner's Annual Report was given to the Trustees.

14. Garner Consulting Bulletins – January 2007

No action required (see bulletin).

D. Financial Report as of December 31, 2006

Overview by Ms. Tonaki regarding the financial report as of December 31, 2006 (see written reports). Ms. Tonaki stated that on the Statement of Net Assets the total cash at the end of December of \$94 million, this cash balance will continue to increase because of the retrospective premium payments through carriers. HMSA withholds ten percent of the EUTF's premiums, HDS is ten percent, and VSP is five percent. Through December the EUTF has an additional \$20 million in the cash

balance due to the retrospective premiums. Currently, the EUTF has \$55 million invested through FAD for short term investments. The average interest rate has been 5.3%.

- E. Carrier's Reports
 - 1. HDS
Written report submitted.
 - 2. HMSA
No report submitted.
 - 3. Kaiser Permanente
No report submitted.
 - 4. MBAH
No report submitted.
 - 5. Royal State Insurance
No report submitted.
 - 6. VSP
Written report submitted.

IV. UNFINISHED BUSINESS: None.

V. NEW BUSINESS

- A. BST Contract Extension
This item was addressed during the Administrator's report.
- B. Stand Alone Medical Benefits for Retirees
This item was addressed during the Consultant's report.
- C. Vision Plan Frequency Limits
This item was addressed during the Consultant's report.
- D. Contract Terms for FY08 Benefit Plans
This item will be addressed in Executive Session
- E. Registered Dieticians
This item was addressed during the Consultant's report.
- F. Appeals for Self Funded Plans
This item was addressed during the Consultant's report.
- G. Eligible Expenses for Non-Participating Providers
This item was addressed during the Consultant's report.
- H. Utilization Management for Self Funded Plans
This item was addressed during the Consultant's report.

I. EUTF Position on Proposed Legislation

This item was addressed during the Administrator's report.

J. Benefits Consultant RFP

This item will be addressed in Executive Session.

K. Pharmacy Benefit Management Contract Award and Terms and Conditions

This item will be addressed in Executive Session.

VII. COMMUNICATIONS FROM THE PUBLIC AND INPUT FROM ATTENDEES

Mr. Williams stated that a Trustee was told that members of the public at the EUTF meetings do not have an opportunity to participate or comment. Mr. Williams on behalf of the Board resents that statement and does not know if it was from anyone in the room. He challenged anyone to find a more open Board where one can speak up in a relatively informal matter. Trustees and members of the public agreed. Ms. Donna Higashi said it may have been her and that she only attended one meeting previously. Ms. Higashi said it was only at times when the Trustees were looking at some reports and she did not seem to have it and may have made that comment. She seems to have everything today. Chair Recktenwald stated that the Board will take it as a constructive suggestion so the audience is able to follow. Chair Recktenwald stated that the Administrator was trying to emphasize that throughout the meeting when a matter comes up for vote, he always asks the public for comment before the Board votes. Comments are always asked at the end of meetings. Chair Recktenwald said that the Board is committed to allowing the public and those people who care about the EUTF to be able to speak their mind.

VIII. FUTURE AGENDA ITEMS AND NEXT MEETING DATE

Board meeting is scheduled for Wednesday, March 28, 2007, 9:00 a.m., CFT-room 1935.

IX. EXECUTIVE SESSION

MOTION was made to go into Executive Session at 11:32 a.m. for the reasons stated on the agenda. (Kahoohanohano/Radcliffe) The motion passed unanimously. (Employer Trustees-3/Employee-Beneficiary Trustees-4)

MOTION was made to move out of Executive Session at 11:58 a.m. (Laderta/Ho) The motion passed unanimously. (Employer Trustees-3/Employee-Beneficiary Trustees-4)

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

1. Approval of January 24, 2007 and February 5, 2007 Executive Session minutes.
2. Approval of amendment and extension of contract with BST.
3. Approval of issuance of the Benefit Consultant RFP.
4. Held discussions on other items including the benefit plan contracts.

X. ADJOURNMENT

There being no objections by the Trustees, the meeting adjourned at 12:02 p.m.

Respectfully submitted,

/s/

George Kahooahano, Secretary-Treasurer

APPROVED as amended on March 28, 2007.

Documents Distributed:

1. Draft Minutes for January 24, 2007. (21 pages)
2. Draft Minutes for February 5, 2007. (8 pages)
3. Memorandum to BOT from Administrator regarding February Administrator Report dated 2/22/07. (4 pages)
4. House Bills Affecting EUTF - 2007. (5 pages)
5. Senate Bills Affecting EUTF – 2007. (4 pages)
6. Memorandum to BOT from Administrator regarding VEBA Extension Bills, HB 1746 and SB 1142 dated 2/27/07. (2 pages)
7. Press Release dated 2/13/07 regarding Rate Reductions and New Benefit Plan Options for Public Employees to Save \$8 Million. (8 pages)
8. Letter to BOT from Garner Consulting regarding February Benefit Consultant Report dated 2/20/07. (3 pages)
9. EUTF Claims Experience Summary for the 2006-2007 Plan Year Six Months Ended 12/31/06-Estimated dated 2/15/07 (1 page)
10. Active/Retired Employees Surplus (Loss) as of 12/31/06 dated 2/25/07. (2 pages)
11. EUTF HMSA Summary of Financial Operations by Bargaining Unit for Services Incurred 7/1/06-12/31/06. (4 pages)
12. EUTF HDS Plan Financial Performance Report by Bargaining Unit for Period 7/1/06-12/31/06. (1 page)
13. EUTF VSP Financial Operations Report by Bargaining Unit for 7/1/05-6/30/06. (1 page)
14. EUTF 2006 Plan Year Reserves vs. Actual Run –out Claims Through 12/31/06 dated 2/20/07. (1 page)
15. Active/Retirees Enrollment as of 12/31/06 dated 2/15/07. (2 pages)
16. EUTF Estimate of Reserves for Self-Funding dated 2/20/07. (1 page)
17. EUTF Estimate of Reserves on 7/1/07 dated 2/20/07. (1 page)
18. Stand-Alone Medical Rates Retirees with Medicare dated 2/16/07. (1 page)
19. Garner Consulting Bulletin for January 2007. (3 pages)
20. EUTF Statement of Net Assets (Unaudited) dated 2.21/07. (1 page)

HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND

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21. EUTF Combined Statement of Revenues and Expenses-Budget & Actual Comparison 6 Months Ended 12/31/06 (Unaudited) dated 2/21/07. (1 page)
22. EUTF Statement of Cash Flows 6 Months Ended 12/31/06 (Unaudited) dated 2/21/07. (1 page)
23. Governor's Press Release regarding Nomination dated 2/14/07. (2 pages)
24. The Star Ledger regarding State Health Benefits Tab Swells to \$78B dated 2/7/07. (2 pages)
25. Approved Minutes for November 29, 2006. (13 pages)