

HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
Minutes of the Board of Trustees
Thursday, May 17, 2007

TRUSTEES PRESENT

Ms. Marie Laderta, Chairperson	Mr. Gerald Machida
Mr. Nelson Befitel, Vice Chairperson	Mr. John Radcliffe
Ms. Elizabeth Ho	Mr. Stanley Shiraki
Mr. George Kahooahanohano	Ms. Katherine Thomason

TRUSTEES ABSENT: None

ATTORNEY

Mr. Brian Aburano, Deputy Attorney General

EUTF STAFF

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

OTHERS PRESENT

Ms. Lynette Arakawa, HDS	Ms. Ruth Kim, HSRTA
Mr. Brad Au, Aon	Ms. Wanda Kimura, B&F
Mr. Bryan Aycock, Aon	Mr. Justin Kindy, Aon
Ms. Sandra Benevides, Kaiser Permanente	Mr. Paul Matsuo, HGEA-R
Ms. Alana Deppe Mariota, Kaiser Permanente	Mr. Michael Moss, HMSA
Ms. Monica Engle, VSP	Ms. Gertrude Nitta, HGEA-R
Mr. Mark Fukuhara, Aon	Mr. Chris Odo, C&C Honolulu
Ms. Elaine Fujiwara, HDS	Ms. Sue Oguro, ORTA
Ms. Venus Gabuyo, MBAH	Ms. Cindy Sasaki, Grant Thornton
Mr. Michael Golojuch, C&C Honolulu	Ms. Lynn Shimono, Grant Thornton
Ms. Carol Hoel, Segal	Ms. Rosy Spraker, Gartner
Mr. Jun Jao, HMA	Mr. Rod Tam, HMSA
Ms. Jeri Kakuno, MDX Hawaii	Ms. MaryAnne Watson, Segal
Mr. Eleu Kane, Summerlin	Mr. George Yamamoto, HGEA-Retirees
Mr. Alan Kilbey, C&C Honolulu	

I. CALL TO ORDER

The regular meeting of the Board of Trustees was called to order at 9:00 a.m. by Trustee Marie Laderta, Chairperson, in Conference Room 204, Leiopapa A Kamehameha Building, 235 South Beretania Street, Honolulu, Hawaii, on Thursday, May 17, 2007.

Mr. Williams explained that "Proposed Drug Plan Improvements" is on agenda under the consultant's report for action by the Board but not under New Business.

MOTION was made for the Board to approve to amend the agenda to add "Proposed

Drug Plan Improvements" under New Business. (Radcliffe/Kahoohanohano) The motion passed unanimously. (Employer Trustees-4/Employee-beneficiary Trustees-4)

II. APPROVAL OF MINUTES

The Board reviewed the draft minutes for March 28, 2007.

There being no objections by the Trustees, the minutes for March 28, 2007 were approved as circulated.

III. OTHER REPORTS

A. Administrator

1. May Update (see written report)

a. PeopleSoft Support

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

b. IT Support by Gartner, Inc.

Mr. Williams summarized that the Memorandum of Agreement is signed and work on the RFP started. (see Administrator's report).

Ms. Rosy Spraker presented an overview of the RFP approach and timeline. Discussion held by Trustees and Gartner regarding the methodology approach and that it is normal methodology for assessment. The full RFP will be presented at the next board meeting for approval. The evaluation is on a template for the Evaluation Committee so that they only need to rate. The Excel spreadsheet will do calculation and costs. Mr. Williams stated that this is the first time the Trustees have seen the draft and they should feel free to contact the Administrator with any questions.

c. Claims Audit Contract

Mr. Williams stated that the report has been completed by Segal and introduced Ms. Mary Ann Watson and Ms. Carol Hoel from the Segal Company.

Ms. Mary Ann Watson thanked the Board for the opportunity to assist on this project and HMSA for their cooperation. Ms. Watson presented an overview on the HMSA Claims Audit (see Segal Summary Report dated May 17, 2007). HMSA did meet performance guarantees as well as industry standards expectations. HMSA is addressing potential duplicate Blue Card (mainland) claims and will report back. On other claims matters, HMSA is researching to recover \$83,000 in an overpayment. Segal will have a final report after review by HMSA. HMSA will follow-up on final results of duplicate claims analysis. Key recommendations to HMSA are noted on page 12 of Segal's report. Mr. Williams thanked MaryAnn and staff for doing a thorough review

that EUTF can use to improve its self-funded plans.

- d. EUTF Facilities – Renovation
Overview by Mr. Nishihara regarding the EUTF renovations (see Administrator’s report).
- e. 2007 Legislative Session
Overview by Mr. Williams regarding updates on the House and Senate bills (see Administrator's report and Updates on House and Senate Bills). Most of the bills died except as noted in the reports. Mr. Williams summarized the following bills: (1) SCR 178 passed; (2) HB 1290 that died; (3) HB 1294 passed and comments were sent to the Governor; and (4) HB 1746, SD2 passed and comments sent to Governor requesting for bill to be vetoed.
- f. Biennium Budget 2007 - 2009
Ms. Tonaki reported that the EUTF biennium budget was approved and included funding for the new benefits administration system. The total appropriation for FY08 is \$11,681,000 and for FY09 is \$4,291,000. For FY08, \$7 million is for the new benefit system. (see Administrator's report).
- g. Implementation of FY 08 Benefit Plans
Overview by Mr. Nishihara regarding the implementation of FY 08 benefit plans (see Administrator's report). Mr. Nishihara reported that we received two completed contracts. The carriers are establishing EUTF specific web pages so beneficiaries are able to link directly to the EUTF through the carriers website.
- h. Appeals Process for Self Funded Plans
Mr. Williams reported that he and the consultant and deputy attorney general met with Rod Maile of DCCA. DCCA hearing officers are very experienced and willing to provide the hearing support at no fee. The EUTF will need to do an intergovernmental Memorandum of Agreement (MOA), and Mr. Williams is recommending the approval to develop an MOA with DCCA. DCCA hearing officers have approximately 20 years of experience and the agency is structured to do the kind of hearings the EUTF needs. Emergency appeals will be a different process and that will be presented at the next Board meeting.

MOTION was made for the Board to authorize the Administrator to develop an MOA with DCCA Office of Administrative Hearings to handle appeals under self-funded plans. (Kahoohanohano/Ho) The motion passed unanimously. (Employer Trustees-4/Employee-beneficiary Trustees-4)

i. 2007 Open Enrollment

Overview by Mr. Nishihara regarding 2007 open enrollment (see Administrator's report). Mr. Nishihara thanked the carriers for their flexibility and assistance at the open enrollment sessions. Mr. Williams reported that there were two performance levels in the open enrollment. At the open enrollment sessions; Larry Nishihara, Grace Moore, carriers, and John Garner did a great job. No complaints were made except for one overflow session. On the other hand, the volume of phone calls was overwhelming and the EUTF response was not successful. Mr. Nishihara summarized the limitations of the phone system and that EUTF staff has been working overtime (see Administrator's report).

Mr. Williams presented recommendations to permit extension of the open enrollment period to accommodate mainland Kaiser retirees and members of BU 7 (UHPA). Mr. Williams summarized the difficulty of Kaiser enrollment for retirees and issues arising from the UHPA collective bargaining agreement.

MOTION was made for the Board to authorize the Administrator to extend the open enrollment for mainland retirees enrolled in Kaiser and for BU 07 members. (Radcliffe/Ho) The motion passed unanimously. (Employer Trustees-4/Employee-beneficiary Trustees-4)

j. GASB 43/45 Valuation

Ms. Tonaki reported that the GASB 43/45 report was issued in mid-April and introduced Brad Au from Aon (see Administrator's report). Mr. Au presented an overview on the GASB 43/45 valuation report (see Aon's report - EUTF Board Briefing dated May 17, 2007 and Aon's letter dated May 10, 2007). Mr. Williams clarified because of the kind of plan the EUTF is, the Trustees need to determine the Contractually Required Contributions (CRC).

Mr. Williams stated that the key decision for the Trustees is setting the CRC. The decision making of the Trustees is scheduled for the June Board meeting. The employers that contacted the Administrator have been advised that the Board has not decided but he is going to recommend that the Board approve setting the CRC equal to the ARC that is shown in the letter from Aon dated May 10, 2007 based on the pre-funding assumption (8% discount rate, the lower numbers for each of the employer). Mr. Williams said that his reasoning is first of all in terms of whether we should use higher or lower discount rate, until we get experience to show otherwise, we should assume that when we bill the employers will pay. If after a year we find out that is not the case, we can adjust that assumption for future years. Secondly, regarding whether to use some number other than the ARC, Mr. Williams advised the Trustees not to do so. As a cost sharing plan, the way GASB looks at it is that

the basic liability for the benefit payments is with the Trust. The Trustees can exercise their responsibility under GASB in different ways. The simplest way is to bill the employers for the full amount that is calculated which is the ARC. If the EUTF bills less than that, Mr. Williams feels that the EUTF could be taking responsibility for funding as a group and individually. Mr. Williams advised the Board not to be put in that position and that the EUTF should bill the CRC based on the ARC.

Mr. Williams and Ms. Tonaki had discussions with the auditors from Grant Thornton who are in attendance today. There are some issues that were raised by the auditors and need to be addressed: (1) Grant Thornton needs to decide if they concur if the EUTF is a cost sharing plan; and (2) the EUTF statutes were constructed before GASB 43 and 45. The law says the employer has to pay the "pay-go" amount. The employers are not required to pay more but the question is are they allowed to pay more under the EUTF statutes.

Mr. Williams will be asking for a legal opinion from the Attorney General. Discussion held by Trustees, staff, and Deputy Attorney General regarding why the Board is requesting a legal opinion and not the employer. Mr. Williams stated if the statute prevents payment, the EUTF cannot bill more. The EUTF could not set the CRC at the ARC if the statute prohibited it.

Mr. Williams added if the employers did not want to pay, then yes they would be the ones to get the opinion. For the EUTF to go forward with the process, we need to get the question answered. Trustee Shiraki inquired if Mr. Williams is correct. Mr. Aburano stated he does not know if it is correct or not. What is true is that the issue of whether or not the statute permits the employers to pay more than the pay-go amount, is something that should go to the Attorney General for a decision. Whether the question comes from the Board or the employers does not matter. It can come from either. It just needs to come from one of the bodies so there can be a legitimate answer to it. Discussion held by Trustees, staff, and Aon regarding numbers in the presentation for BU 05 in the report and the purpose of the Aon letter. Mr. Williams stated that he asked Aon to leave the numbers of BU 05 in the presentation for information purposes only. Mr. Au stated that the purpose of the letter was to provide amounts for FY08.

k. Benefits Consultant RFP No. 07-003

Mr. Williams reported that the Evaluation Committee did meet and a recommendation is going to the Board and will be addressed in Executive Session. The results, if the Board makes a decision, will be announced after Executive Session. (see Administrator's report).

l. Lt. Governor's Health Initiative

Mr. Williams introduced George Lindsey and Kevin Souza from the Lt. Governor's office. A meeting was held with Mr. Williams, Mr. Aburano

and Mr. Lindsey related to Weight Watchers in the EUTF benefit programs. Presentation by Mr. Lindsey regarding the health initiative for workplace wellness that they would like to bring to all the workers to pay attention to health and avoid disease treatment. Mr. Lindsey is asking for the Board's support in bringing this health initiative to the State, employees, and children.

Recessed at 10:48 a.m. and Reconvened at 10:59 a.m.

B. DEPUTY ATTORNEY GENERAL

1. Everson Lawsuit

Mr. Aburano reported that the judge has not yet issued the order to dismiss the Everson lawsuit. Yesterday the attorneys for the plaintiffs filed a letter with the EUTF for a declaratory ruling on certain issues related to the lawsuit. No action is required at this time. The letter needs to be reviewed as to whether it meets the requirement for a petition for declaratory ruling and, if so, the Board will need to decide how they would like to proceed with the petition.

2. Awakuni Lawsuit

Mr. Aburano reported that the appeal will be argued in front of the Hawaii Supreme Court on July 11, 2007.

3. Imputed Income for Domestic Partners

Mr. Aburano reported that the EUTF provision of coverage for non-dependent domestic partners does create imputed income to them and affects how much they are able to pay pre-tax under the PCP program. Because the EUTF is moving from 2-tiers to 3-tiers he wanted to obtain advice from tax counsel because questions arose as to how much was proper to impute as income in the three-tier system. Mr. Aburano has received some preliminary advice that has raised other questions. He will be talking to the attorney that gave the advice and will report to the Board at the next Board meeting.

4. Direct Deposit of Reimbursement for Mainland Kaiser Members

Mr. Aburano reported that we now have a law that allows the EUTF to reimburse EUTF participants that are on the mainland and want to be enrolled in Kaiser. The EUTF staff wants to do any reimbursements that people pay for their plans by direct deposit rather than mailing checks. There is authority in the law for the EUTF board to do that. In discussing with the Administrator, the Administrator would like to bundle any such conditioning along with a rule change in the future. No action is required at this time.

5. Status of Contracts for FY 08 Benefit Plans

Mr. Aburano reported that the EUTF has signed contracts with NMHC and Royal State. We are on the verge of completing the contract with Standard Insurance and are close to finalizing a contract with VSP. Mr. Aburano is still waiting for

comments from HMA, HMSA, and HDS.

C. BENEFITS CONSULTANT

May Report

1. Implementation and Open Enrollment

Overview by Mr. Garner regarding the implementations of the new plans and open enrollment (see Consultant's report).

2. Proposed Drug Plan Improvements

Mr. Garner summarized NMHC's proposed drug plan improvements (see Consultant's report). Mr. Garner stated that the suggestions are valid and recommends covering all brands of diabetic test strips without co-payment and to cover over-the-counter drugs Prilosec and Loratidine at the generic co-payment.

MOTION was made for the Board to approve the consultant's recommendations to cover all brands of diabetic test strips without co-payment and to cover over-the-counter drugs Prilosec and Loratidine at the generic co-payment.

(Machida/Ho) The motion passed unanimously. (Employer Trustees-4/Employee-beneficiary Trustees-4)

3. Retiree Caps

Overview by Mr. Garner regarding the retiree caps (see Consultant's report and spreadsheet). Mr. Garner recommends that the Board approve the caps as follows:

<u>Preliminary BMC with Medicare</u>		<u>Preliminary BMC without Medicare</u>	
Single	\$445.54	Single	\$625.44
2-Party	\$891.07	2-Party	\$1,250.89
Family	\$1,336.61	Family	\$1,876.33

Mr. Garner noted correction on illustration at bottom of spreadsheet in first column of tables. Should read "**2-Party**" not 2-tier.

MOTION was made for the Board to approve the three-tier base monthly contribution amounts for FY08, as presented by the consultant. (Ho/Radcliffe) The motion passed unanimously. (Employer Trustees-4/Employee-beneficiary Trustees-4)

4. Garner Consulting Bulletin – March/April 2007

Overview by Mr. Garner regarding the bulletins. No action required (see Consultant's report).

D. Financial Report as of March 31, 2007

Overview by Ms. Tonaki regarding the financial report as of March 31, 2007 (see

written reports).

E. Carrier's Reports

1. HDS

Written report submitted.

2. HMSA

Written report submitted. Mr. Rod Tam reported that HMSA's Annual report and HMSA's perspective was distributed to the Trustees this morning.

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. Extension of Open Enrollment for Mainland Retirees and BU 07

This item was addressed during the Administrator's report.

B. Benefits Consult RFP No. 07-003

This item will be addressed in Executive Session.

C. Contract Terms for FY08 Benefit Plans

This item will be addressed in Executive Session.

D. FY08 Base Monthly Contributions

This item was addressed during the Consultant's report.

E. GASB 43 – FY08 Contractually Required Contribution

This item was addressed during the Administrator's report and action will be taken at the next Board meeting.

F. Appeals Process for Self Funded Plans

This item was addressed during the Administrator's report.

G. Proposed Drug Plan Improvements

This item was addressed during the Consultant's report.

VII. COMMUNICATIONS FROM THE PUBLIC AND INPUT FROM ATTENDEES

Mr. George Yamamoto thanked the EUTF staff, consultant, and carriers for a splendid

job during the Open Enrollment period and getting information on the website. He expressed his concerns to the consultant regarding: (1) comments made about retirees such as "if you are a retiree you go to the doctor's more often because it is free" and is not sure if the consultant's comments are based on opinion or research; and (2) when addressing retirees he normally is talking about retirees under age 65 but majority of retirees are over age 65 and he would like the consultant to separate those two and give the retirees on Medicare more emphasis. He also expressed his concern that the EUTF not make decisions only on the first consequences which is for example making money for the EUTF or providing better benefits but looking at secondary consequences such as the effects on the customers or retirees. There are too many loose ends when changing plans during a plan year.

VIII. FUTURE AGENDA ITEMS AND NEXT MEETING DATE

Board meeting is scheduled for Wednesday, June 20, 2007, 9:00 a.m., CFT-room 1935.

Trustee Shiraki has requested a presentation on Medicare Advantage plans. Mr. Williams stated that presentations would be on the agenda for the next Board meeting.

IX. EXECUTIVE SESSION

MOTION was made to go into Executive Session at 11:26 a.m. for the reasons stated on the agenda. (Thomason/Ho) The motion passed unanimously. (Employer Trustees-4/Employee-Beneficiary Trustees-4)

There being no objections by the Trustees, the Executive Session adjourned at 11:44 a.m.

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

1. Approval of March 28, 2007 Executive Session minutes.
2. Award of Contract for Benefits Consultant to Aon Risk Services, Inc. of Hawaii that had the highest score. Chair Laderta thanked Garner Consulting for their wonderful service to the EUTF.

X. ADJOURNMENT

There being no objections by the Trustees, the meeting adjourned at 11:45 a.m.

Respectfully submitted,

/s/

George Kahooohanohano, Secretary-Treasurer

APPROVED on June 28, 2007.

Documents Distributed:

1. Draft Minutes for March 28, 2007. (11 pages)
2. Memorandum to BOT from Administrator regarding May Administrator Report dated 5/9/07. (4 pages)
3. Gartner Presentation "EUTF Benefits Administration System, RFP Development" dated 5/17/07. (11 pages)
4. Segal letter regarding HMSA Prescription Drug Claims Audit dated 3/30/07. (2 pages)
5. Segal letter regarding HMSA Administrative Review and Claim Audit dated 3/30/07. (4 pages)
6. Segal Report on HMSA Analysis and Evaluation of Claims Processing and Payments Procedures for the Period 7/1/05 through 6/30/06 presented 3/30/07. (40 pages).
7. Segal Report "Evaluation of Medical Plan Administration Services Provided by HMSA for the Period 7/1/05 through 6/30/07 presented by MaryAnne Watson and Carol S. Hoel on 5/17/07. (25 pages)
8. Segal Report on Prescription Drug Program Analysis 2007. (20 pages)
9. Proposed Legislation Affecting EUTF-Update on House Bills Reviewed by BOT dated 5/9/07. (2 pages).
10. Proposed Legislation Affecting EUTF-Update on Senate Bills Reviewed by BOT dated 5/9/07. (2 pages).
11. Letter to Speaker Say regarding HB1746 and SCR178 dated 4/12/07. (2 pages).
12. Letter from Senate Clerk regarding SCR178 dated 5/3/07. (5 pages)
13. Honolulu Advertiser Article "Healthcare benefits to cost \$11.1 billion" dated 4/20/07. (2 pages).
14. Aon Presentation on State of Hawaii Postemployment Benefits Other than Pensions, 7/1/06 Actuarial Valuation for EUTF Board Briefing on 5/17/07. (12 pages)
15. Aon Letter regarding GASB OPEB Employer Cost Estimates for Fiscal Year Ending 6/30/08 dated 5/10/07. (3 pages)
16. Letter to BOT from Garner Consulting regarding May Benefit Consultant Report dated 5/10/07. (2 pages)
17. EUTF Exhibit HB1294 (Retiree Base Monthly Contribution). (1 page)

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Board of Trustees Meeting

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18. Garner Consulting Bulletin for March 2007. (3 pages)
19. Garner Consulting Bulletin for April 2007. (3 pages)
20. EUTF Statement of Net Assets (Unaudited) dated 5/8/07. (1 page)
21. EUTF Combined Statement of Revenues and Expenses-Budget & Actual Comparison 9 Months Ended 3/31/07 (Unaudited) dated 5/8/07. (1 page)
22. EUTF Statement of Cash Flows 9 Months Ended 3/31//07 (Unaudited) dated 5/8/07. (1 page)
23. Resignation from Mark E. Recktenwald dated 4/9/07. (1 page)
24. OIP OpenLine - April 2007. (2 pages)
25. The High Road – March 2007. (2 pages)
26. Approved Minutes for February 28, 2007. (17 pages)