

HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
Minutes of the Board of Trustees
Wednesday, September 26, 2007

TRUSTEES PRESENT

Mr. George Kahooahano, Vice Chairperson	Mr. John Radcliffe
Mr. Darwin Ching	Mr. Lawrence Reifurth
Mr. Guy Fujio	Mr. Stanley Shiraki
Ms. Elizabeth Ho	

TRUSTEES ABSENT

Mr. Gerald Machida, Chairperson	Ms. Barbara Annis
Ms. Marie Laderta, Secretary-Treasurer	

ATTORNEY

Mr. Brian Aburano, Deputy Attorney General

EUTF STAFF

Mr. James Williams, Administrator	Mr. Timothy Nimmer, Consultant
Mr. Lawrence Nishihara	Mr. Mark Fukuhara, Consultant
Ms. Maria Quartero	Mr. Justin Kindy, Consultant
Ms. Kathleen Shiroma	Mr. Bryan Aycock, Consultant
Ms. Donna Tonaki	

OTHERS PRESENT

Mr. Tracy Ban, B&F	Ms. Margaret Lawrence, HMAA
Ms. Sandra Benevides, Kaiser Permanente	Ms. Mary Mitchell, NMHC
Ms. Monica Engle, VSP	Ms. Mary Ellen Mitchell, NMHC
Mr. Elaine Fujiwara, HDS	Mr. Maurice Morita, HSTA
Mr. Terry Harrison, NMHC	Ms. Celeste Nip, HFFA
Mr. Melvin Higa, RSN	Ms. Gertrude Nitta, HGEA-R
Mr. John Jacobs, HMSA	Ms. Susan Pestana, HSTA, MBC
Ms. Bonnie Kahelewai, Standard Insurance	Ms. Lynn Shimono, Grant Thornton
Mr. Jack Katahira, HGEA-R	Mr. Rod Tam, HMSA
Ms. Ruth Kim, HSRTA	Ms. Sharon Urada, HSTA-MBC
Ms. Alice Kotake, HSTA-R	

I. CALL TO ORDER

The regular meeting of the Board of Trustees was called to order at 9:00 a.m. by Trustee George Kahooahano, Vice-chairperson, in EUTF Conference Room, 201 Merchant Street, Honolulu, Hawaii, on Wednesday, September 26, 2007.

MOTION was made for the Board to amend the agenda to add item III.C.12 Benefit Consultant Evaluation Report. (Ching/Ho) The motion passed unanimously. (Employer Trustees-3/Employee-beneficiary Trustees-4)

II. APPROVAL OF MINUTES

The Board reviewed the draft minutes for July 25, 2007 and August 29, 2007.

Amendment made to August 29, 2007 minutes: Under Trustees present, delete "Mr. Nelson Befitel" and add "Mr. Guy Fujio".

There being no objections by the Trustees, the minutes for July 25, 2007 were approved as circulated and the minutes for August 29, 2007 were approved as revised.

III. OTHER REPORTS

A. Administrator

1. September Update (see written report)

a. PeopleSoft Support

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

b. Oracle/PeopleSoft License and Service Agreement

Overview by Ms. Shiroma regarding the Oracle/PeopleSoft license and service agreement (see Administrator's report).

c. RFP No. 08-001 Benefits Administration System Implementation and Maintenance Services

Overview by Ms. Shiroma regarding RFP No. 08-001 for the new benefits administration system.

d. Staffing

Ms. Donna Tonaki reported the Accounting Clerk IV position has been filled. Mr. Lawrence Nishihara reported that a Customer Service Representative (CSR) was recently hired and another CSR transferred to another position (see Administrator's report).

e. Implementation of FY 08 Benefit Plans

Overview by Mr. Nishihara regarding the implementation of FY 08 benefit plans that the EUTF continues to generate a higher than normal number of calls and complaints. The majority of inquiries and complaints were issues related to NMHC mail order which is also in the consultant's report (see Administrator's report). Mr. Mark Fukuhara addressed the concerns related to NMHC's coordination of benefits and mail order services (see Benefits Consultant's report). Discussion held by Trustees, staff, benefits consultant, and public regarding the EUTF newsletter, issues and concerns related to NMHC and if the EUTF is satisfied with the current status. Mr. Williams stated that the EUTF is not satisfied with NMHC's current status but NMHC has responded to every case brought to their attention. NMHC representatives are here to directly address the Board and explain the steps they are taking.

Some of the issues that have arisen were really generated by HMSA or by Precision RX and were outside of NMHC's control. Point of sale (at the pharmacy) processing of coordination of benefits was addressed by NMHC and by Longs Drugs, which previously did not have the capability. One outstanding issue is the mail order program. A response from NMHC to a participant was distributed to the Trustees today, the letter was very detailed and responsive. Mr. Williams is satisfied with NMHC's efforts to make adjustments, corrections, and improved services. There are three categories that came together to make a "perfect storm" of prescription drug issues: (1) issues generated by HMSA; (2) issues generated from the transition; and (3) real service issues with NMHC. Mr. Williams stated that three executives from NMHC came to Hawaii last week and met with EUTF management and Aon Consulting to address the various issues and concerns of the beneficiaries. Various follow up items were identified for NMHC to address through Aon (see Administrator's report).

Retiree members of the public expressed concerns about incorrect costs of generic and brand name drugs, higher co-payments, and shortage or duplicate mail orders. NMHC representatives Mary Ellen Mitchell and Mary Mitchell addressed the retirees concerns and will speak and resolve those issues directly with those retirees.

NMHC representatives Mary Ellen Mitchell and Mary Mitchell reported that NMHC is making improvements. At the meeting with the EUTF management and Aon Consulting, NMHC addressed the various issues and concerns. They are now doing the following: (1) phone calls are now answered by the local (Hawaii) representatives of NMHC; (2) NMHC had a meeting with participating pharmacies; (3) NMHC will have round table discussions to reach out to the local pharmacies; (4) a newsletter was sent out to pharmacies; (5) NMHC will research problems regarding higher co-payments; and (6) NMHC will hire two additional employees to assist in addressing mail order and other issues.

Discussion held by Trustees, staff, NMHC representatives, and public regarding contact numbers for NMHC, NMHC procedures for tracking phone calls, and NMHC newsletters.

- f. FY 2006-2007 Financial Audit
Mr. Williams stated that his report had the incorrect year it should be "2006 (not 7)-2007 Financial Audit". Overview by Ms. Donna Tonaki regarding the FY 2006-2007 Financial Audit (see Administrator's report).
- g. GASB 43/45
Overview by Ms. Tonaki regarding GASB 43/45 and the two memorandums

received from the Director of Finance dated September 12, 2007 (see Administrator's report). Mr. Williams stated that he and Ms. Tonaki met with the Director of Finance, State Comptroller, and their staff so all the parties could discuss GASB 43/45 related concerns. B&F consultant, Mr. Tom Morrison from Segal, also was on the phone line. The conclusion was as Ms. Tonaki reported, if the employers are going to pre-fund, it is not a certainty that all the employers may use the same approach. One employer could choose the pay-as-you-go approach, another could partially pre-fund, another could fully pre-fund. The employers who pay want to get full credit for it. They do not want to be merged together in one pot, with the ones that pay less riding on the back of those who pay more. The EUTF staff is ready and willing to keep track of contributions from different employers. This process will go on for some time, because when employers are pre-funding, they are pre-funding for future costs. The conclusion reached at the meeting was that if the EUTF accounts for contributions for each employer, the EUTF would be classified as a Multi-Employer Agent Plan under GASB 43/45 not a Cost-Sharing Plan. Mr. Williams stated that this would actually take some responsibility off the Board's shoulders, in terms of fiduciary thinking, because the Board will not be responsible for setting a Contractually Required Contribution (CRC) to fund the OPEB plans. As a multi-employer agent plan, the Board would not be responsible for the funding of the OPEB plans, the employers would be responsible for the funding. What will go in the employers' financial reports would just be the Annual Required Contribution (ARC) which is the calculated amount from the valuation report. Ms. Shimono from Grant Thornton is here today to comment on that. Ms. Shimono commented if separate accounts are maintained for each employer so that the employer's contribution provides benefits for the employees of only that employer, the EUTF would be considered a multiple-employer agent plan under GASB 43. Mr. Williams stated there are some accounting implications. The biggest difference would be for the employers because separate valuations would need to be done for each employer. B&F and DAGS will be addressing that with the counties and with Aon who did the report. Discussion held by Trustees, and staff regarding what does this do to the EUTF philosophically as a Trust. Mr. Williams stated the EUTF is still a Trust; there was a statutory change that was made to ensure that EUTF meets the GASB criteria, including that contributions are irrevocable. Whether the EUTF is a multi-employer agent plan or a cost-sharing plan, it is still a Trust which is the most important aspect for the EUTF. Discussion held by Trustees, staff, and deputy attorney general regarding if the State would be required to back up the county if they could not pay. Mr. Aburano stated that he does not know if the State would be required to back up the counties if they could not pay. Trustee Radcliffe is concerned what would happen in the future if a county should default in payment. Further discussion held by Trustees and staff regarding concerns as to whether there is anything in the

law that says if the EUTF is a multi-employer agent plan or cost-sharing plan. Mr. Williams stated that this is all related to accounting under GASB. It is accounting terminology not legal terminology that defines what is a multi-agent employer plan versus a cost-sharing plan. Further discussion held by Trustees and staff regarding the EUTF staff's recommendation and whether the Board should take steps now to change the law or wait for the employers to act. Mr. Williams stated there are two parts: (1) for current discussion on the classification, the Administrator recommends that the EUTF cooperate with the State and other employers in tracking employer contributions earnings and charges for each employer; the result of adopting this approach will be that the EUTF is treated as a Multi-Employer Agent Plan under GASB 43/45; and (2) as far as legislative changes, the Administrator does not have any recommendations but Legislative Proposals is on the agenda specifically if Trustees want to make a proposal. Trustee Ching inquired if the auditor has any comment or input. Ms. Lynn Shimono stated that as an auditor, they are going to be concerned with the financial report. From the financial reporting standpoint we look at GASB 43/45, multiple-employer cost sharing or agent plan would follow the guidance under GASB 43 for financial reporting. GASB 45 provides the guidance for financial reporting for the employers. Trustee Ching asked what are the pros and cons. Ms. Shimono stated that she does not have any comments, from the EUTF perspective from GASB 43 because we are a Trust our financial reporting would be similar whether you are a cost sharing or agent plan, however the footnotes would be different for an agent plan. The agent plan requires additional disclosures for the employers. Discussion held by Trustees and staff that the actuarial valuations contract should be done by EUTF not DAGS and concerns that information was not given to the Trustees first. Mr. Williams stated that he is planning to propose that through the next biennium budget.

MOTON was made for the Board to approve the Administrator's recommendation that the EUTF cooperate with the State and other employers in tracking employer contributions earnings and charges for each employer. The result of adopting this approach will be that the EUTF is treated as a Multi-Employer Agent Plan under GASB 43/45. Since only Cost-Sharing Plans need to establish the Contractually Required Contribution, the Board of Trustees does not need to take action on that issue. (Ho/Shiraki) After discussion by the Trustees, the motion passed unanimously. (Employer Trustees-3/Employee-beneficiary Trustees-4)

- h. Imputed Income for Employees with Domestic Partners
Overview by Ms. Tonaki regarding imputed income for employees with domestic partners (see Administrator's report). The EUTF is still awaiting the decision by the State.

- i. Diabetes Life Coaching Program-City & County of Honolulu
Overview by Mr. Williams regarding the diabetes life coaching program (see Administrator's report). Aon Consulting and the Administrator recommends approval of the Diabetes Life Coaching program, if the City and County of Honolulu decides to participate.

There being no objections from the Trustees, this item is deferred until the October Board meeting.

- j. LGI Medical Vigilance System
Overview by Mr. Williams regarding the LGI Medical Vigilance System (see Administrator's report). Trustee Radcliffe disclosed that he is a lobbyist for Hoana Medical and if it comes to a vote he will abstain from voting on this item.

- k. GLM Newport – Investment Company
Mr. Williams reported that Ms. Tonaki and himself met with representatives of GLM Newport Investment Company upon a referral from Russ Saito, Comptroller (see Administrator's report).

- l. New Trustee Orientation
Mr. Williams reported that Trustees Annis, Ching, Fujio and Reifurth participated in a "new trustee's orientation" (see Administrator's report).

- m. Supplemental Budget Request FY 09
Mr. Williams reported that there are a couple of supplemental budget items that the EUTF will be submitting to B&F. The Investment Consultant was already approved by the Board. In last year's budget the first year got approved and the second year did not. EUTF will be proposing to fund the second year. Another item is staffing. Due to the B&F deadline, the Administrator is recommending that the Board authorize the Administrator to submit the supplemental budget request for FY 09 subject to Board of Trustees approval at the October Board meeting.

There being no objections from the Trustees, the Administrator will submit the supplemental budget request for FY 09 to B&F subject to Board of Trustees approval.

B. DEPUTY ATTORNEY GENERAL

1. Awakuni Lawsuit

At the last meeting, Mr. Aburano reported that the Supreme Court issued a decision affirming the Circuit Court's grant of summary judgment in favor of the Trust Fund and the State of Hawaii. The Hawaii Supreme Court's decision recently was reduced to a judgment on appeal which has been filed with the First

Circuit Court. The only other possible thing that might happen in the lawsuit is a motion by the defendants, as the prevailing side, to collect their costs from the plaintiffs. The State did not incur significant costs because we were defended by the insurance company. Mr. Aburano summarized the Hawaii Supreme Court's reasons for the decision. The Trustees commended Mr. Aburano for doing a great job on the Awakuni lawsuit.

2. Status of Contracts for FY 08 Benefit Plans

Mr. Aburano reported that all contracts for the FY 08 benefit plans are complete although some details may need to be corrected.

C. BENEFITS CONSULTANT

September Report

1. COBRA

Mr. Nimmer reported in working in conjunction with Mr. Lawrence Nishihara they coordinated and developed protocol between HMA and HMSA.

2. NMHC – Coordination of Benefits (COB) at Point-of-Service (POS)

This item was addressed during the Administrator's report (see Consultant's report).

3. NMHC Mail Order Services

This item was addressed during the Administrator's report (see Consultant's report).

4. Third Party Liability

Overview by Mr. Nimmer regarding third party liability (see Consultant's report).

5. EUTF/HMA Summary of Benefits

Overview by Mr. Nimmer regarding EUTF/HMA summary of benefits (see Consultant's report).

6. Hoana Medical – LGI Intelligent Medical Vigilance System

Overview by Mr. Fukuhara regarding Hoana Medical (see Consultant's report).

7. Physical Examinations – Maximum Allowable Charges

Overview by Mr. Fukuhara regarding the maximum allowable charges for physical examinations (see Consultant's report). It is the benefits consultant's recommendation to change the benefit for routine physical examinations, effective retroactively to July 1, 2007, to 100% of the Maximum Allowable Charge (MAC) for the EUTF self-insured PPO medical plans administered by HMSA and HMA and to have these carriers reprocess any appropriate claims paid with service dates of July 1, 2007 or later. Discussion held by Trustees, staff, and benefits consultant regarding HMSA's reason for the increase. Mr. Rod Tam from HMSA

stated that after periodic review HMSA decided there were instances that needed an increase. Discussion held by Trustees and consultant regarding who pays the increase. Mr. Fukuhara stated that it is taken out of the current year's premium, if claims exceed then we turn to reserves. Discussion held by Trustees and consultant regarding if this coverage is standard. Mr. Rod Tam stated it is pretty standard. There is a maximum that the plan will pay on a periodic basis. Other funds do take a look at the amounts. Discussion held by Trustees and staff to amend the motion to change the MAC for all services. Mr. Williams stated it was discussed during staff meeting yesterday and it was pointed out that it has far reaching implications because we do not set the MAC or the allowable charge for any of the other services or plans. The EUTF relies on HMSA in this case. Whatever their process is, we do not set MAC. Further discussion held by Trustees, staff, and consultant if this would change the contract. Mr. Fukuhara responded that it would not change the contract, it changes the benefit.

MOTION was made for the Board to approve the consultant's recommendation regarding the physical examination benefit for self-funded medical plans. (Ching/Reifurth)

AMENDED MOTION was made for the Board to do (MAC) for all services. (Shiraki/Ching) After discussion held by the Trustees, there being no objections by the Trustees, Trustees Shiraki and Ching withdrew the amended motion. After discussion held by the Trustees, the motion passed unanimously. (Employer Trustees-3/Employee-beneficiary Trustees-4)

8. Out-of-Pocket Maximum

Overview by Mr. Fukuhara regarding the out-of-pocket maximum (see Consultant's report). It is the benefits consultant's recommendation to maintain the PPO medical plan out-of-pocket maximum at \$1,500 per individual/\$4,500 per family until December 31, 2007 and implement the change to \$2,000 per individual/\$6,000 per family effective January 1, 2008. It is their further recommendation to have any out-of-pocket amounts in excess of the \$1,500 per individual and \$4,500 per family limit paid by participants for services incurred since July 1, 2007, returned to the participant.

MOTION was made for the Board to approve the consultant's recommendation regarding the out-of-pocket maximums for self-funded medical plans. (Ching/Reifurth) The motion passed unanimously. (Employer Trustees-3/Employee-beneficiary Trustees-4)

9. Newsletters and Website

Overview by Mr. Fukuhara regarding the EUTF newsletters and website (see Consultant report). Draft newsletters were distributed to the Trustees for review and comments.

10. Carrier/Vendor Meetings

Overview by Mr. Fukuhara regarding carrier/vendor meetings (see Consultant report).

Recessed at 10:35 a.m. and Reconvened at 10:45 a.m.

11. Funding and Benefit Plan Solvency Analysis

Presentation by Mr. Nimmer regarding the funding and benefit plan solvency analysis. Discussion held by Trustees, staff, and benefits consultant regarding the IBNR, reserves, and expected reserves.

12. Benefit Consultant Evaluation Report

Mr. Williams stated that the benefit consultant evaluation report is extensive and the Trustees may want the Committees to do study.

There being no objections by the Trustees, the Administrator will follow-up with Committees to review items of the evaluation report.

D. Financial Report as of June 30, 2007

Overview by Ms. Tonaki regarding the financial report as of June 30 2007 (see financial reports).

E. Carrier's Reports

1. HDS

Written report submitted.

2. HMA

Written report submitted.

3. HMSA

Written report submitted. Mr. Tam reported that HMSA's website has been updated and summarized the new features for beneficiaries. Individual membership cards will be issued for twins to distinguish prescription drugs claims for each twin.

4. Kaiser Permanente

No report submitted.

5. NMHC

Written report submitted. Ms. Mary Mitchell reported that a revised report was distributed to the Trustees.

6. Royal State Insurance

No report submitted.

7. Standard Insurance

Written report submitted.

8. VSP

Written report submitted.

VI. UNFINISHED BUSINESS

- A. GASB 43 – Contractually Required Contributions
This item was addressed during the Administrator's report.

VII. NEW BUSINESS

- A. Administrative Rules (Emergency Appeal Process)
Overview by Mr. Williams regarding responses to the draft rule change and the changes made by Mr. Aburano to address those responses (a redline version of the revised rule was given to the Trustees). Overview by Mr. Aburano regarding the draft changes. Discussion held by Trustees and deputy attorney general regarding if the EUTF will address the third recommendation from UH. Mr. Aburano stated that it is not necessary because these are not going to be hyper technical proceedings and the appellant and plan administrator will be able to ask questions of each other without having to spell that out in the rule.

MOTION was made for the Board to approve amending the Emergency Appeal Process including revisions recommended by the Administrator and Deputy Attorney General and authorize submittal to the Governor for final approval. (Radcliffe/Reifurth) After discussion held by the Trustees, the motion passed unanimously. (Employer Trustees-3/Employee-beneficiary Trustees-4)

- B. Self Fund Medical Plans-Physical Examination Benefit-Revised Maximum Allowable Charge and Co-payment
This item was addressed during the Consultant's report.

- C. Diabetes Life Coaching Program-City & County of Honolulu
This item was addressed during the Administrator's report and is deferred.

- D. NMHC Contract
This item will be addressed in Executive Session.

- E. HMSA Request – Payor Based Health Record Pilot
Overview by Mr. Fukuhara regarding HMSA's request for payor based health record pilot dated August 10, 2007. The consultant recommends approval of HMSA's request. (Trustee Radcliffe left meeting at 11:50 a.m.)

MOTION was made for the Board to approve the Payor Based Health Record Pilot as requested by HMSA and recommended by the consultant. (Ching/Ho) After discussion held by the Trustees, the motion passed unanimously. (Employer Trustees-3/Employee-beneficiary Trustees-3) Trustee Radcliffe returned at 11:52 a.m.

F. Supplemental Budget Request FY 09

This item was addressed during the Administrator's report.

G. Legislative Proposal for 2008 Legislative Session

Mr. Williams reported that he is not recommending any legislative proposals. Last session a legislative proposal became a political football and the original purpose was lost. Discussion held by Trustees and staff regarding submitting a legislative proposal to address GASB 43/45 to require that all employers pay 100% of pre-funding.

MOTION was made for the Board to approve that the Administrator draft a legislative proposal regarding GASB 43/45 requiring all employers to pay 100% of ARC. (Radcliffe/Shiraki)

There being no objections by the Trustees, the motion was approved.

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

IX. FUTURE AGENDA ITEMS AND NEXT MEETING DATE

Board meeting is scheduled for Wednesday, October 24 2007, 9:00 a.m., EUTF conference room, 15th floor.

Due to prior commitments, Trustees Ching and Kahoohanohano will not be attending the October Board meeting.

X. EXECUTIVE SESSION

MOTION was made to go into Executive Session at 11:58 a.m. for the reasons stated on the agenda. (Ching/Radcliffe) The motion passed unanimously. (Employer Trustees-3/Employee-Beneficiary Trustees-4)

MOTION was made to move out of Executive Session at 12:14 p.m. (Fujio/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 July 25, 2007 and August 29, 2007 Executive Session minutes.

XI. ADJOURNMENT

There being no objections by the Trustees, the meeting adjourned at 12:15 p.m.

Respectfully submitted,

/s/

Marie Laderta, Secretary-Treasurer

APPROVED on October 24, 2007.

Documents Distributed:

1. Draft Minutes for July 25, 2007. (9 pages)
2. Draft Minutes for August 29, 2007. (3 pages)
2. Memorandum to BOT from Administrator regarding September Administrator Report dated 9/19/07. (5 pages)
3. Letter to BOT from Aon Consulting regarding September 2007 Benefit Consultant Report dated 9/18/07. (5 pages)
4. Draft EUTF Newsletter for Active Participants. (1 page)
5. Draft EUTF Newsletter for Retiree Participants. (1 page)
6. Letter to BOT from Aon Consulting regarding Benefit Consultant Evaluation Report. (10 pages)
7. EUTF Statement of Net Assets (Unaudited) dated 8/23/07. (1 page)
8. EUTF Combined Statement of Revenues and Expenses-Budget & Actual Comparison 12 Months Ended 6/30/07 (Unaudited) dated 8/23/07. (1 page)
9. EUTF Statement of Cash Flows 12 Months Ended 6/30/07 (Unaudited) dated 8/21/07. (1 page)
10. Letter from Judiciary Regarding Proposed Rules Amendments dated 9/13/07. (1 page)
11. Letter from HGEA Regarding Proposed Rules Amendments dated 9/14/07. (1 page)
12. Letter from OHA Regarding Proposed Rules Amendments dated 9/6/07. (1 page)
13. Letter from DOE Regarding Proposed Rules Amendments dated 9/4/07. (1 page)
14. Excerpt from Ho'Olahā Retirees Unit Newsletter for July-August 2007 Regarding NMHC. (1 page)
15. Resignation Letter from Trustee Nelson Befitel dated 8/14/07. (1 page)
16. Appointment Letter from Governor to Darwin Ching dated 8/21/07. (1 page)
17. Approved Minutes for June 28, 2007. (11 pages)