

HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
Minutes of the Board of Trustees
Wednesday, June 25, 2008

TRUSTEES PRESENT

Mr. Gerald Machida, Chairperson
Mr. George Kahooohanohano, Vice Chairperson
Ms. Barbara Annis
Mr. Darwin Ching
Mr. Guy Fujio

Ms. Elizabeth Ho
Mr. John Radcliffe
Mr. Lawrence Reifurth
Mr. Stanley Shiraki

TRUSTEES ABSENT

Ms. Marie Laderta, Secretary-Treasurer

ATTORNEY

Ms. Diane Erickson, Deputy Attorney General

EUTF STAFF

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

Mr. Mark Fukuhara, Consultant
Ms. Joni Tamayo-Wilson, Consultant
Ms. Donna Tonaki

OTHERS PRESENT

Ms. Lynette Arakawa, HDS
Ms. Irene Bayudan, VSP
Ms. Sandra Benevides, Kaiser Permanente
Ms. Elaine Fujiwara, HDS
Ms. Venus Gabuyo RSN
Ms. Susan Goya, HGEA
Mr. Terry Harrison, NMHC
Ms. Vanelle Hirayasu, HMA
Ms. Frances Kagawa, HGEA
Ms. Bonny Kahalewai, Standard Insurance

Mr. Jack Katahira, HGEA-R
Ms. Ruth Kim, HSRTA
Ms. Wanda Kimura, B&F
Ms. Alice Kotake, HSTA-R
Ms. Doreen Kuroda, HRD
Ms. Margaret Lawrence, HWMG
Mr. Maurice Morita, HSTA
Mr. Harris Nakamoto, HMA
Ms. Sharon Reed, NMHC
Mr. Rod Tam, HMSA

I. CALL TO ORDER

The regular meeting of the Board of Trustees was called to order at 9:01 a.m. by Trustee Gerald Machida, Chairperson, in EUTF Conference Room, 201 Merchant Street, Honolulu, Hawaii, on Wednesday, June 25, 2008.

Chair Machida stated that agenda item VII. Communications from the Public and Input from Attendees would be taken out of order before agenda item VI. Special Order of Business.

There being no objections by the Trustees, agenda item VII. Communications from the Public and Input from Attendees would be taken out of order before agenda item VI. Special Order of Business.

Chair Machida introduced Deputy Attorney General Diane Erickson who is sitting in for Deputy Attorney General Brian Aburano who is on vacation.

Mr. Williams stated he was reminded that it may be a good idea for the Board to approve participation in the International Foundation annual conference because the conference hotels get filled quickly. Mr. Williams requested that the Board amend the agenda to add under New Business item V. J. IFEBP 54th Annual Employee Benefits Conference in San Antonio, Texas, November 16-19, 2008. The administrator did consult with the deputy attorney general in terms of the sunshine law and believes this would not be considered a major item where the public would not have an opportunity to give input.

MOTION was made for the Board to approve amending the agenda to add under New Business V.J. IFEBP 54th Annual Employee Benefits Conference in San Antonio, Texas, November 16-19, 2008 for action. (Radcliffe/Kahoochanohano) The motion passed unanimously. (Employer Trustees-4/Employee-beneficiary Trustees-5)

II. APPROVAL OF MINUTES

The Board reviewed the draft minutes for May 14, 2008.

There being no objections by the Trustees, the minutes for May 14, 2008 were approved as circulated.

III. OTHER REPORTS

A. Administrator

1. June Update (see written report)

a. PeopleSoft Support

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

b. Vitech Systems Group, Inc. – V3 Benefits Administration System Implementation

Overview by Ms. Shiroma regarding V3 Benefits Administration System Implementation (see Administrator's report). Mr. Williams stated the full presentation will be presented later on the agenda.

c. IT Support by Gartner, Inc. –SPO Approved Vendor

Overview by Ms. Shiroma regarding IT support by Gartner, Inc.

d. Financial Audit for FY 2007-2008

Overview by Ms. Tonaki regarding the Financial Audit for FY 2007-2008 (see Administrator's report). Mr. Williams stated that the fiscal year for the Financial Audit should be corrected to read FY 2007-2008.

- e. Accounting Issues
Overview by Ms. Tonaki regarding the accounting issues (see Administrator's report).
- f. GASB 43/45
Overview by Ms. Tonaki regarding GASB 43/45 (see Administrator's report).
- g. Contract with Mercer Consulting for Investment Consultant Services
Ms. Tonaki reported that there may be some issues with the Mercer contract. Details will be discussed in Executive Session.
- h. Diabetes Life Coaching Program – City and County of Honolulu
Mr. Williams reported that this item will be removed from the agenda (see Administrator's report).
- i. Proposed Legislation
Update by Mr. Williams regarding HB2710 and SB2262 (see Administrator's report). Yesterday, the Governor has listed SB 2262 as a potential bill to be vetoed.
- j. Recruitment for Vacant Positions
Update by Mr. Williams regarding EUTF vacant positions (see Administrator's report).

B. DEPUTY ATTORNEY GENERAL

Ms. Erickson reported that there is no decision on the Everson lawsuit.

C. BENEFITS CONSULTANT

1. June Report

- a. VSP Medical Data Collection Tool
Overview by Mr. Fukuhara regarding VSP Medical Data Collection Tool (see Consultant's report).
- b. COBRA Premiums
Overview by Mr. Fukuhara regarding COBRA premiums (see Consultant's report).
- c. Contract Extensions
Overview by Mr. Fukuhara regarding contract extensions that were approved at the last Board meeting. After review of the current contracts, it was discovered that Standard Insurance Company's contract only offered the options of one one-year extension or two one-year extensions.

MOTION was made for the Board to approve revising the prior month's decisions regarding contract extensions to specify that the Standard Insurance extension is for one year as provided in the contract with Standard. (Ching/Annis) The motion passed unanimously. (Employer Trustees-4/Employee-beneficiary Trustees-5)

- d. Acupuncture and Other Potential Benefit Changes
Overview by Mr. Fukuhara regarding acupuncture and other potential benefit changes (see Consultant's report).
- e. Hoana Lifebed
Overview by Mr. Fukuhara regarding Hoana Lifebed (see Consultant's report).
- f. Newsletters
Overview by Mr. Fukuhara regarding the newsletters and Open Enrollment period for retirees. Aon recommends that the EUTF Board approve the open enrollment for retirees to be held from October 13, 2008 to November 14, 2008 for enrollment changes effective January 1, 2009. Discussion held by consultant and public regarding effective dates.

MOTION was made for the Board to approve the consultant's recommendation to set the open enrollment dates for retirees for the period beginning October 13, 2008 and ending November 14, 2008, for changes effective January 1, 2009. (Ching/Annis) The motion passed unanimously. (Employer Trustees-4/Employee-beneficiary Trustees-5)

- g. HDS
Overview by Mr. Fukuhara regarding two letters received from participants about coverage for other types of fillings, a request for an exception to cover nightguard for a retiree, and the retiree dental plan maximum (see Consultant's report). Aon will provide an update regarding nightguard coverage at the August 2008 Board meeting.

Aon recommends that the Board approve refreshing the retiree dental maximum to \$1,000 per person effective July 1, 2008 and have HDS mail a flyer to retirees informing them of this change. Discussion held by consultant and public regarding effective benefit dates. Mr. Fukuhara clarified that January 1 is effective date for enrollment changes as well as any benefits.

MOTION was made for the Board to approve the consultant's recommendation to approve continuation of the retiree dental plan maximum at \$1,000 effective every July 1. (Ching/Radcliffe) The motion passed unanimously. (Employer Trustees-4/Employee-beneficiary Trustees-5)

h. HMSA

Overview by Mr. Fukuhara regarding the Exceptional Servicing program and emergency requests for precertification. Aon recommends that the EUTF Board: (1) approve implementation of the Exceptional Servicing program effective July 1, 2008 with the understanding that Aon will review quarterly reports to identify any costs that should not be charged to the EUTF resulting from HMSA errors or miscommunication; and (2) authorize HMSA to review and approve emergency requests for precertification outside of the EUTF's normal business hours.

MOTION was made for the Board to approve the consultant's recommendation to authorize HMSA to include the EUTF in its "Exceptional Services" program. (Annis/Ching) The motion passed unanimously. (Employer Trustees-4/Employee-beneficiary Trustees-5)

MOTION was made for the Board to approve the consultant's recommendation to authorize HMSA to process emergency precertification outside normal EUTF business hours. (Ching/Radcliffe) The motion passed unanimously. (Employer Trustees-4/Employee-beneficiary Trustees-5)

D. Financial Report as of April 30, 2008

Overview by Ms. Tonaki regarding the financial report as of April 30, 2008 (see financial reports). Discussion held by Trustees, staff, and benefit consultant regarding vacancies and concerns about the legislature deleting vacancies and if the EUTF would be billed for deputy attorney general later. Mr. Williams stated four positions are in the process of being filled. The EUTF was faced with losing positions but the legislature did not delete the positions. In response to a question, Mr. Fukuhara stated if estimates were to come true for the contract year, the EUTF may have to use reserves of \$25 million to cover that deficit. There are sufficient reserves to cover the \$25 million. With two months to go, Aon does expect a loss. A preliminary report will be submitted at the August 2008 Board meeting. Ms. Tonaki stated that the Attorney General's office is billing the ERS for Mr. Aburano's services and the EUTF would probably not be billed. Mr. Williams stated that when a new deputy attorney general is assigned, the billing will resume.

E. Carrier's Reports

1. HDS

Written report submitted. Ms. Arakawa thanked the Board for extending the HDS contract and looks forward to continuing to work with the EUTF.

2. HMSA

Written report submitted. Mr. Tam reported that HMSA partnered with American Well and Microsoft to provide online account services for everyone in the State to be able to talk with a physician. As a HMSA member, an additional

benefit is offered for doctors to be able to access the member medical records. At some point, Board approval will be requested to authorize American Well and Microsoft to allow information to be shared. Discussion held by Trustees and Mr. Tam regarding if doctors are going to be compensated for phone calls and any cost or fees. Mr. Tam stated that doctors would contract directly with American Well and there probably will be a fee to use the services which is now \$40.

Overview by Mr. Tam regarding current negotiations and contract with the State for EMS ambulance service that will expire July 1, 2008. The State has rejected HMSA's offer. EMS will charge the members, because HMSA will consider them non-participating providers. As a non-participating provider, HMSA would reimburse the member directly, not the provider. For its fully-insured plans, HMSA is planning to pay as if they were a participating provider and reimburse member directly. At some time, HMSA would like to request that the Board approve the same for EUTF members. Discussion held by Trustees, staff, benefits consultant, HMSA, HMA, and public regarding concerns about the contract with EMS, concerns about how it would affect the neighbor islands, notification to EUTF participants, concerns why the State would not renew contract, and if HMSA is too tight or if HMA is too generous. Mr. Williams stated that the EUTF is paying the bill and suggest that the benefits consultant speak privately with the plan administrators and look at the issue of what the EUTF would be willing to pay. If Aon believes that what HMA has negotiated is reasonable then can Aon work out an arrangement with HMSA for HMSA to agree to cover the same amount for EUTF participants, regardless of what HMSA does for fully-insured. Further discussion held by Trustees, staff, and public regarding the counties that AMR and EMS service. Mr. Williams clarified that the issue is between AMR and EMS ambulance services.

There being no objections by the Trustees, the benefits consultant will speak privately with the plan administrators and look at the issue of what the EUTF would be willing to pay and report to the Board.

3. HMA
Written report submitted. Mr. Nakamoto thanked the Board for renewing HMA's contract extension and introduced Vanelle Hirayasu.
4. Kaiser
Written report submitted. Overview by Ms. Benevides regarding the Total Health Assessment (THA) report. Mr. Williams inquired if there was any impact on Kaiser regarding EMS. Ms. Benevides will check and report back to the Board.
5. NMHC
Written report submitted.
6. Royal State Insurance

No report submitted. Ms. Gabuyo reported that Douglas Murata is the new president. The Royal State staff is very happy with the EUTF's new phone system.

7. Standard Insurance

Written report submitted. Ms. Kahalewai thanked the Board for renewing Standard's contract extension.

8. VSP

No report submitted. Ms. Bayudan thanked the Board for renewing VSP's contract extension.

IV. UNFINISHED BUSINESS

A. Diabetes Life Coaching Program-City & County of Honolulu

This item was addressed during the Administrator's report.

V. NEW BUSINESS

A. Mercer Consulting Contract

This item will be addressed in Executive Session.

B. Administrator's Evaluation – Objectives

This item will be addressed in Executive Session.

C. Standard Insurance – One Year Contract Extension (correction)

This item was addressed during the Consultant's report.

D. Retiree Open Enrollment Period 10/13/08-11/14/08 Effective 1/1/09

This item was addressed during the Consultant's report.

E. Retiree Dental Plan maximum-\$1,000 Effective Every July 1

This item was addressed during the Consultant's report.

F. HMSA "Exceptional Services" Program

This item was addressed during the Consultant's report.

G. Authorization to HMSA to Process Emergency Precertification Outside Normal EUTF Business Hours

This item was addressed during the Consultant's report.

H. FY 2009 Board Meeting Schedule

The proposed 2008-2009 board meeting schedule was in the Board's packet. Due to conflicts in schedules, the Administrator recommended that the proposed August 13, 2008 Board meeting be changed to August 20, 2008.

MOTION was made for the Board to approve the proposed 2008-2009 Board meeting schedule, subject to future revisions as may determined by the Board as

amended to change August 13, 2008 meeting date to August 20, 2008.
(Kahooahanoho/Ho) The motion passed unanimously. (Employer Trustees-4/Employee-beneficiary Trustees-5)

I. Election of Officers

Trustee Marie Laderta was nominated for chairperson. (Shiraki)

MOTION was made to close nomination. (Shiraki/Reifurth). The motion passed unanimously. (Employer Trustees-4/Employee-Beneficiary Trustees-5)

Trustee Marie Laderta was elected chairperson by virtue of being the only trustee nominated for that position.

Trustee Barbara Annis was nominated for vice-chairperson. (Shiraki)

MOTION was made to close nomination. (Shiraki/Reifurth). The motion passed unanimously. (Employer Trustees-4/Employee-Beneficiary Trustees-5)

Trustee Barbara Annis was elected vice-chairperson by virtue of being the only trustee nominated for that position.

Trustee Elizabeth Ho was nominated for secretary-treasurer. (Shiraki/Radcliffe)

MOTION was made to close nomination. (Shiraki/Radcliffe). The motion passed unanimously. (Employer Trustees-4/Employee-Beneficiary Trustees-5)

Trustee Elizabeth Ho was elected secretary-treasurer by virtue of being the only trustee nominated for that position.

MOTION was made for the Board to reappoint the current slate of Administrative/Benefits Committee members as follows: Administrative Committee Members – Barbara Annis, Guy Fujio, George Kahooahanoho, Marie Laderta, Gerald Machida, Stanley Shiraki; Benefits Committee Members – Elizabeth Ho, Darwin Ching, George Kahooahanoho, John Radcliffe, Lawrence Reifurth, Stanley Shiraki. (Radcliffe/Ching) The motion passed unanimously. (Employer Trustees-4/Employee-Beneficiary Trustees-5)

J. IFEBP 54th Annual Employee Benefits Conference in San Antonio, Texas, November 16-19, 2008

Mr. Williams recommends that the Board approve participation in the IFEBP 54th Annual Employee Benefits Conference by all Trustees and three staff members to include the deputy attorney general assigned.

MOTION was made for the Board to approve participation in the IFEBP 54th Annual Employee Benefits Conference by all Trustees and three staff members to include the deputy attorney general assigned. (Kahooahanohano/Ho) The motion passed unanimously. (Employer Trustees-4/Employee-beneficiary Trustees-5)

VI. SPECIAL ORDER OF BUSINESS

Vitech System and Project Plan - Presentation

Ms. Shiroma introduced Vitech's representatives Jamie Vitiello, John Lawrie, and Karen Lewis. Presentation by Vitech's representatives. Mr. Williams stated that the project team meets everyday for approximately two hours. Ms. Rosy Spraker from Garner Consulting stated she attended some meetings and is the independent watchdog.

VII. COMMUNICATIONS FROM THE PUBLIC AND INPUT FROM ATTENDEES

A. Letter from Employee-beneficiary dated 6/16/08 – Request to Provide Acupuncture Treatments

This item was addressed during the Consultant's report.

B. Memorandum from Employee-beneficiary to Trustee Ho dated 6/5/08 – Problems with NMHC

Overview by Mr. Williams regarding problems encountered with NMHC prescription drugs approval process for prior authorizations. Trustee Ho had no additional comments. Discussion held by Trustees and NMHC regarding problems, procedures for processing prior authorizations and concerns that member does not receive notification of denial for prior authorizations. Mr. Terry Harrison stated protocol for prior authorization worked with HMSA and was successful.

Mr. Harrison stated guidelines for prior authorizations are in the published Benefits Guide and NMHC is reviewing existing procedures for prior authorizations and how to notify member and doctor.

Recess at 10:25 a.m. and Reconvene at 10:37 a.m.

VIII. FUTURE AGENDA ITEMS AND NEXT MEETING DATE

The next Board meeting is scheduled for Wednesday, August 20, 2008, 9:00 a.m., EUTF conference room, 15th floor.

IX. EXECUTIVE SESSION

MOTION was made to go into Executive Session at 11:10 a.m. for the reasons stated on the agenda. (Fujio/Annis) The motion passed unanimously. (Employer Trustees-5/Employee-Beneficiary Trustees-3)

MOTION was made to move out of Executive Session at 11:45 a.m. (Reifurth/Fujio) 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 May 14, 2008 Executive Session minutes.
2. Approval of Administrator's Evaluation - 2008 Objectives.

X. ADJOURNMENT

There being no objections by the Trustees, the meeting adjourned at 11:48 a.m.

Respectfully submitted,

/s/

Gerald Machida, Chairperson

APPROVED on August 20, 2008.

Documents Distributed:

1. Draft Minutes for May 14, 2008. (10 pages)
2. Memorandum to BOT from Administrator regarding June Administrator Report dated 6/17/08. (3 pages)
3. Attachment - Budget Proviso Section 124.3 dated 5/2/08. (1 page)
4. Letter to BOT from Aon Consulting regarding June 2008 Benefit Consultant Report dated 6/13/08. (4 pages)
5. EUTF Newsletters for Actives and Retirees-July 2008 Issues. (4 pages)
6. EUTF Statement of Net Assets (Unaudited) dated 6/16/08. (1 page)
7. EUTF Combined Statement of Revenues and Expenses-Budget & Actual Comparison 10 Months Ended 4/30/08 (Unaudited) dated 4/08. (1 page)
8. EUTF Statement of Cash Flows 10 Months Ended 4/30/08 (Unaudited) dated 6/12/08. (1 page)
9. Draft EUTF Board of Trustees FY 09 Meeting Schedule dated 6/13/08. (1 page)
10. Vitech Systems Group's Presentation to EUTF dated 6/25/08. (21 pages)
11. The High Road-May 2008. (2 pages)
12. Minutes for February 27, 2008. (8 pages)
13. Minutes for April 2, 2008. (8 pages)