

HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
Minutes of the Board of Trustees
Wednesday, May 20, 2009

TRUSTEES PRESENT

Ms. Marie Laderta, Chairperson
Ms. Barbara Annis, Vice Chairperson
Ms. Elizabeth Ho, Secretary-Treasurer
Mr. Ron Boyer
Mr. Darwin Ching (arrived 9:30 am)

Dr. Carl Daeufer
Mr. Guy Fujio
Mr. George Kahooohanohano
Mr. John Radcliffe
Mr. Stanley Shiraki

TRUSTEES ABSENT: None

ATTORNEY

Mr. Russell Suzuki, Deputy Attorney General

EUTF STAFF

Mr. James Williams, Administrator
Ms. Maria Quartero
Ms. Kathleen Shiroma
Ms. Donna Tonaki

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

OTHERS PRESENT

Ms. Lynette Arakawa, HDS
Ms. Nikki Bassett, informedRx(NMHC)
Ms. Irene Bayudan, VSP
Ms. Sandra Benevides, Kaiser Permanente
Ms. Elaine Fujiwara, HDS
Ms. Venus Gabuyo RSN
Mr. Clark Hirota, C&C
Ms. Vanelle Hirayasu, HMA
Ms. Bonny Kahalewai, Standard Insurance
Ms. Jean Kashiwaeda, DHRD
Mr. Jack Katahira, HGEA-R

Ms. Wanda Kimura, B&F
Ms. Alice Kotake, HSTA-R
Ms. Doreen Kuroda, DHRD
Mr. Michael Moss, Kaiser Permanente
Ms. Gertrude Nitta, HGEA-R
Mr. Rod Tam, HMSA
Ms. Jennifer Tobin, C&C
Ms. Valerie Trechter, Kaiser Permanente
Ms. Sharon Urada, ATPA
Mr. John Wadahara, HGEA-R

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 EUTF Conference Room, 201 Merchant Street, Honolulu, Hawaii, on Wednesday, May 20 2009.

II. APPROVAL OF MINUTES

The minutes of the meetings for February 25, 2009, March 18, 2009 and March 30, 2009 were reviewed.

The minutes of the meetings for February 25, 2009, March 18, 2009 and March 30, 2009 are amended as follows: line 9, delete "Lawrence Reifurth" and add "Ronald Boyer."

There being no objections by the Trustees, the minutes of the meetings for February 25, 2009, March 18, 2009 and March 30, 2009 are approved as amended.

There being no objections by the Trustees, the minutes of the meeting for April 1, 2009 is deferred.

III. OTHER REPORTS

A. Administrator

1. March 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).

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

Overview by Ms. Shiroma regarding IT support by Gartner, Inc. (see Administrator's report).

d. Implementation of Dependent Eligibility Audit During FY 2009

This item will be addressed in Executive Session (see Administrator's report).

e. Preparation of RFP for Insured Proposals for Current EUTF Self-Funded Plans

This item will be addressed in Executive Session (see Administrator's report).

f. COBRA Changes Due to the American Recovery and Reinvestment Act of 2009

Overview by Mr. Williams regarding the COBRA changes due to the American Recovery and Reinvestment Act of 2009 "ARRA" (see Administrator's report).

g. Extension of Benefit Plans and Special Limited Open Enrollment Period for Active Employees

Overview by Mr. Williams regarding the extension of benefit plans and special limited open enrollment period for active employees (see Administrator's report). Discussion held by Trustees, staff and deputy attorney general regarding employer/employee contribution rates and if it is legal for counties to pay different rates. Mr. Suzuki stated he thinks it probably will go before the Labor Relations Board. It is a collective bargaining issue. Discussion held by Trustees, staff and deputy attorney

general regarding Chapter 89 and whether the employers individually can make whatever contribution they feel appropriate or do they have to make the same contribution. Mr. Suzuki stated he is not sure if he can answer that question, it is outside of our area and a collective bargaining issue. Mr. Williams stated the answer to that question is going to affect the EUTF. Discussion held by Trustees and staff regarding the procedures of processing the employer/employee contributions. Ms. Shiroma and Ms. Tonaki explained the procedures of processing the employer/employee contributions. Ms. Tonaki stated the totals will be the same but the individual factors will be incorrect. Mr. Williams reminded the Trustees that the Peoplesoft system will end and the Vitech system will be live in the middle of September 2009. Mr. Williams stated that the system is designed to report overages and shortages. Basically, the EUTF would have to totally work around the system. What would be in the system would not be accurate. If directed to by the Board, the EUTF would have to find a way but it would create a lot of distortion in terms of the EUTF records. Discussion held by Trustees and staff regarding if the mayors were notified of this system problem and that the counties should have the responsibility if it is decided that the counties can do what they are asking to do. Mr. Williams stated that there were no discussions at this time but that discussions will have to happen. All of this occurred in the last couple of days. Mr. Williams understands Mr. Suzuki's response in terms of the EUTF Board, and that he is not going to give advice about Chapter 89 and other laws but the EUTF needs answers by someone. This issue will need to be resolved to determine whether employees in the same bargaining unit with different employers can have different contributions under Chapter 89 and any other laws applied. Trustee Radcliffe asked if it would be the Office of Collective Bargaining. Chair Laderta stated that is correct and with that "hat" she is in the process of answering that question. Discussion held by Trustees and staff regarding if the mayor asked if the EUTF was able to do it system wise. Mr. Williams stated it was a notification to him that if he was going to put out the rates that he needed to alert people that the counties do not necessarily agree with those rates. Discussion held by Trustees and staff regarding that the counties did not ask the EUTF to make any adjustments at this time. Mr. Williams stated we have not got there yet but we received heads up that it might happen.

h. Accounting Issues

Overview by Ms. Tonaki regarding several debts from CMS (see Administrator's report). Ms. Tonaki stated that CMS has intercepted some of these debts and as a result one State agency (DOH) did not receive their federal funds. The EUTF is working with all parties to resolve these issues. Mr. Williams explained there is a delay because CMS sends the notices directly to DAGS and not the EUTF. CMS will not send it directly to the EUTF. It is normal to have issues about coordination of benefits from time to

time. There is a short window between when a disagreement arises and the time they take action. They do not have 90 days. Before it can get resolved it is escalated. When Ms. Tonaki mentioned intercepting of funds, if CMS records show that the State of Hawaii owes monies for coordination of benefits, they are subtracting it from a federal payment for another State department who has nothing to do with it. This is happening not only in Hawaii but nation wide. Ms. Tonaki stated that even if it is in dispute they are still randomly collecting. Mr. Williams stated the EUTF may need to correspond with our congressional delegation and ask for their assistance. Discussion held by Trustees, staff and HMSA regarding who is primary and secondary. Mr. Williams stated that maybe HMSA processes it as primary and then Medicare looks at the record and says no they should not be primary and the EUTF plan should be primary. Mr. Williams asked Mr. Tam from HMSA to explain why that happens. Mr. Tam stated CMS will look at why that person has Medicare and sometimes it would be that they are still working, so the EUTF plan would be primary. Sometimes they would think someone is working but it could be survivor benefits so CMS would just need verification. Discussion held by Trustees, staff and HMSA regarding if the systems are synchronized so we would not have these issues.

- i. Investment Program Development
Update by Ms. Tonaki regarding the investment program development (see Administrator's report).
- j. Proposed Rule Change
Overview by Mr. Williams regarding the proposed rule change (see Administrator's report). Due to a full agenda and to give the EUTF staff more time to review comments received, the administrator requested that this item be deferred until the June Board meeting.

There being no objections, this item is deferred until the June Board meeting.

- k. Proposed Legislation
Mr. Williams stated the final updates on House and Senate bills related to the EUTF are attached (see "Proposed Legislation Affecting EUTF" for House and Senate).
- l. Biennium Budget
Mr. Williams reported that the House Finance Committee and Senate Ways and Means Committee made no adjustments to the EUTF budget. The Legislature approved the budget intact as submitted by the Governor (see Administrator's report). Discussion held by Trustees and staff regarding the budget for the eligibility audit. Mr. Williams stated that the budget for the eligibility audit is included.

- m. Department of Health Initiative on Worksite Wellness
Overview by Mr. Williams regarding worksite wellness initiated by the Department of Health (see Administrator's report).
 - n. Recruitment for Vacant Positions
Update by Mr. Williams regarding the recruitment for vacant positions and the alternative of an 89-day non-civil service appointment (see Administrator's report). Chair Laderta thanked the administrator and staff regarding the special DPO sessions and recognize the extra and long hours of work.
- B. Dispute Resolution – Mediation Update
Chair Laderta reported that the Board did meet a couple of weeks ago. The management Trustees did put in a proposal but it failed. The Board is still deadlocked.
- C. Deputy Attorney General
Mr. Suzuki stated that he has nothing to report.
- D. Benefits Consultant
- 1. May Report
 - a. Newsletters
Update by Mr. Fukuhara regarding the newsletters (see Consultant's report).
 - b. Hoana Lifebed
Overview by Mr. Fukuhara regarding Hoana Lifebed (see Consultant's report). Discussion held by Trustees, staff and benefits consultant regarding if Hoana did an overview and analysis. Trustees expressed concerns that Hoana is only collecting monies. Mr. Fukuhara stated that Aon will request feedback from Hoana and report to the Board at the June Board meeting. Discussion held by Trustees, staff and benefits consultant regarding other vendors with similar lifebeds and if an RFP should be issued because at that time Hoana said they were the only vendor. Mr. Fukuhara stated that when they worked with HMA and HMSA they described it in general terms without specifying the brand or device so if there are other similar devices other vendors can submit for reimbursements. Hoana has submitted reimbursements with only HMSA to date as HMA does not report any reimbursements.
 - c. informedRX (NMHC)
Update by Mr. Fukuhara regarding implementation of various clinical changes effective July 1, 2009 for actives and non-Medicare retirees (see Consultant's report).

Mr. Fukuhara stated he would like to make the Board aware that he just heard from Rod Tam of HMSA yesterday regarding one of the issues they are working on which was previously raised by a Board member regarding situations where a member may have dual coverage. Specifically, situations where a participant has a separate nonEUTF HMSA medical plan and informedRx through the EUTF. As far as the specialty drugs, currently if you have two HMSA medical plans, HMSA would coordinate so the participant would end up with no co-payments.

Mr. Fukuhara stated another issue that came up and they are working on a solution is that because information on a second plan often is obtained directly from the patient there is an issue on HIPAA privacy. They are moving forward to get a release from the patient to be given to the carriers to share this information so the coordination can be handled as a service to participants. One of the actions informedRx is going to do because they are required to send three letters to participants, they are going to include a form for participants to complete and return to informedRx which would be used to obtain information about other coverages. informedRx is also going to be making phone calls. There are approximately 1,000 participants impacted by this change in specialty drugs. HMSA estimated about approximately 14% of participants on average, have two HMSA medical plans. If it is applied to the 1,000, there are approximately 140 participants on specialty drugs that could be impacted by having informedRx and another nonEUTF HMSA medical plan.

Mr. Fukuhara stated meetings are being held and a lot of work is being done behind the scenes to work on all the details of smoothly implementing the various changes effective July 1, 2009 and communicating these changes to impacted participants, key physicians and local pharmacies.

Mr. Mark Adkison from informedRx stated that everything is on track with their scheduling and will start making phone calls on June 1st. Mr. Fukuhara stated that HMSA would like to have minimum disruption, have had internal meetings with their staff and would like to maintain benefits beyond June 30th. Mr. Tam from HMSA summarized what HMSA is doing to have minimum disruption but in providing information to Ascend there could be some lag. Some claims that have not come through and HMSA would need to give Ascend additional files. In the interim, HMSA would like to keep their benefits turned on for three months, in case there are those Ascend was not able to reach or new patients or providers. Discussion held by Trustees and benefit consultant that this is for specialty and maintenance drugs. Mr. Fukuhara stated it is only for specialty drugs but informedRX is working on the implementation of mandatory mail order for maintenance drugs. Mr. Bob Davis from informedRx stated they are in discussions on how to manage the secondary coverage which because it is mail order will be a little more

difficult unless they can get information on other coverages from participants into their system. Discussion held by Trustees and informedRx regarding using medical coverage for drug co-payments versus prescription drug coverage. Discussion held by Trustees, benefits consultant and member of the public regarding who these changes affect. Mr. Fukuhara stated the changes affect active employees and non-Medicare participants only and therefore have no impact on Medicare retirees.

E. Financial Report as of March 31, 2009

Overview by Ms. Tonaki regarding the financial report as of March 31, 2009 (see revised financial reports). Discussion held by Trustees and staff regarding investments. Ms. Tonaki stated under net assets-retained earnings/unrestricted, the balance did decrease since the last statement of January 2009 by \$17 million due to claims. Discussion held by Trustees and staff regarding trends. Mr. Williams stated with all the turmoil and uncertainty, he has heard unions are telling their members to go to the doctor now and believes it is affecting the utilization. Ms. Tonaki stated there are no significant expenses through the month of March.

F. Carrier's Reports

1. HDS

Written report submitted.

2. HMSA

No written report submitted. Mr. Tam reported on HMSA's On-line care, in March, statistics showed 15 visits by EUTF participants and in the last month it has increased to over 100. HMSA made a decision to extend the on-line benefits to EUTF participants until the Board makes a decision on the funding.

3. HMA

Written report submitted.

4. informedRx (NMHC)

Written report submitted.

5. Kaiser

Written report submitted.

6. Royal State Insurance

Written report submitted.

7. Standard Insurance

Written report submitted. Ms. Kahalewai reported that the carriers were invited to the DHRD Benefits Fair last week for two days. It was an opportunity to meet over 900 employees who are very concerned about medical benefits.

8. VSP

No written report submitted.

IV. UNFINISHED BUSINESS

A. Self-Funded Plans Rates and Benefits for 2010 Plan Year

No action taken.

B. Fully-Insured Plan Rates (Kaiser, Royal State, ChiroPlan, HDS, VSP, Standard) for 2010 Plan Year
This item will be addressed in Executive Session.

C. Eligibility Audit RFP
This item will be addressed in Executive Session.

D. Procurement of Pharmacy Benefit Manager
This item will be addressed in Executive Session.

V. NEW BUSINESS

A. Proposed Rule Change Section 5.00
This item was addressed during the Administrator's report and is deferred until the June 2009 Board meeting.

B. Hoana Lifebed
This item was addressed during the Consultant's report.

C. Insured Medical Plans RFP
This item was addressed in Executive Session.

D. Open Enrollment Date
There being no objections by the Trustees, this item is deferred.

E. informedRx Contract Revision
This item will be addressed in Executive Session.

F. Approval of Retiree Retroactive Enrollment Request
This item will be addressed in Executive Session.

G. Month to Month Extension of Benefit Plans and Rates

MOTION was made for the Board to approve to extend the current benefit plans with the revised rates through August 31, 2009. (Annis/Ho) The motion passed unanimously. (Employer Trustees-5/Employee-Beneficiary Trustees-5)

VI. COMMUNICATIONS FROM THE PUBLIC AND INPUT FROM ATTENDEES

Ms. Jennifer Tobin from the City & County, inquired if it is possible for the EUTF to add codes to accommodate any different amounts. Ms. Shiroma stated it is possible to add more codes. It also means the EUTF would have to program by employer different employer and employee contributions for the different plans and the EUTF would have to know which employees would have the different employer and employee contributions.

We have looked at different options but whatever options it is it will take a lot of planning and resources. Mr. Williams stated that the EUTF staff will follow-up with the counties. Discussion held by Trustees and staff regarding if the EUTF have received any actual amounts from the counties. Mr. Williams confirmed that the EUTF did not receive any actual amounts from the counties.

Ms. Susan Matsumoto, retiree, asked the status on the appeal of Judge Hifo's decision. Mr. Suzuki stated it is in Appellate Court and the briefing is in process. Appeals usually take one to two years to get resolved that is why it is not on the agenda. Ms. Matsumoto stated the reimbursements for Medicare Part B ranges from \$96.40 to \$308.30 and asked for those who do pay \$308.40, do they get the full reimbursement. Mr. Williams stated yes, if they inform/submit the information to the EUTF that covers the retiree with Medicare and the spouse that is enrolled in the plan and also Medicare. Ms. Matsumoto asked, in these hard economic times, if there is a possibility the non-state spouse will be asked to pay a premium. Mr. Williams stated it is a matter for the Legislature. No bill has passed so it would not happen until the next legislative session. It is not something set by Board policy but in the law. Ms. Matsumoto expressed her concerns and difficulties with informedRx. She would like the Board to consider her concerns the next time contracts are due for negotiations. Chair Laderta stated that the Board will note Ms. Matsumoto's concerns.

VII. FUTURE AGENDA ITEMS AND NEXT MEETING DATE

A. June 17, 2009 – Regular Board meeting at 9:00 a.m.

Chair Laderta stated that this meeting will be recessed and if the Board does meet earlier than the next regular Board meeting, the EUTF will do its best to notify the public.

VIII. EXECUTIVE SESSION

MOTION was made to go into Executive Session at 10:30 a.m. for the reasons stated on the agenda. (Daefer/Ho) The motion passed unanimously. (Employer Trustees-5/Employee-Beneficiary Trustees-5)

Executive Session adjourned at 12:44 p.m.

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

1. Approval of insured benefit plans RFP.
2. Approval of eligibility audit RFP.
3. No action on contract revisions for informedRx.
4. Denied request for retroactive enrollment of retiree.

IX. SPECIAL ORDER OF BUSINESS: DISPUTE RESOLUTION – MEDIATION
CONDUCTED BY FEDERAL MEDIATOR REGARDING ALL AGENDA ITEMS
None

X. ADJOURNMENT

There being no objections by the Trustees, the meeting recessed.

Respectfully submitted,

Elizabeth Ho, Secretary-Treasurer

APPROVED on August 26, 2009.

Documents Distributed:

1. Draft Board Minutes of February 25, 2009. (21 pages)
2. Draft Board Minutes of March 18, 2009. (17 pages)
3. Draft Board Minutes of March 30, 2009. (2 pages)
4. Memorandum to BOT from Administrator regarding May Administrator Report dated 5/13/09. (5 pages)
5. Notice to Active Employees and Retirees, May 2009. (2 pages)
6. EUTF Rates for Active Employees of All BU's Except BU12 Effective 7/1/09. (1 page)
7. EUTF Rates for Active Employees of BU12 Effective 7/1/09. (1 page)
8. EUTF Rates for Retirees Effective 7/1/09. (1 page)
9. Ka Leo O EUTF Newsletter for Active Employees, May 2009. (2 pages)
10. EUTF DPO Informational Session Alert. (1 page)
11. EUTF DPO Informational Session Presentation, May 2009. (11 pages)
12. Important Notice to Active Employees – Sample. (1 page)
13. Proposed Legislation Affecting EUTF, House Bills Introduced in 2009 Session dated 5/12/09. (5 pages)
14. Proposed Legislation Affecting EUTF, Senate Bills Introduced in 2009 Session dated 5/12/09. (3 pages)
15. Letter to BOT from Aon Consulting regarding May 2009 Benefit Consultant Report dated 5/13/09. (2 pages)
16. informedRX EUTF July 2009 Benefit Change Project Status Report, 5/8/09. (2 pages)
17. EUTF Statement of Net Assets (Unaudited) dated 5/4/09. (1 page)
18. EUTF Combined Statement of Revenues and Expenses-Budget & Actual Comparison 9 Months Ended 3/31/09 (Unaudited) dated 5/4/09. (1 page)
19. EUTF Statement of Cash Flows 9 Months Ended 3/31/09 (Unaudited) dated 4/24/09. (1 page)