

HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
Minutes of the Board of Trustees
Wednesday, January 26, 2011

TRUSTEES PRESENT

Mr. Stanley Shiraki, Chairperson (arrived 10:40 am)	Mr. Dean Hirata (left 11:47 am)
Ms. Barbara Annis, Vice-Chairperson	Mr. Derek Mizuno
Mr. George Kahooanohano, Secretary-Treasurer	Ms. Karolyn Mossman
Ms. Audrey Hidano	Ms. Celeste Nip

TRUSTEES ABSENT

Ms. Sunshine Topping

ATTORNEY

Mr. Brian Aburano, Deputy Attorney General
Ms. Diane Erickson, Deputy Attorney General

EUTF STAFF

Ms. Sandi Yahiro, Assistant Administrator	Mr. Robert Mitchell, Consultant
Ms. Maria Quartero	Ms. MaryAnne Watson, Consultant
Ms. Kathleen Shiroma	Ms. Debbie Donaldson, Aon (via conference call)
Ms. Donna Tonaki	
Ms. Nicole Wong	

OTHERS PRESENT

Ms. Lynette Arakawa, HDS	Ms. Bonny Kahalewai, Standard Insurance
Ms. Nikki Bassett, informedRx	Ms. Ruth Kim, HSRTA
Ms. Sandra Benevides, Kaiser Permanente	Mr. Rodger Kormylo, informedRx
Mr. Greg Buscetto, informedRx	Ms. Doreen Kuroda, DHRD
Ms. Barbara Coriell	Mr. Blaise Liu, Royal State
Ms. Monica Engle, VSP	Mr. Michael Moss, Kaiser Permanente
Mr. Christian Fern, HMSA	Mr. Harris Nakamoto, HMA
Ms. Elaine Fujiwara, HDS	Ms. Lori Naylor, HMA
Mr. Mark Fukuhara, Akamai Benefits	Mr. Lawrence Nishihara, Akamai Benefit
Ms. Susan Goya, HGEA-R	Ms. Miri Yi, Mina Corporation
Ms. Leslie Huffman, Standard Insurance	Mr. Larry Shipkin, informedRx
Mr. Todd Inafuku, Times Supermarket	Mr. Vaughn Tokashiki, HSTA-R

I. CALL TO ORDER

The regular meeting of the Board of Trustees was called to order at 9:03 a.m. by Trustee George Kahooanohano, Secretary-Treasurer, in EUTF Conference Room, 201 Merchant Street, Honolulu, Hawaii, on Wednesday, January 26, 2011.

II. INTRODUCTION OF NEW TRUSTEES

Chair Kahooanohano introduced and welcomed new Trustees Audrey Hidano, Dean Hirata, Derek Mizuno, Karolyn Mossman and Celeste Nip.

III. ELECTION OF NEW CHAIRPERSON AND VICE-CHAIRPERSON

Trustee Audrey Hidano was nominated for Chairperson. (Annis) Trustee Hidano stated she is declining because she would like to get up to speed. Also, new trustees did not have training/orientation, do not have the experience and know the issues of the EUTF at this time. Trustee Shiraki was nominated for Chairperson. (Hidano)

Discussion held by Trustees and deputy attorney general regarding deferring the election of Chairperson and Vice-chairperson and concerns that a Chairperson and Vice-chairperson are also needed to sign warrant vouchers and documents. Ms. Erickson stated that the Board may elect a temporary Chairperson.

MOTION was made to close nomination. (Hidano/Annis). The motion passed unanimously. (Employer Trustees-3/Employee-Beneficiary Trustees-4)

Trustee Stanley Shiraki was elected Chairperson by virtue of being the only trustee nominated for that position.

Trustee Barbara Annis was nominated for Vice-chairperson. (Hidano)

MOTION was made to close nomination. (Hidano/Hirata). The motion passed unanimously. (Employer Trustees-3/Employee-Beneficiary Trustees-4)

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

IV. EXECUTIVE SESSION

MOTION was made to go into Executive Session at 9:15 a.m. for the reasons stated on the agenda. (Kahooahano/Hidano) The motion passed unanimously. (Employer Trustees-3/Employee-Beneficiary Trustees-4)

MOTION was made to move out of Executive Session at 9:50 a.m. (Hirata/Mizuno) The motion passed unanimously. (Employer Trustees-3/Employee-Beneficiary Trustees-4)

The Vice-chair reported that the Board has taken no action in Executive Session.

V. REPORTS

A. Deputy Attorney General

1. Update on Kono vs. Lingle

This item was addressed during Executive Session.

2. Status of Everson/Dannenberg Lawsuit

This item was addressed during Executive Session.

B. Assistant Administrator

1. Ms. Sandi Yahiro introduced Ms. Barbara Coriell, EUTF Administrator effective February 1, 2011.
2. Ms. Yahiro informed the Board that she submitted a request to the Governor to exempt the EUTF from furloughs and is awaiting the decision.
3. Ms. Yahiro informed the Board that EUTF is moving. The EUTF is moving from the 18th floor to the 15th floor and relocation of some staff. Discussion held by Trustees and staff regarding savings that the EUTF will incur from this move.
4. Ms. Yahiro stated that she will be polling Trustees to schedule training/orientation for Trustees.
5. Ms. Yahiro stated that there are many legislative bills related to the EUTF. Hearings are scheduled for three (3) bills on Friday, January 28th. A status list and binder will be provided to the Trustees before the next Board meeting. Trustee Nip disclosed that she is a registered lobbyist at the Hawaii Fire Fighters Association and will be testifying on their behalf. If there is a conflict with the EUTF, someone should inform her. Discussion held by Trustees and staff regarding past Board procedures for legislative items and testimonies. Final testimonies submitted to the Legislature approved by the Board on behalf of the EUTF will be e-mailed to Trustees.
6. Overview by Ms. Yahiro regarding the transition of VEBA HSTA members into EUTF HSTA plans. Discussion held by Trustees and staff regarding the decision to put VEBA HSTA members into an HMSA fully insured plans and not HMA's self-insured plans, and if there are any savings from the HMA self-funded plans, and who the savings would go to. Ms. Yahiro will confirm if there are any savings from the HMA self-funded plans and a timeframe if there are any savings and report to the Board at the next Board meeting.

C. EUTF Staff January Operational Reports

1. Accounting
Overview by Ms. Donna Tonaki regarding the Accounting Operations Report (see report). Discussion held by Trustees and EUTF staff regarding the new audit firm, Macias Gini & O'Connell LLP. Ms. Tonaki stated that this audit firm is based on the mainland. The contract is procured through the Legislative Auditor's office. This is the first year of a three year contract with Macias Gini & O'Connell. At the request of the Board, the EUTF staff will provide a copy of the previous audit with the training/orientation materials.
2. IT
Overview by Ms. Kathleen Shiroma regarding the IT Operations Report (see

report). Discussion held by Trustees and staff regarding if all enrollments for VEBA are in the system, if the EUTF pays for ICSD servers and services, and are services handled by DAGS ICSD done on a timely matter. Ms. Shiroma explained why all enrollments are not in the system.

3. Member Services

Overview by Ms. Nicole Wong regarding the MSB Operations Report (see report). Discussion held by Trustees and staff regarding when 2,135 pending backlog will be completed.

MOTION was made for the Board to approve to amend the agenda to take V. Reports, item F. out of order. (Hirata/Hidano) The motion passed unanimously. (Employer Trustees-3/Employee-Beneficiary Trustees-4)

D. Benefits Consultant January Report

1. Extension of Carrier Contracts

[Trustee Shiraki arrived at 10:40 a.m.] Overview by Mr. Robert Mitchell, Segal, regarding the extension of carrier contracts (see Segal's letter dated January 20, 2011). Segal recommends establishing the first contract period as an 18 month period and two, two year optional extensions be included in the Request for Proposal (RFP) for the active plans only. Discussion held by Trustees and staff regarding the time period for RFPs, changing back to fiscal year from calendar year, and self-funded rates versus fully-insured rates in the RFP.

MOTION was made for the Board to approve to establish the first contract period as an 18 month period and two, two year optional extensions be included in the Request for Proposal (RFP) for the active plans only as recommended by the benefits consultant. (Hirata/Hidano)

Chair Annis stated since the extension of carrier contracts is not an action item it should be deferred until the next Board meeting.

Recessed at 10:48 a.m. and Reconvened at 10:58 a.m.

2. 2011 Segal Health Plan Cost Trend Survey

Overview by Mr. Mitchell regarding the 2011 Segal Health Plan Cost Trend Survey (see survey).

3. Segal Survey, 2010 Study of State Employee Health Benefits, Winter 2011

Overview by Mr. Mitchell regarding the 2010 Study of State Employee Health Benefits (see survey).

E. Financial Report as of November 30, 2010

Overview by Ms. Tonaki regarding the Financial Report as of November 30, 2010

(see report). Discussion held by Trustees and staff regarding the Statement of Net Assets (receivables from State and Counties, Accrued Salaries and Wages, Retrospective premium payable, and Administration Fees Liability for Self-Funded Plans). For future financial reports, Trustee Hidano requested that Ms. Tonaki provide line item numbers for easier reference. Discussion held by Trustees and staff regarding the Combined Statement of Revenues and Expenses (negative amounts for office space, new benefits system-Vitech and equipment). Trustee Mossman requested descriptions for line items and acronyms. Ms. Tonaki stated that she will provide more details for the line items at the training/orientation meeting.

Overview by Ms. Tonaki regarding the Experience Accounting of Self-Funded Plans for FYE 6/30/2011 for 5 months as of 11/30/2010 that was distributed to the Trustees today. Discussion held by Trustees, staff and benefits consultant regarding the significant gains for retirees versus the actives self-funded plans; will we see these numbers every month, do we expect to see these numbers to continue and what does this mean overall? Mr. Mitchell stated that vendors recently submitted reports and Segal will review those figures and report back to the Board. Discussion held by Trustees and benefits consultant regarding premium rate increases and how the benefits consultant would look at each benefit plan separately. [Trustee Hirata left at 11:47 a.m.]

F. Aon – Early Retiree Reimbursement

Overview by Ms. Yahiro regarding the Early Retiree Reimbursement Program (ERRP). Discussion held by Trustees and staff regarding the amount of Aon's contract and concerns expressed by Trustees that there should be a benchmark with deadlines to evaluate Aon.

Ms. Debbie Donaldson presented the update on the ERRP project for the EUTF (see letter dated 1/25/11). Discussion held by Trustees, staff and Ms. Donaldson regarding agreements with vendors and concerns expressed by Trustees why the agreements are not executed to date and the potential that the EUTF may not receive part of the \$5 billion set aside for this project. Ms. Donaldson stated that there is \$4 billion remaining and that EUTF can claim retroactive to the date allowed by the ERRP program. There are many entities just gearing up and from her experience the EUTF is not behind in the game. Ms. Yahiro informed Ms. Donaldson that Aon needs to get the agreements in place as soon as possible and asked if Aon has an estimated date for submitting the claims and receiving the reimbursements on behalf of EUTF. Ms. Donaldson stated that she is unable to give an estimated date because documents are currently with the EUTF. Ms. Yahiro asked Ms. Donaldson to check with Rod Tam and does not think the ball is in the EUTF's court. Discussion held by Trustees, staff, Aon, Kaiser and HMA regarding the status of the agreements. Ms. Sandra Benevides from Kaiser stated that a modified version of the agreement was submitted to Aon approximately a week ago but she will be able to submit a copy to the EUTF. Mr. Harris Nakamoto stated that HMA proposed to use their HIPAA

standard agreement but did not provide it. Ms. Donaldson confirmed that a typical business associate agreement would suffice. Mr. Nakamoto will provide the standard agreement to Aon today. Ms. Donaldson will check with Rod Tam regarding Kaiser's agreement that was submitted a week ago. Discussion held by Trustees, staff and Aon regarding any other information that the EUTF would need to submit. Ms. Yahiro asked if it is correct to say that as long as claim data is submitted within the Federal parameters and as long as the \$5 billion is not used, the EUTF should be getting back reimbursements. Ms. Donaldson stated that it is correct. Discussion held by Trustees, staff and deputy attorney general regarding any requirements to notify employee-beneficiaries. Ms. Donaldson stated one of the requirements is to notify the participants and Aon will work with Ms. Yahiro. All information should be submitted to Aon and if there are any problems, Ms. Donaldson will contact the EUTF Administrator.

G. Extension of Carrier Contracts – 7/1/11 to 12/31/11

This item was addressed during the Benefits Consultant report.

H. Investment Consultant RFP Status

This item will be addressed in Executive Session.

I. Carriers

1. HDS

Written reports submitted.

2. HMSA

Written report submitted. Overview by Mr. Fern regarding HMSA's integrated health management program.

3. HMA

Written reports submitted. Mr. J.P. Schmidt, counsel for HMA, distributed his letter dated 1/7/11 and expressed his concerns to the Board regarding the transition of HSTA members. Trustee Kahooanohano expressed his concern regarding Mr. Schmidt's opinion conflicting with the Deputy Attorney General's opinion, figures presented to the Board after the fact, and that this item is not on the agenda. Vice-chairperson Annis stated that since this item is not on the agenda, the Board would take it under advisement and if it needs to be on agenda for the next Board meeting. Copies of Chapter 87A and the EUTF Administrative Rules will be provided to the Board at the training/orientation meeting. Going forward, EUTF staff will mark documents that are for the Board's information only.

4. informedRx (NMHC)

Written report submitted. Presentation by Mr. Greg Buscetto regarding informedRx Member Satisfaction & Program Savings Report (see report). Discussion held by Trustees and Mr. Buscetto regarding the number of participants/respondents in the survey.

5. Kaiser

No written report submitted.

6. Royal State Insurance
Written reports submitted.
7. Standard Insurance
Written reports submitted.
8. VSP
No written report submitted.

VI. UNFINISHED BUSINESS

- A. Appeals: Request to Waive Requirement to Enroll in Medicare Part B
This item will be addressed in Executive Session.

VII. NEW BUSINESS

- A. Legislative Proposal – Base Monthly Contributions

Overview by Ms. Yahiro regarding the legislative proposal to change the date that the base monthly contribution (BMC) is annually adjusted from July 1st of each year to January 1st of each year. The Assistant Administrator recommends that the Board approve the draft legislative proposal. Discussion held by Trustees, staff and benefits consultant regarding a similar bill that has been introduced in the legislature. Vice-chairperson Annis stated that the Board may take action and if there is a duplicate bill, the EUTF would not submit this proposal. Discussion held by Trustees and staff regarding the effective date of the BMC and how it would impact the retirees.

MOTION was made for the Board to approve the legislative proposal to change the date that the base monthly contribution is annually adjusted from July 1st of each year to January 1st of each year. (Mizuno/Mossman) After discussion by the Trustees, the motion passed unanimously. (Employer Trustees-3/Employee-Beneficiary Trustees-4)

- B. Reconsideration of Extension of Prescription Drug Plan and Authorization of Issuance of RFP for Prescription Drug Plan, if appropriate

Overview by Trustee Mizuno regarding proposing a motion for reconsideration of extending the prescription drug plans, to issue an RFP for prescription drug plans and to terminate informedRx June 30, 2011 due to numerous complaints about informedRx by constituents. Vice-chairperson Annis asked the advice of the benefits consultant. Mr. Mitchell stated that the main concern is the RFP process that would take approximately 6+ months to follow all the procurement rules, issue the RFP and analyze it, and get contracts in place. An additional barrier would be the impact to members, especially those that have prescriptions that would need to be transferred to another carrier that may cause some disruptions. Discussion held by Trustees and benefits consultant regarding addressing those complaints directly with the vendor, concerns that rushing an RFP may not resolve those complaints, and to differentiate between complaints about informedRx and the drug programs that were implemented to save the EUTF money.

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

C. Federal Health Care Reform – Age 26 Provision Open Enrollment

Overview by Ms. Yahiro regarding the Federal Health Care Reform age 26 provision that needs to be implemented by July 1, 2011 and a requirement to hold an open enrollment for actives. Discussion held by Trustees and staff that health care reform does not apply to retirees unless the Board approves to include retirees, amending the Administrative Rules to comply with health care reform, and penalties if the EUTF does not implement the age 26 provision.

MOTION was made for the Board to approve an open enrollment limited to the age 26 provision for the period April 11, 2011 to May 13, 2011. (Mossman/Mizuno)
After discussion by the Trustees, the motion passed unanimously. (Employer Trustees-3/Employee-Beneficiary Trustees-4)

MOTION was made for the Board to approve the Federal Health Care Reform age 26 provision for retirees. (Mizuno/Nip)

Discussion held by Trustees and benefits consultant regarding cost implications if the age 26 provision would be implemented for retirees.

After discussion and no objections by the Trustees, the Motion to approve the Federal Health Care Reform age 26 provision for retirees is deferred.

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

IX. FUTURE AGENDA ITEMS AND NEXT MEETING DATE

A. February 23, 2011 – Regular Board meeting

X. EXECUTIVE SESSION

MOTION was made to go into Executive Session at 1:38 p.m. for the reasons stated on the agenda. (Nip/Kahoohanohano) The motion passed unanimously. (Employer Trustees-3/Employee-Beneficiary Trustees-4)

Executive Session adjourned at 2:03 p.m.

The Vice-chair reported that the Board has taken no action in Executive Session.

Discussion held by Trustees, deputy attorney general, and EUTF staff regarding minutes and if it would be okay to complete current minutes and then work on the older minutes. There being no objections by the Trustees, the Administrative Secretary will complete the current Board minutes first and then work on the older minutes.

XI. ADJOURNMENT

There being no objections by the Trustees, the meeting adjourned at 2:03 p.m.

Respectfully submitted,

/s/

George Kahooahano, Secretary-Treasurer

APPROVED on February 23, 2011 as amended.

Documents Distributed:

1. Memorandum to BOT from Financial Management Officer Regarding Accounting Operations Report dated 1/23/11. (1 page)
2. Memorandum to BOT from IT Systems Analyst Regarding January IT Operations Report dated 1/20/11. (1 page)
3. Memorandum to BOT from Member Services Branch Manager Regarding January MSB Operations Report dated 1/20/11. (1 page)
4. Handouts from Open Enrollment Sessions for Active Employees - HSTA/VEBA Conversion Chart and EUTF Rates for Actives Effective 1/1/11. (9 pages)
5. Letter to BOT from Segal Regarding Recommendation on Upcoming Contract Period for Active Participant Benefit Contracts dated 1/20/11. (1 page)
6. 2011 Segal Health Plan Cost Trend Survey. (6 pages)
7. Segal Survey, 2010 Study of State Employee Health Benefits, Winter 2011. (6 pages)
8. EUTF Statement of Net Assets (Unaudited) dated 1/12/11. (1 page)
9. EUTF Combined Statement of Revenues and Expenses-Budget & Actual Comparison 5 Months Ended 11/30/10 (Unaudited) dated 1/12/11. (1 page)
10. EUTF Statement of Cash Flows 5 Months Ended 11/30/10 (Unaudited) dated 1/13/11. (1 page)
11. Letter to BOT from Aon Regarding ERRP Update dated 1/25/11. (2 pages)
12. informedRx EUTF Trust Fund Member Satisfaction & Program Savings Report dated 10/27/10. (27 pages)