

HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND  
Minutes of the Board of Trustees  
Thursday, March 17, 2011

TRUSTEES PRESENT

Mr. Dean Hirata, Chairperson	Mr. Derek Mizuno
Ms. Loretta Fuddy, Vice-Chairperson	Ms. Karolyn Mossman
Mr. George Kahooahano, Secretary-Treasurer	Ms. Celeste Nip
Ms. Audrey Hidano	Ms. Sunshine Topping
Mr. Everett Kaneshige	Mr. Clifford Uwaine

TRUSTEES ABSENT: None

ATTORNEY

Ms. Diane Erickson, Deputy Attorney General

EUTF STAFF

Ms. Barbara Coriell, Administrator	Mr. Tom Morrison, Consultant
Ms. Sandi Yahiro, Assistant Administrator	Mr. Johnny Wu, Consultant
Ms. Maria Quartero	Ms. Donna Tonaki
Ms. Kathleen Shiroma	Ms. Nicole Wong

OTHERS PRESENT

Ms. Lynette Arakawa, HDS	Ms. Mae Kishimoto, HSTA-R
Ms. Nikki Bassett, informedRx	Ms. Doreen Kuroda, DHRD
Ms. Sandra Benevides, Kaiser Permanente	Mr. Myles Kiyubu, Royal State
Ms. Monica Engle, VSP	Mr. Blaise Liu, Royal State
Mr. Christian Fern, HMSA	Mr. Michael Moss, Kaiser Permanente
Ms. Elaine Fujiwara, HDS	Mr. Harris Nakamoto, HMA
Mr. Mark Fukuhara, ABC, LLC	Mr. J.P. Schmidt, Bays Lung Rose Holma
Ms. Susan Goya, HGEA-R	Ms. Jody Serikawa, C&C
Ms. Wendy Hamada, HMA	Mr. Phil Takaba, HMSA

I. CALL TO ORDER

The regular meeting of the Board of Trustees was called to order at 9:00 a.m. by Trustee Dean Hirata, Chairperson, in EUTF Conference Room, 201 Merchant Street, Honolulu, Hawaii, on Thursday, March 17, 2011.

Chair Hirata introduced and welcomed new Trustee Clifford "Chip" Uwaine.

II. APPROVAL OF MINUTES

The minutes of February 23, 2011 were reviewed by the Trustees. Discussion held by Trustees regarding the minutes and to amend minutes as follows: (1) page 1, line 39, delete "HSRTA" and add "HSTA-R", and (2) page 3, line 6; after volunteers delete "," add ":", delete "and" and add "Ms. Coriell confirmed that assistance by carriers was for open enrollments and not for backlogs".

MOTION was made for the Board to approve the minutes of February 23, 2011 as amended. (Topping/Mizuno) After discussion by the Trustees, the motion passed unanimously. (Employer Trustees-5/Employee-Beneficiary Trustees-5)

### III. REVIEW AND ELECTION OF BOARD COMMITTEES

Overview by Ms. Coriell regarding board committees (see memorandum regarding EUTF Board Committees dated 3/14/11). Ms. Coriell requested that Trustees e-mail Maria Quartero to confirm which committee(s) they would like to be on by early next week. Ms. Diane Erickson stated at the last Board meeting the Trustees asked her to follow-up if Trustees can attend committee meetings and has a copy of a letter from the Office of Information Practices that says if you are not a member on that committee you may not attend the committee meeting. If a Board member who is not a member of the committee attends and participates, it becomes a discussion by them as members of the parent board which may not occur outside of a properly noticed full board meeting. However, there is a footnote that indicates if you are designated an Ad Hoc member; you are not necessary for quorum but may attend. It is OIP Opinion Letter No. 08-01 dated March 14, 2008.

### IV. REPORTS

#### A. Administrator

Ms. Coriell stated, at the request of the Board, Ms. Yahiro put together the comparison of HSTA VEBA HMA Self-Funded 80/20 plan and EUTF HMSA 80/20 Fully Insured Plan (see handout revised March 2011). Discussion held by Trustees and staff regarding if plans are the same and how the decision was made to have a fully-insured plan versus a self-funded plan. Discussion held by Trustees, staff and deputy attorney general regarding the HSTA lawsuit that affects the EUTF, if the HSTA Board member has conflict, and concern if a decision regarding conflict of the HSTA Board member this meeting should be addressed. Ms. Erickson stated that not every issue relating to HSTA and EUTF is a conflict in respect to the lawsuit. Trustee Uwayne stated he differs, it is the deputy attorney's opinion and that is why he is asking for the decision of the Chair. Chair Hirata stated he agrees that there are certain issues/items that would not represent a conflict. With respect to the pending litigation, on those items, there would be a conflict and on those items, he would recuse the HSTA board member from discussion. Trustee Uwayne is asking for a standard decision of the Chair that there is no conflict unless the Chair rules otherwise. So the burden is not on the HSTA Board member and then if there is a complaint made to the Ethics Commission then it would be the Board that represents her, not her alone. Chair Hirata stated he will so rule.

Discussion held by Trustees and staff regarding the last time the Administrative Fees were changed and if it has been reviewed recently. The EUTF staff will review if the Administrative Fees are sufficient and report back to the Board.

V. EXECUTIVE SESSION

MOTION was made to go into Executive Session at 9:25 a.m. for the reasons stated on the agenda. (Fuddy/Mossman) The motion passed unanimously. (Employer Trustees-5/Employee-Beneficiary Trustees-5)

Executive Session adjourned at 10:22 a.m.

Recessed 10:22 a.m. and Reconvened 11:05 a.m.

The Board has taken the following action in Executive Session:

1. Approved: Motion to approve rates for the EUTF Active Health Plan Insurance Carrier contracts from July 1, 2011 through December 31, 2011 and to approve rates for the Active & Retiree HSTA former VEBA Health Plan Insurance Carrier contracts from July 1, 2011 through December 31, 2011.
2. Approved: The RFP process for Health Benefit Plans.
3. Deferred: Appeal – Request to waive requirement to enroll in Medicare Part B.

VI. HEALTH CARE REFORM ACT'S IMPACT ON THE PLANS TO BE EFFECTIVE JULY 1, 2011

A. Applicability of Health Care Reform Act to Active & Retiree Plans

B. Grandfather Status

Overview by Mr. Morrison regarding the impact of the Health Care Reform Act and grandfather status. Mr. Morrison stated that Segal has reviewed the plans offered by the EUTF with the Administrator and has come to a determination that the medical plans (90/10, 80/20, Kaiser, HMO) all would be able to fall within the radar of grandfathered plans, therefore; not required to make certain changes on July 1, 2011. It is based on a series of tests that are required under the law, looking at reductions in benefits and employee contributions comparing the relationship of the contributions on March 2010 to those at the commencement of the next plan year (which is for purposes of the active plan July 1, 2011). That only delayed the enactment of certain changes that have to be made under the Affordable Care Act. It does not permanently relieve the plan from having to do this. Regardless of that however; there are some provisions, whether or not the EUTF is grandfathered, and they would be effective for the EUTF plans for active employees on July 1, 2011. They are: (1) a review of whether or not plans have prohibited limitations in them with respect to lifetime limits because as of July 1, 2011 for the EUTF, no plan can have a lifetime limit with the amount of benefits that can be paid out; and (2) plans that have restricted annual limits below the permitted threshold, which for the first year of enactment of this new law is \$750,000.00.

C. Mandated Plan Coverage Changes

Segal has reviewed the EUTF plans and found with the Attorney General's office that some of the EUTF's plans may be in violation of those restricted annual limits and under the law could not be continued to be offered to employees unless the position

of the healthcare law which says any plan may seek a waiver for a one-year abstention from having to conform to the restricted annual limits. The U.S. Department of Health and Human Services (HHS) would review the application and determine whether or not a waiver was warranted. Mr. Morrison stated he skipped one important distinction of the Healthcare Reform Act which stated in the law itself that this only applies to plans that are provided to active employees and not intended to cover any plan which has fewer than two active employees in the plan, i.e. a retiree only plan. That exemption from the Affordable Care Act is a total exemption from all of the provisions of the Act including all of the mandates, extensions of coverage, etc. The plans EUTF provide to retirees are deemed to be retiree only plans because they are completely separate from the active plans. Whereas, the EUTF would have to wait for the waiver to offer stand alone drugs, retiree plans can continue to offer the stand alone provision which is popular with the retirees. Segal feels waivers may be required for the following: (1) prescription drug coverage when offered as a standalone plan option; (2) EUTF Supplemental plans – HMSA & Royal State; and (3) EUTF Supplemental Plan created for former HSTA VEBA members. Discussion held by Trustees, staff and benefits consultant regarding the waiver, extensions, and appeals timeline.

1. Prescription Drug as a Stand Alone Plan Option

MOTION was made for the Board to approve for the EUTF to file an application to the U.S. Department of Health and Human Services (HHS) for a waiver to extend a non-conforming plan (prescription drug stand alone plan option for actives). (Kahoohanohano/Fuddy) After discussion by the Trustees, the motion passed unanimously. (Employer Trustees-5/Employee-Beneficiary Trustees-5)

2. EUTF Supplemental Plans – HMSA & Royal State

MOTION was made for the Board to approve for the EUTF to file an application to the U.S. Department of Health and Human Services (HHS) for a waiver to extend a non-conforming plan (EUTF supplemental plans – HMSA & Royal State). (Fuddy/Topping) After discussion by the Trustees, the motion passed unanimously. (Employer Trustees-5/Employee-Beneficiary Trustees-5)

3. EUTF Supplemental Plan created for former HSTA VEBA members

MOTION was made for the Board to approve for the EUTF to file an application to the U.S. Department of Health and Human Services (HHS) for a waiver to extend a non-conforming plan (former HSTA VEBA members). (Nip/Mizuno) After discussion by the Trustees, the motion passed unanimously. (Employer Trustees-5/Employee-Beneficiary Trustees-5)

- D. Mandated Eligibility Changes – Dependent Children to Age 26 for Medical & Rx Plans (not applicable to dental & vision) including cost impact  
Overview by Mr. Morrison regarding mandated eligibility changes for dependent children to age 26 from medical & Rx plans for Actives. No motion is required to extend coverage to age 26 for active since the EUTF is complying with Federal law.

Dependent Extension to Age 26 in the Retiree EUTF and HSTA Medical & Rx Plans: Mr. Morrison stated that the Board requested that Segal come back with an estimate of what the additional cost might be of adding the ability of retirees to add over age dependents, non-dependent children. That is the best that the administrator and Segal could come up with because we do not know how many dependents exist until they show up on an enrollment form. Formerly they may have never enrolled in a plan and may be living with an ex-spouse and living in another state or married. The estimated annual additional cost is \$3 to \$4 million dollars in the first year. There are further complications with retirees enrolled in Medicare Advantage plans (Kaiser Senior Advantage) because there is no dependent plan for people in the Medicare Advantage plan. They would have to be re-enrolled like an active employee in one of the Non-Medicare plans and can certainly cost the State (the employer) the full premium as if it was a full single retiree because they would have to be in the under 65 plan. In the self-insured plans, the EUTF actually pays the claims for whoever is added. In some cases, it could be the full catastrophic costs of an over age dependent of a retiree. It can have a significant cost to the Trust of going beyond what the law requires the EUTF to do and allow the retirees to add dependents who do not meet the current definition. Discussion held by Trustees, staff and benefits consultant on how they got the figure for the costs. Mr. Morrison stated that Segal looked at the total number of non-dependents that are not on the plan and multiplied it by the monthly costs. Ms. Coriell stated that she asked HMSA to give her the claims data on current members who are between the ages of 20 and 25 to get an idea of what these people cost. It averages \$1,800.00 per year per projected additional dependent. The maximum projection would be \$6 million dollars per year. If you are looking at retirees, what is the possibility of their children already working, particularly in light of the Hawaii Pre-paid Health Care Act. If they have a dependent over 20 who is employed they probably have access to health coverage which means they would not be covered under the EUTF plan. Trustee Hidano stated, on the contrary, she disagrees because a lot of young people work 2 or 3 jobs and cannot get coverage from one employer. Mr. Morrison stated retirees still can add dependents up until ages 23 who are full-time students enrolled after age 19. The EUTF is not taking anything away from the retirees, we are just not adding another layer on top of that. Discussion held by Trustees, staff and benefits consultant on what the figures were based on, a claim report from the January Board meeting that said “Impact on Health Care Plan on Potential Rate Increases” that it anticipated not to have a significant impact on the increase in rates and if this was factored in when the trend report was done. Mr. Morrison stated those trend surveys are actually Segal's collecting of what the insurance companies are predicting will happen in 2011. That was being

anticipated in those trend numbers, what you see as far as the trends include the additional costs associated with complying with the Affordable Care for actives. Retirees are not covered under the Act, so most of the carriers are not anticipating that employers are going to add that provision to retiree only plans. Discussion held by Trustees and benefits consultant regarding Segal providing the comparison of the same population that we have here. Mr. Morrison stated as far as the number of dependents being added, the EUTF is higher than the average. The number before you is five times greater than in California for the average dependents not enrolled there. Discussion held by Trustees and benefits consultant regarding the report from last Board meeting and if the Board should be concerned because the actives were always in the red and if there are enough resources in the retiree portion that if the Board added to it, it could cover those additional costs. Mr. Morrison stated those are only for the self-insured plans, the EUTF has the Kaiser where you are paying the rate and you have a Medicare Advantage Plan and you are also paying an insured rate. Those reserves are temporary and the fact that you have them, do not know if you would need it to offset future rate increases for the retiree. Ms. Coriell distributed a handout to the Trustees regarding an overview of how many employees we have in active pre-Medicare and retirees with Medicare and the premium volume. The premium volume with the two retiree pools comes out a little under \$300 million dollars. If you are talking about a \$6 million dollar additional cost, it would be a 2% increase which is in line with Segal's survey. Discussion held by Trustees if a decision will be made today to include the dependent extension to age 26 in the retiree plans. Trustee Uwaine disclosed that he has a conflict because he is secondary medical insurance through his deceased wife's retiree plan and his dependent child in dental school and effective January of this year she is 24 and off his plan. It would be a financial benefit if she is put back on the plan and asked the Chair to rule. Chair Hirata ruled that it would be a conflict. Discussion held by Trustees, deputy attorney general, benefits consultant regarding if this decision can be changed in a different financial time or is binding. Mr. Morrison stated that it is not binding in that because the EUTF is not covered under the Affordable Care Act, the Board is doing it at their discretion and deferred to the Deputy Attorney General as to when the Board can increase/reduce benefits for retiree plans. Ms. Erickson stated she would imagine that the EUTF could do a new plan year or do a new plan. Trustee Uwaine asked if the voting method changed since he was on the Board where it is one vote on each side. Chair Hirata stated no.

MOTION was made for the Board to approve the dependent extension to the EUTF and HSTA Medical and Rx Retiree plans. (Mizuno/Nip) After discussion by the Trustees, the motion failed. (Employer Trustees-1 YES-Fuddy, 4 NO-Hidano, Hirata, Kaneshige, Topping/Employee-Beneficiary Trustees-4 YES-Kahoohanohano, Mizuno, Mossman, Nip, 1 Recuse-Uwaine)

E. Health Care Reform Impact on Open Enrollment April 11, 2011 – May 13, 2011  
Ms. Coriell stated that no action needs to be taken on this item. An Open Enrollment will be held, letters will be sent to everyone, and the EUTF will try to address as many communication sources as they can. If any organization has an e-mail newsletter, they could send their editor's link, so the EUTF could send a brief write-up to as many places as possible.

VII. Current Session Legislation Pertaining to the EUTF

Overview by Ms. Coriell regarding past procedures and to determine how the Administrator should interact with the legislature when the Board does not take a position. Ms. Coriell is recommending the approval of the Board if she is addressing issues from an insurance standpoint without referencing the EUTF. Discussion held by Trustees and staff regarding how the Administrator should interact with the Legislature and feedback that at one hearing the Legislature asked for an EUTF representative. Trustee Nip stated she has no problem because it would be helpful to the legislature, as long as the Administrator is not representing the EUTF. Trustee Uwaine stated that the distinction following what Trustee Nip stated as she is responding officially as the EUTF Administrator to provide information, that is permissible, and not take a position unless the Board takes a position. There being no objections by the Trustees, the EUTF Administrator may provide information to the Legislature and not take a position unless the Board takes a position.

Overview by Ms. Coriell regarding six bills having an impact on the EUTF if passed. Discussion held by Trustees and staff regarding HB175, HD2 1 Board member to be appointed by the Mayors, HB814, HD1 Eliminate Life Insurance for active employees, HB1041, HD2 (SB1268) eliminate Medicare Part B reimbursement for those hired after 6/30/2011, HB1268, HD1 requires EUTF to only purchase plans with medical and Rx administered by the same administrator, SB1066, SD2 restructures EUTF, and SB1078, SD2 benefits of EUTF subject to negotiation .

MOTION was made for the Board to support HB175, HD2. (Uwaine/Mizuno) After discussion by the Trustees, the motion passed unanimously. (Employer Trustees-5/Employee-Beneficiary Trustees-5)

MOTION was made for the Board to oppose HB814, HD1. (Uwaine/Mizuno) After discussion by the Trustees, the motion failed. (Employer Trustees-5 NO-Fuddy, Hidano, Hirata, Kaneshige, Topping/Employee-Beneficiary Trustees-5 YES-Kahoohanohano, Mizuno, Mossman, Nip, Uwaine)

MOTION was made for the Board to oppose HB1041, HD2. (Uwaine/Nip) After discussion by the Trustees, the motion failed. (Employer Trustees-5 NO-Fuddy, Hidano, Hirata, Kaneshige, Topping/Employee-Beneficiary Trustees-5 YES-Kahoohanohano, Mizuno, Mossman, Nip, Uwaine)

MOTION was made for the Board to oppose HB1268, HD1. (Uwaine/Topping) After discussion by the Trustees, the motion passed unanimously. (Employer Trustees-5/Employee-Beneficiary Trustees-5)

MOTION was made for the Board to oppose SB1066, SD2. (Topping/Nip) After discussion by the Trustees, the motion failed. (Employer Trustees-5 NO-Fuddy, Hidano, Hirata, Kaneshige, Topping/Employee-Beneficiary Trustees-5 YES-Kahoohanohano, Mizuno, Mossman, Nip, Uwaine)

Discussion held by Trustees and staff regarding other bills such as HB778 and HB815. Those bills died. Only bills that are moving have been provided. No motion has been made for SB1078, SD2.

Ms. Yahiro stated that the Board already went over HB 1041 and that the previous Board approved to submit legislation to amend the part of the EUTF statute that addresses Base Monthly Contributions. The deadlines were missed to get it in the Governor's packet and then in an amendment on the House side. Senator Hee's office has been approached to set-up a meeting to discuss if an amendment could be added but no response has been received. Discussion held by Trustees and staff regarding which vehicle is available. Ms. Yahiro stated that HB 1041 was the vehicle suggested by B&F because it is the closest related subject to the based monthly contribution. A decision has been made to take no position on this bill so it cannot be changed. There being no objections by the Trustees, it is agreed that this bill is not the right vehicle.

#### VIII. OLD BUSINESS

##### A. Early Retiree Reinsurance Program Status Update

Ms. Yahiro reported Aon submitted the first reimbursement request to the Federal government. The amount is for \$4.6 million. Discussion held by Trustees and staff regarding concerns if the EUTF will really receive the \$4.6 million out of the \$5 billion that was available with \$1 billion already spent. Ms. Yahiro stated it should take 5-10 days for the reimbursement to be processed. She is in daily communications with Aon and will report back to the Board on the status.

#### IX. CARRIER REPORTS

1. HDS – Nothing further to report.
2. HMSA – Nothing further to report.
3. HMA

Mr. J.P. Schmidt referred the Board to HMA's letter dated February 21, 2011 and stated that the primary concern is that the action taken in December was improper and illegal and request that the Board reconsider their decision.

##### 4. Kaiser

Ms. Benevides reported that Maui County contacted Kaiser and Kaiser will participate in a fair that Maui is hosting in April. Some samples that Kaiser will be



giving at the fair are available on the table today. Regarding wellness, a monthly e-newsletter is put out by Kaiser and if anyone is interested in receiving it, they can contact Ms. Benevides.

5. informedRx (NMHC) – Nothing further to report.
6. Royal State Insurance – Nothing further to report.
7. Standard Insurance – Nothing further to report.
8. VSP – Nothing further to report.

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

XI. FUTURE AGENDA ITEMS AND NEXT MEETING DATE

A. March 30, 2011 – Regular Board Meeting.

Items to be added to the March 30, 2011 agenda: (1) ICSD costs to the EUTF; and  
(2) Status of clearances and Certificate of Insurance from carriers.

XII. ADJOURNMENT

There being no objections by the Trustees, the meeting adjourned at 12:23 p.m.

Respectfully submitted,

/s/

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George Kahoohanohano, Secretary-Treasurer

APPROVED on May 18, 2011.

Documents Distributed:

1. Draft Board Minutes for 2/23/11. (8 pages)
2. Memorandum Regarding EUTF Board Committees dated 3/14/11. (4 pages)
3. HSTA VEBA HMA Self-Funded 80/20 Plan Versus EUTF HMSA 80/20 Fully Insured Plan Specifically Created for HSTA VEBA Members. (2 pages)
4. Article on “Health Care Reform: Group Plan Mandates 2011” from benefits magazine February 2011. (6 pages)
5. Memorandum to BOT Regarding Background Information for March 17 Board Meeting dated 3/14/11. (2 pages).
6. EUTF Statement of Net Assets (Unaudited) dated 2/11/11. (1 page)
7. EUTF Combined Statement of Revenues and Expenses-Budget & Actual Comparison 6 Months Ended 12/21/10 (Unaudited) dated 2/10/11. (1 page)
8. EUTF Statement of Cash Flows 6 Months Ended 12/31/10 (Unaudited) dated 2/10/11. (1 page)
9. Experience Accounting of Self-Funded Plans for FYE 6/30/2011. (7 pages)