

HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
Minutes of the Board of Trustees
Tuesday, January 10, 2012

TRUSTEES PRESENT

Mr. Derek Mizuno, Vice-Chairperson
Mr. Dean Hirata, Secretary-Treasurer
Ms. Loretta Fuddy (arrived 9:05 am)
Ms. Audrey Hidano

Ms. Barbara Krieg
Ms. Karolyn Mossman
Ms. Celeste Nip
Mr. Clifford Uwaine

TRUSTEES ABSENT

Mr. Everett Kaneshige

ATTORNEY

Ms. Sarah Hiramami, Deputy Attorney General

EUTF STAFF

Ms. Barbara Coriell, Administrator
Ms. Sandi Yahiro, Assistant Administrator
Ms. Bonny Kahalewai
Ms. Maria Quartero
Ms. Kathleen Shiroma

Mr. Tom Morrison, Consultant
Mr. Robert Mitchell, Consultant
Ms. Donna Tonaki
Ms. Nicole Wong

OTHERS PRESENT

Ms. Cassandra Adachi, DHRD
Ms. Nikki Bassett, informedRx
Ms. Irene Bayudan, VSP
Ms. Sandra Benevides, Kaiser
Mr. Greg Buscetto, informedRx
Ms. Elaine Fujiwara, HDS
Mr. Mark Fukuhara, Akamai Benefits
Ms. Wendy Hamada, HMA
Mr. Cal Hutton, Ceridian

Mr. John Hulihee, Bank of Hawaii
Mr. Mike Jaeger, CVS Caremark
Mr. Tony Malone, HMSA
Ms. Wilma Moriyama, DHRD
Ms. Lynne Miura, Royal State
Mr. Lawrence Nishihara, Akamai Benefits
Mr. Phil Takaba, HMSA
Mr. Vaughn Tokashiki, 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 Derek Mizuno, Vice-Chairperson, in EUTF Conference Room, 201 Merchant Street, Honolulu, Hawaii, on Tuesday, January 10, 2012.

II. ELECTION OF CHAIRPERSON

Trustee Derek Mizuno was nominated for Chairperson. (Uwaine/Krieg) Trustee Mizuno declined.

Trustee Karolyn Mossman was nominated for Chairperson. (Mizuno) Discussion held by Trustees, staff and deputy attorney general if a chairperson is required for the Board meeting today and if this item can be deferred. There being no objections by the Trustees, this item is deferred until the next Board meeting.

Vice-Chair Mizuno announced that the EUTF will lose quorum at 1:00 p.m. The EUTF staff recommends that the Board approve amending the agenda to add agenda item VII. Executive Session, G. Appeal by Member – Request to Add New Born, to take item VIII. Executive Session out of order at 11:30 a.m. and to take items under Executive Session out of order.

MOTION was made for the Board to approve to amend the agenda to add agenda item VIII. Executive Session, G. Appeal by Member – Request to Add New Born, to take item VIII. Executive Session out of order at 11:30 a.m. and to take items under Executive Session out of order. (Mossman/Krieg). The motion passed unanimously. (Employer Trustees-3/Employee-Beneficiary Trustees-4) [Trustee Fuddy arrived at 9:05 a.m.]

III. MINUTES

A. November 8, 2011

Vice-Chair Mizuno stated because Trustee Kaneshige abstained from voting on the November 8, 2011 at the last Board meeting; as such, there was a lack of quorum so the motion failed. The Board reviewed the draft minutes of November 8, 2011.

MOTION was made for the Board to approve the minutes of November 8, 2011 as circulated. (Nip/Mossman) The motion passed unanimously. (Employer Trustees-4/Employee-Beneficiary Trustees-4)

B. December 13, 2011

The Board reviewed the draft minutes of December 13, 2011. The minutes will be amended as follows: (1) page 3, line 7, change “2011” to “2012”; (2) page 4, line 34, delete “that is at 7.7%” and add “with an expected return of 7.0%”, delete “is” and add “has”, delete “at”; (3) page 4, line 35, delete “more like”, delete “versus” and add “and”; (4) page 4, line 36, after “stable” add “asset allocation”; (5) page 4, line 37, after “passive” add “strategies”; (6) page 4, line 40 delete “REITS” and add “real estate allocation”; (7) page 5, line 3, delete “REITS” and add “real estate funds”; (8) page 5, line 4, delete “REITS” and add “real estate”; (9) page 5, line 6, delete “it is a Hawaii REITS” and add “a real estate owns Hawaii assets”; (10) page 5, line 7-8, delete “go for the most return” and add “maximize return within acceptable levels of risk”; (11) page 5, line 9, delete “REITS” and add “real estate”. Discussion held by Trustees and staff regarding what was the deadline date for retirees to submit proof of enrollment in Medicare Part B and a motion missing from the minutes for the one time waiver of Medicare Part B cancellation.

MOTION was made for the Board to approve the minutes of December 13, 2011. (Krieg/Mossman).

MOTION was made for the Board to defer this item until amendments are made, confirm and add the correct deadline date for retirees to submit proof of enrollment in Medicare Part B and add the motion that was approved for the one time waiver of Medicare Part B cancellation. (Nip/Hidano) The motion passed unanimously. (Employer Trustees-4/Employee-Beneficiary Trustees-4)

IV. REPORTS

A. Administrator

1. Department of Commerce and Consumer Affairs (DCCA) Hearing Officer's Decision on Pharmacy Benefit Manager (PBM) Protest and informedRx Appeal in Circuit Court
Overview by Ms. Coriell regarding the DCCA's Hearing Officer's decision on the PBM protest and informedRx Appeal in Circuit Court.
2. Enrollment Changes Due to Open Enrollment
Overview by Ms. Coriell regarding enrollment changes due to open enrollment and concerns regarding benefit plans (see report dated 12/27/11). Discussion held by Trustees and staff regarding how concerns regarding benefit plans are going to be addressed and that the Benefits Committee will be educated on all the benefit plans to be able to review all the benefit plans and address the concerns and what other options the Board may have.
3. Enrollment Counts by Plans
Overview by Ms. Coriell regarding enrollment counts by plans (see report dated 1/3/12).
4. Legislative Update
Ms. Coriell reported that she attended a Joint Committee meeting with Labor, Ways and Means, and House Finance and a meeting on the legislative process. Discussion held by Trustees, staff and deputy attorney general regarding a bill for exemption from Chapter 103D.
5. Other Meetings: Hawaii Health Exchange and Hawaii Health Information Exchange and Employees Retirement System
Ms. Coriell reported that she attended a couple of meetings of the Hawaii Health Care Exchange just to monitor but does not think she needs to continue attending at this time. Overview by Ms. Coriell regarding the Hawaii Health Information Exchange. Ms. Coriell stated she met with the Employees Retiree System (ERS) to see if the Hawaii Employer-Union Health Benefits Trust (EUTF) could coordinate some of the functions that the EUTF does with the ERS, such as EUTF payments to be automatically deducted from pension checks. Also, to explore having an EUTF representative in the ERS offices on the neighbor islands. Discussion held by Trustees and staff regarding EUTF staff on the neighbor islands, if the administrator has a timetable and if positions are available for this

project, and that the EUTF does have the funds. Chair Mizuno requested that the administrator prepare a plan and timetable and report back to the Board at the next Board meeting.

B. EUTF Managers' Operational Reports

1. Member Services Branch (MSB)

The Member Services Branch (MSB) Operations report was in the Board packet (see MSB Operations report dated 1/5/12).

- a. MSB Data Update
- b. Regular Open Enrollment Update
- c. COBRA Continuation Coverage Open Enrollment
- d. Prescription Drug Plan Enrollment Notification

e. Medicare Part B Enrollment Update

Discussion held by Trustees and staff regarding that the deadline date to provide proof of enrollment in Medicare Part B is July 1, 2012 and a high number of retirees called because they did not understand the letter. The result was that retirees did respond to the letter which was the purpose of the letter.

- f. Civil Unions Information and Forms Update
- g. Administrative Appeals Update

2. Information Technology (IT)

The IT Operations report was in the Board packet (see IT Operations Report dated 1/4/12).

a. Vitech Systems Group, Inc. – V3 Benefits Administration System (BAS)

Discussion held by Trustees and staff that the EUTF submitted all the necessary documents for the pending approval to amend the Vitech contract.

b. Employer W-2 Requirement for Tax Year 2012

Discussion held by Trustees and staff that the employer W-2 requirement is effective for tax year 2012.

3. Accounting

The Accounting Operations report was in the Board packet (see Accounting Operations Report dated 1/5/12).

a. V3 Benefits Administration System

b. Update on FY11 Audit Report

c. Financial Reports as of August 31, 2011 and September 30, 2011

Discussion held by Trustees and staff that the December 31, 2011 financial report will be included in the February board meeting and the timetable for the FY11 Financial Audit. The audit report should be submitted by the February board meeting.

Overview by Ms. Donna Tonaki regarding the financial report as of September 30, 2011. Discussion held by Trustees, staff and benefits consultant regarding page 3 of the Statement of Net Assets, line items 38 (OPEB Accumulation Fund) and 40 (Unrestricted Gain [loss]), the forecast for the Incurred but Not Received (IBNR), that the ERRP reimbursement for approximately \$1 million was received by the EUTF, that it is a timing issue that caused the surplus for the operating budget and claims paid out for the self-funded plans, and the IBNR run out for claims of the self-funded plans.

C. Segal – Benefits Consultant Report

1. Financial Impact of Age 26 Enrollment Provision on EUTF Active Plans

Overview by Mr. Tom Morrison regarding the cost impact of adding dependents for retirees up to age 26. Previously, Segal estimated approximately \$3.5 to \$4 million annually added to the plan. The dilemma is that the Request for Proposal (RFP) issued for medical coverage for retirees had very defined eligibility terms. If they were to change that eligibility, the Board would need to go back to HMSA and Kaiser to ask what is the cost if you were to change your eligibility for retirees and now add dependents to age 26. Ms. Coriell provided a count of all dependents ages 19-25, May enrollments vs. October enrollments (see report dated 12/6/11). Ms. Coriell stated that the Board should remember that over 98% of retirees have a 100% premium funded by the employers. There is no cost to the retiree adding another dependent. For active employees under the family plan, it would not matter if they added another dependent. If actives have a single or two party plans, adding another dependent to age 26 would be an increase in the employee's premium costs. On the other side, retirees have fewer dependents in that age bracket. Mr. Morrison stated if the Trustees change the rule of eligibility beyond the procurement process, the Board will need to go back and negotiate with HMSA and Kaiser to adding dependents to age 26 to the family definition. That definition would allow them to increase the rates and would be an additional cost where the employer pays for the retiree premium. For retirees it would mean that their rates for a family coverage would likely go up and with the decrease in paid contributions July 1st with the decrease in the Medicare Part B premiums by 13.5%, retirees in Kaiser actually will have to pay out of pocket. Discussion held by Trustees, staff and benefits consultant regarding the exchanges under the Health Care Reform law, how the projected costs of \$3.5-4 million annually were calculated and concerns expressed by a Trustee that they need to have all information on analysis and costs projections before asked to make decisions and if the Board needs to have the State Procurement Office to approve the request to add age 26 dependents to retiree plans and negotiate with carriers.

Ms. Sarah Hiramami stated that if it is within the scope of services of the contract, the Board would not need to go out for a rebid or Request for Proposal (RFP). The question of whether the Board needs to rebid depends on the specific change. There being no objections from the Trustees, the benefits consultant will make a

formal request to HMSA and Kaiser if it would cost more to add the age 26 provision for retiree medical plans.

2. Plan Data
Overview by Mr. Morrison regarding the EUTF Annual Report as of June 30, 2011 for fiscal year July 1, 2010-June 30, 2011 (see EUTF Annual Report dated 12/7/11).
- D. Carrier Reports
1. Hawaii Dental Service (HDS)
No report submitted.
 2. Hawaii Medical Service Association (HMSA)
No report submitted.
 3. Health Management Associates (HMA)
No report submitted.
 4. informedRx/NMHC Group Solutions Insurance
No report submitted.
 5. Kaiser Health Foundation
Written report for January 2012 distributed to Board today.
 6. Royal State Insurance
Written report for November 2011 submitted.
 7. Standard Insurance
No report submitted.
 8. Vision Service Plan (VSP)
No report submitted.

Recess at 10:30 a.m. and Reconvene at 10:40 a.m.

V. OLD BUSINESS

A. Early Retiree Reinsurance Program (ERRP)

1. Update

Ms. Debbie Donaldson and Mr. John Plonka from Aon joined the meeting via conference call. Overview by Ms. Debbie Donaldson from Aon (see Aon report dated 1/5/12). Discussion held by Trustees, staff, benefits consultant and Aon regarding the Q1 2011 submission of \$4.6 million reimbursement and the actual reimbursement of 43.7 million due to claims that Health and Human Services (HHS) rejected because of changed guidelines (strict detailed claim requirements and eligibility inconsistencies), how many additional claims have been filed and what is Aon waiting for. Ms. Donaldson stated that Aon submitted claims for all of 2010 and is submitting claims through June 30, 2011. Aon is continuing to work diligently on the detailed data file. Discussion held by Trustees, staff, benefits consultant and Aon that the Q4 submission should be more due to the first submittal of Kaiser claims, and if Aon has any new submissions. Ms. Donaldson stated that Aon cannot accept incurred claims after June 30, 2011

because they do not have a contract. Discussion held by Trustees, staff, benefits consultant and Aon if HHS informed Aon what the errors were and that errors are not always the vendors fault. Conference call ends with Aon. Discussion held by Trustees, staff and benefits consultant regarding Aon's contract extension that was already approved by the Board and another submission to HHS. Ms. Coriell stated that since the contract extension is approved the EUTF should get the contract in place and would like Aon to concentrate on what they are doing now so the EUTF can get the money that is in process. Discussion held by Trustees, staff and benefits consultant regarding the amount of Aon's contract which is capped at \$200,000, procedures of HHS in reviewing errors, and if the vendor files are up to date. Ms. Bonny Kahalewai stated that the vendors' files are up to date. Ms. Kahalewai is in communication with Aon and has been informed by Mr. John Plonka that the vendor files are not the problem. In regards to Aon's letter dated January 5, 2012, paragraph regarding "Maintenance of Benefits:", Mr. Morrison stated it is Segal's responsibility to perform the calculation which demonstrates that the EUTF employers have maintained their level of premium contribution including any reductions using ERRP funds. Mr. Morrison will work with the administrator in providing the base year calculation that meets the audit requirement for the EUTF files. The regulation is very clear that the state and county cannot lower their spending in the year which they received ERRP funds.

B. Update on Two Medicare Part B Projects

1. Death Validation Project

Overview by Ms. Bonny Kahalewai regarding the death validation project. The EUTF is working with the Department of Health regarding the Business Associate Agreement (BAA). For the Trustee's information, draft copies of the procedures for Medicare Part B reimbursement for deceased retiree or dependent and letters were distributed to the Board today.

2. Retirees Not Enrolled in Medicare Part B

Ms. Kahalewai summarized the letter that was sent to retirees (see letter dated 12/27/11). Discussion held by Trustees and staff regarding if the EUTF staff knows how much return mail was received and the definition of eligibility. Mr. Lawrence Nishihara, member of the public, commented that the Board needs to look at Act 136, 1999 which defines eligibility. It is the law that sets up requirements for people Medicare age to enroll in Medicare Part B. The EUTF will receive a lot of complaints and panic if letters were sent to people who are not required by State law. Ms. Sandi Yahiro stated when the EUTF sent letters to approximately 2,000 people, the EUTF staff excluded those considered "grandfathered" as a result of Acts 136. If they did receive the letter and are grandfathered, the EUTF would like for them to contact the office because the records do not show it.

VI. NEW BUSINESS

A. FY11 EUTF Annual Report

Ms. Coriell stated that at the last Board meeting, due to lack of quorum, this item was not addressed. An e-mail was sent to the Trustees for review, some comments were received, changes made and the final EUTF Annual Report was sent to Budget and Finance to be submitted to the Governor for review and then distributed to the State Legislature.

B. Medicare Part B Premium Increase 1/1/12

Overview by Ms. Coriell regarding the Medicare Part B Premium increase (see Medicare Part B Reimbursement report dated 11/2/1). Discussion held by Trustees, staff and benefits consultant regarding retiree premium. There being no objections by the Trustees, this item is deferred until the next Board meeting.

NOTE: Agenda item VIII. Executive Session is taken out of order:

VIII. EXECUTIVE SESSION

MOTION was made for the Board to move into Executive Session at 11:30 a.m. for the reasons stated on the agenda. (Fuddy/Nip) The motion passed unanimously. (Employer Trustees-4/Employee-Beneficiary Trustees-4)

Executive Session adjourned at 1:00 p.m.

Vice-Chair Mizuno reported that the Board has taken the following actions in Executive Session.

1. Approval of Award of Contract for Pharmacy Benefit Management (PBM) Prescription Drug Plan for Employer Group Waiver Plans (EGWP) for retirees to CVS Caremark.
2. Approval of contract extension for Administrator.
3. Approval of appeal by member for a request for premium refund.
4. Approval of appeal by member for a request to add new born.

NOTE: Due to lack of quorum, items B.-F. under New Business are deferred until the next Board meeting.

VI. NEW BUSINESS

B. Medicare Part B Premium Increase 1/1/12

C. New Base Monthly Contribution Amounts 7/1/12 – Calculation Methodology

D. Civil Unions Effective 1/1/12

E. RFP for 7/1/13 Other Post Employment Benefits (OPEB) Actuarial Valuation Services and Consulting Services

F. Bank of Hawaii – Transfer of Account Funds

VII. FUTURE AGENDA ITEMS DISCUSSION AND NEXT MEETING DATE

A. February 14, 2012, 9:00 a.m. – Regular Board Meeting

VIII. EXECUTIVE SESSION

This item was taken out of order and addressed earlier on agenda.

IX. ADJOURNMENT

There being no objections, the meeting adjourned at 1:01 p.m.

Respectfully submitted,

/s/

Dean Hirata, Secretary-Treasurer

APPROVED on March 13, 2012.

Documents Distributed:

1. Draft Board Minutes of 11/08/11. (12 pages)
2. Draft Board Minutes of 12/13/11. (13 pages)
3. Intervenor CaremarkPCS Health, L.L.C.'s Proposed Findings of Fact, Conclusions of Law, and Decision filed 12/16/11. (51 pages)
4. Notice of Appeal; Petitioner-Appellant informedRx, Inc's Statement of the Case and Prayer for Relief; Designation of the Record on Appeal; Order for Certification and Transmission of Record; Request for Written Briefs and Oral Argument; Exhibits "A"- "B"; Certificate of Service filed 12/23/11. (20 pages)
5. Enrollment Changes Due to Open Enrollment, Data as of 12/27/11 dated 12/27/11. (5 pages)
6. Enrollment Counts – EUTF Actives dated 1/3/12. (6 pages)
7. Memorandum to BOT from MSB Manager Regarding MSB Operations Report dated 1/5/12. (2 pages)
8. Memorandum to BOT from IS Analyst Regarding December IT Operations Report dated 1/4/12. (1 page)
9. Memorandum to BOT from Financial Management Officer Regarding Accounting Operations Report- January 2011 dated 1/5/12. (1 page)
10. EUTF Statement of Net Assets – Fiscal Year Ending June 30, 2012 (Unaudited) for August 31, 2011 dated 11/3/11. (2 pages)
11. EUTF Combined Statement of Revenues and Expenses-Budget & Actual Comparison Month Ended 8/31/11 (Unaudited) dated 11/3/11. (2 pages)
12. EUTF Statement of Cash Flows 2 Months Ended August 31, 2011 (Unaudited) dated 11/3/11. (1 page)

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13. EUTF Unrestricted Gain (Loss) Analysis 2 Months Ended August 31, 2011 dated 11/4/11. (1 page)
14. EUTF Statement of Net Assets – Fiscal Year Ending June 30, 2012 (Unaudited) for September 30, 2011 dated 12/2/11. (3 pages)
15. EUTF Combined Statement of Revenues and Expenses-Budget & Actual Comparison Month Ended 9/30/11 (Unaudited) dated 12/2/11. (2 pages)
16. EUTF Statement of Cash Flows 3 Months Ended September 30, 2011 (Unaudited) dated 12/2/11. (1 page)
17. EUTF Unrestricted Gain (Loss) Analysis 3 Months Ended September 30, 2011 dated 12/2/11. (1 page)
18. EUTF Experience Accounting of Self-Funded Plans for FYE 6/30/2012 for 2 Months as of 8/31/2011 dated 12/6/11. (7 pages)
19. EUTF Experience Accounting of Self-Funded Plans for FYE 6/30/2012 for 3 Months as of 9/30/2011 dated 12/7/11. (7 pages)
20. EUTF Annual Report as of 6/30/11 by Segal dated 12/6/11. (14 pages)
21. Active Employees – Counts of All Dependents Ages 19-25, May Enrollment vs. October Enrollments dated 12/6/11. (1 page)
22. Letter to BOT from Aon Regarding ERRP Update dated 1/5/12. (3 pages)
23. Letter to EUTF Retired Health Benefits Plan Member Regarding Medicare Part B Enrollment dated 12/27/11. (4 pages)
24. Medicare Part B Reimbursements (2nd Quarter 2010, 2nd Quarter 2011 and Projected 1st Quarter 2012) as of 12/6/11 and 12/2/11. (1 page)
25. Medicare Part B Reimbursements (Quarter Ending 6/30/10-For Period April, May and June 2010) dated 11/2/11. (1 page)
26. Medicare Part B Reimbursements (Quarter Ending 6/30/11-For Period April, May and June 2011) dated 2/1/11. (1 page)
27. Projected Medicare Part B Reimbursements (Quarter Ending 3/31/12-For Period January, February and March 2012). (1 page)
28. Retiree Base Monthly Contribution Cap Calculations dated 1/9/12. (1 page)
29. 100%, 75%, 50% Employer Contribution of the Base Monthly Contribution (BMC) Cap, Retirees' Plan Combination Based on Currently Health Plan Enrollments dated 1/3/12. (3 pages)